

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re : Chapter 11
Graceway Pharmaceuticals, LLC, et al., : Case No.: 11-13036 (PJW)
Debtors. : Jointly Administered

Hearing Date: July 12, 2012 at 9:30 a.m.
Objection Deadline: June 29, 2012 at 4:00 p.m.

REQUEST AND APPLICATION OF NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH PA, AND CERTAIN OTHER
AFFILIATES OF CHARTIS INC. FOR ALLOWANCE AND
PAYMENT OF ADMINISTRATIVE EXPENSE

National Union Fire Insurance Company of Pittsburgh PA, and certain other affiliates of Chartis Inc. (together "Claimant"), which provided insurance coverage or other services to Graceway Pharmaceuticals, LLC and certain other debtor affiliates listed on **Exhibit A** hereto (collectively, the "Debtors"), hereby file this request for allowance and payment of administrative expense, and respectfully state as follows:

1. On September 29, 2011 (the "Petition Date"), the Debtors commenced their bankruptcy cases under chapter 11, title 11 of the United States Code (the "Bankruptcy Code").

2. On and after the Petition Date, the Claimant provided and continues to provide directors and officers' insurance coverages, among others, to the Debtors for various periods commencing on February 26, 2010 and ending 12:00 a.m., March 31, 2018¹. A spreadsheet listing the post-petition policies issued to the Debtors is attached hereto as **Exhibit**

Graceway Pharmaceuticals LLC



¹Nothing herein shall be deemed to modify the terms of the policies. For issues of coverage or otherwise, the policies shall control.

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B. Additionally, Claimant and Debtors may have or may in the future enter into additional policies during the pendency of the bankruptcy cases.

3. Pursuant to the policies, the Debtors are obligated to pay to Claimant, among other things, premiums, certain deductibles, self-insured retentions, reimbursement obligations, any additional premiums, fees, expenses and related costs. Claimant is entitled to administrative expense status pursuant to section 503(b) of the Bankruptcy Code for all amounts, liquidated, unliquidated, contingent or otherwise, for insurance and other services provided to the Debtors after the Petition Date. If any amounts become liquidated and due, Claimant seeks to be paid in the ordinary course of business. This Request is made for all obligations of the Debtors arising under the policies issued by Claimant to the Debtors whether or not the relevant insurance policies and related agreements are specifically listed or described in **Exhibit B**. Claimant reserves the right to amend this administrative expense request as such amounts become liquidated.

4. The test to determine whether an entity is entitled to payment of an administrative expense is whether the efforts of the entity resulted in actual and demonstrable benefit to the debtor's estate. In re AM Intern, Inc., 203 B.R. 898, 904 (Bankr. D. Del. 1996) (citing Lebron v. Mecham Financial, Inc., 27 F.3d 944 (3d Cir. 1994)). It is well settled that insurance is a recognized means of protecting and preserving the estate, thus providing a benefit to the estate. In re Gamma Fishing Co., Inc., 70 B.R. 949, 953 (Bankr. S.D. Calif. 1987) (citing 2 Collier Bankruptcy Manual, 503-517 (3d ed. 1986)). It is equally well settled that the insurance provider is to be awarded administrative expense priority for the pro rata share of the premium during the post petition period in which the estate received benefits from the insurance contract. Gamma., 70 B.R. at 955 (where debtor receives necessary benefits from a pre-petition insurance

contract, the insurer is entitled to an administrative claim for the pro-rata share of the premium during which the estate received the benefit of the contract).

5. As the amount owed to Claimant relates to the period arising after the Petition Date and the Debtors received a substantial benefit from the existence of the insurance coverage, Claimant is entitled to an administrative expense claim, pursuant to section 503(b) of the Bankruptcy Code.

6. Additionally, Claimant reserves the right to amend this request for payment to add any additional amounts due, including without limitation, premiums or any deductibles, losses, or self-insured retention, reimbursement obligations, fees, expenses, and related costs on any of the policies set forth herein or on the list attached hereto in **Exhibit B**.

7. The filing of this request for payment is not intended to waive any right to arbitration. Claimant expressly reserves the right to seek arbitration of any dispute arising in connection with this request. To the extent of any pre-existing arbitration agreement, this Court's jurisdiction to resolve disputes should be limited to referring such disputes to arbitration and enforcing any arbitration award.

8. In executing and filing this request for payment, Claimant: (i) does not submit itself to the jurisdiction of this Court for any purpose other than with respect to said request for allowance and payment; (ii) does not waive any right or rights that it has or may have against any other persons liable for all or part of the request for payment set forth herein; (iii) expressly reserves the right to the extent permitted by law to amend or supplement this request for payment in any respect; and (iv) expressly reserves the right to assert all claims, causes of action, defenses, offsets or counterclaims. Claimant expressly reserves all rights to cancel or rescind any and all of the agreements which are the subject of this request for payment.

WHEREFORE, Claimant respectfully requests that the Court enter an Order (i) granting Claimant an allowed administrative expense for any amounts arising after the Petition Date; (ii) requiring the Debtors to make payment of such administrative expense in the ordinary course of business; and (iii) providing for such other relief that the Court deems just and proper.

Dated: May 31, 2012

BLANK ROME LLP

/s/ David W. Carickhoff

David W. Carickhoff (No. 3715)

Alan M. Root (No. 5427)

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Attorneys for Claimant

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re : Chapter 11
Graceway Pharmaceuticals, LLC, et al., : Case No.: 11-13036 (PJW)
Debtors. : Jointly Administered

Hearing Date: July 12, 2012 at 9:30 a.m.
Objection Deadline: June 29, 2012 at 4:00 p.m.

**NOTICE OF REQUEST AND APPLICATION OF NATIONAL UNION FIRE
INSURANCE COMPANY OF PITTSBURGH PA, AND CERTAIN OTHER
AFFILIATES OF CHARTIS INC. FOR ALLOWANCE AND
PAYMENT OF ADMINISTRATIVE EXPENSE**

National Union Fire Insurance Company of Pittsburgh PA, and certain other affiliates of Chartis Inc. (together "Claimant"), filed the **Request and Application of National Union Fire Insurance Company of Pittsburgh PA, and Certain Other Affiliates of Chartis Inc. for Allowance and Payment of Administrative Expense** (the "Application") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Bankruptcy Court"). A true and correct copy of the Application is attached hereto.

Objections and other responses to the relief requested in the Application, if any, must be in writing and be filed with the Bankruptcy Court no later than 4:00 p.m. Eastern Time on **June 29, 2012**. Any objections or other responses to the Application, if any, must also be served so that they are received by the undersigned no later than **June 29, 2012 at 4:00 p.m.** Eastern Time.

IF NO OBJECTIONS ARE TIMELY FILED AND SERVED IN ACCORDANCE WITH THIS NOTICE, THE BANKRUPTCY COURT MAY GRANT THE RELIEF REQUESTED BY THE APPLICATION WITHOUT FURTHER NOTICE OR HEARING.

IN THE EVENT THAT ANY OBJECTION OR RESPONSE IS FILED AND SERVED
IN ACCORDANCE WITH THIS NOTICE, A HEARING ON THE APPLICATION WILL BE
HELD BEFORE THE HONORABLE PETER J. WALSH AT THE BANKRUPTCY COURT
ON JULY 12, 2012 AT 9:30 A.M.

Dated: May 31, 2012

BLANK ROME LLP

/s/ David W. Carickhoff

David W. Carickhoff (No. 3715)

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Attorneys for Claimant

Exhibit A

DEBTORS LIST

Graceway Pharmaceuticals, LLC	11-13036
Aka Duromine	
Aka Norflex	
Aka Aldara	
Aka MetroGel Vaginal	
Aka Atopiclair	
Aka Minitran	
Aka Zyclara	
Aka Calcium Disodium Versenate	
Aka Norgesic	
Aka Theolair	
Aka Estrasorb	
Aka Benziq	
Aka Norgesic Forte	
Aka Tambocor	
Aka Maxair	
Graceway Pharma Holding Corp.	11-13037
Jointly Administered	
Graceway Holdings, LLC	11-13038
Jointly Administered	
Chester Valley Holdings, LLC	11-13039
Jointly Administered	
Chester Valley Pharmaceuticals	11-13036
Jointly Administered	
Graceway Canada Holdings, Inc.	11-13042
Jointly Administered	
Graceway International, Inc.	11-13043
Jointly Administered	

Exhibit B

GRACEWAY PHARMACEUTICALS, LLC

PETITION DATE: 9/29/2011

POLICY LIST DATE: 5/18/2012

Policy #	Profit Center	Branch	M/LOB	Insured Name	Writing Company	Effective	Expiration
00016860349	39 - PRIVATE AND 02	- CHICA	DO	GRACEWAY PHARMA HOLDINGS CORP, INC	NATIONAL UNION FIRE INS.CO.	2011-03-31	2018-03-31
00017012861	39 - PRIVATE AND 02	- CHICA	DO	GRACEWAY PHARMACEUTICALS, LLC	NATIONAL UNION FIRE INS.CO.	2010-02-26	2011-03-31

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	:	Chapter 11
	:	
Graceway Pharmaceuticals, LLC, et al.,	:	Case No.: 11-13036 (PJW)
	:	
Debtors.	:	Jointly Administered
	:	Re: Docket No. __

**ORDER GRANTING REQUEST AND APPLICATION OF NATIONAL UNION FIRE
INSURANCE COMPANY OF PITTSBURGH PA, AND CERTAIN OTHER
AFFILIATES OF CHARTIS INC. FOR ALLOWANCE AND
PAYMENT OF ADMINISTRATIVE EXPENSE**

Upon the *Request and Application of National Union Fire Insurance Company of Pittsburgh PA, and Certain Other Affiliates of Chartis Inc. for Allowance and Payment of Administrative Expense* (the "Application")¹; and it appearing that notice of the Application was proper and sufficient under the circumstances and that no other or further notice need be given; and the Court having considered the Application and any responses thereto; and good and sufficient cause appearing therefore;

IT IS HEREBY ORDERED THAT:

1. The Application is GRANTED.
2. Claimant shall have an allowed administrative expense pursuant to section 503(b) of the Bankruptcy Code for all amounts, liquidated and unliquidated, contingent or otherwise, for insurance and other services provided to the Debtors after the Petition Date.

¹ Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Application.

3. The Debtors (or any successor to the Debtors, including any liquidating trustee) shall pay such administrative expense in the ordinary course of business as they become due and liquidated.

4. This Order is without prejudice to Claimant's right to amend or supplement the Application.

5. This Court shall retain jurisdiction to interpret and enforce the terms of this Order and all matters arising out of this Order.

Dated: _____

The Honorable Peter J. Walsh
United States Bankruptcy Judge

CERTIFICATE OF SERVICE

I, David W. Carickhoff, hereby certify that on May 31, 2012, I caused a copy of the *Request and Application of National Union Fire Insurance Company of Pittsburgh PA and Certain Other Affiliates of Chartis Inc. for Allowance and Payment of Administrative Expense* and the accompanying Notice to be served on the parties listed below via First Class U.S. Mail.

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/s/ David W. Carickhoff
David W. Carickhoff (DE No. 3715)