

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

GRACEWAY PHARMACEUTICALS, LLC,  
*et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 11-13036 (PJW)

Jointly Administered

Ref. Docket No. 20

**ORDER ESTABLISHING PROCEDURES FOR INTERIM COMPENSATION AND  
REIMBURSEMENT OF EXPENSES OF PROFESSIONALS**

("Interim Compensation Order")

Upon consideration of the motion (the "**Motion**")<sup>2</sup> of the Debtors for entry of an order establishing procedures for interim compensation and reimbursement of expenses of professionals pursuant to 11 U.S.C. §§ 105(a), 327 and 331, Fed. R. Bankr. P. 2016, and Del. L. Bankr. R. 2016-1; and it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this Motion is a core proceeding pursuant to 28 U.S.C. § 157; and adequate notice of the Motion and opportunity for objection having been given, with no objections or requests for hearing having been filed, or all objections having been overruled, as the case may be; and it appearing that no

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<sup>1</sup> 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.

<sup>2</sup> Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

other notice need be given; and after due deliberation and sufficient cause therefore, it is hereby ORDERED, ADJUDGED, AND DECREED that:

1. The Motion is GRANTED as set forth herein.
2. Except as otherwise ordered by this Court, each Professional whose retention in these Chapter 11 cases has been approved by the Court (a "**Professional**") may seek interim compensation for services and reimbursement of expenses in accordance with the following procedures (the "**Compensation Procedures**"):

- a. No earlier than the 5th day of each calendar month following the month for which compensation is sought, each Professional seeking interim allowance of its fees and expenses may file an application (including the relevant time entry and description and expense detail) with this Court pursuant to Section 331 of the Bankruptcy Code for interim allowance of compensation for services rendered and reimbursement of expenses incurred during the preceding month (a "**Monthly Fee Application**"), and serve a copy of such Monthly Fee Application on the following parties: (i) Graceway Pharmaceuticals, LLC, 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, Tennessee 37620, Attn: John Bellamy; (ii) counsel for the Debtors, Latham & Watkins LLP, Suite 5800, 233 South Wacker Drive, Chicago, Illinois 60606, Attn: Josef S. Athanas and Young Conaway Stargatt & Taylor, LLP, 1000 West Street, 17th Floor, Wilmington, Delaware 19801, Attn: Michael R. Nestor; (iii) counsel for the Committee appointed by the Office of the United States Trustee, Lowenstein Sandler PC, 65 Livingston Avenue, Roseland, New Jersey 07068, Attn: S. Jason Teele and Elliott Greenleaf, 1105 North Market Street, Suite 1700, Wilmington, Delaware 19801, Attn: Rafael X. Zahralddin-Aravena; (iv) The Office of the United States Trustee for the District of Delaware, 844 King Street, Suite 2207, Wilmington, Delaware 19801, Attn: Juliet Sarkessian; and (v) special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility, Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019, Attn: Scott K. Charles and Michael S. Benn (the "**Notice Parties**"). All Monthly Fee Applications shall comply with the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules. The first Monthly Fee Application submitted by each Professional shall cover the period from the Petition Date through and including October 31, 2011.

- b. Each Notice Party will have twenty (20) days after service of a Monthly Fee Application to object thereto (the "**Objection**").

**Deadline**’). If no objections are raised prior to the expiration of the Objection Deadline, the Professional submitting the Monthly Fee Application shall file a certificate of no objection with this Court, after which the Debtors shall be authorized to pay such Professional an amount equal to 80% of the fees and 100% of the expenses requested in its Monthly Fee Application (the **Maximum Interim Payment**). If an objection is properly filed, the Debtors shall be authorized to pay the Professional 80% of the fees and 100% of the expenses not subject to an objection (the **Actual Interim Payment**”).

c. If any Notice Party objects to a Professional’s Monthly Fee Application, it must, on or before the expiration of the Objection Deadline, file with this Court and serve on such Professional and each other Notice Party a written objection (an **Objection**) so as to be received on or before the Objection Deadline. Any such Objection shall identify with specificity the objectionable fees and/or expenses, including the amount of such objected to fees and/or expenses, and the basis for such Objection. Thereafter, the objecting party and the affected Professional may attempt to resolve the Objection on a consensual basis. If the parties are unable to reach a resolution within fifteen (15) days after service of the Objection, the affected Professional may either: (i) file a response to the Objection with this Court, together with a request for payment of the difference, if any, between the Maximum Interim Payment and the Actual Interim Payment made to such Professional (the **Incremental Amount**); or (ii) forego payment of the Incremental Amount until the next interim or final fee application hearing, at which time this Court will consider and rule on the Objection if requested by the parties.

d. Beginning with the approximate three-month period from the Petition Date and ending on December 31, 2011, and at each three-month period thereafter, each Professional shall file with this Court and serve on the Notice Parties an application (an **Interim Fee Application**) for interim allowance of compensation and reimbursement of expenses sought in the Monthly Fee Applications filed during such three-month period (the **Interim Fee Period**) pursuant to Section 331 of the Bankruptcy Code. The Interim Fee Application must identify the covered Monthly Fee Applications and include any other information requested by this Court or required by the Local Rules. Interim Fee Applications shall be filed with this Court and served on the Notice Parties within 45 days after the end of the applicable Interim Fee Period. Each Professional shall file its first Interim Fee Application on or before February 14, 2012, and the first Interim Fee Application shall cover the Interim Fee Period from the Petition Date through and including December 31, 2011.

e. The Debtors shall request that this Court schedule a hearing on Interim Fee Applications at least once every six (6) months or at such other intervals as this Court deems appropriate.

f. The pendency of an Objection to payment of compensation or reimbursement of expenses shall not disqualify a Professional from the future payment of compensation or reimbursement of expenses pursuant to the Compensation Procedures.

g. Neither (i) the payment of or the failure to pay, in whole or in part, monthly interim compensation and reimbursement of expenses under the Compensation Procedures, nor (ii) the filing of or the failure to file an Objection to any Monthly Fee Application or Interim Fee Application will bind any party in interest or this Court with respect to the allowance of interim or final applications for compensation for services rendered and reimbursement of expenses of Professionals. All fees and expenses paid to Professionals in accordance with the Compensation Procedures are subject to disgorgement until final allowance by this Court.

h. Professionals shall file final applications for compensation and reimbursement by such deadline as may be established in a confirmed Chapter 11 plan or in an order of this Court. All final applications shall comply with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules and orders of this Court.

i. Copies of all Monthly Fee Applications, Interim Fee Applications, final fee applications, and notices of any hearings thereon (each a "**Hearing Notice**") must be served upon only the Notice Parties. All other parties who file a request for service of notices pursuant to Bankruptcy Rule 2002 shall be entitled to receive only a copy of a notice in connection with each Interim Fee Application and each Hearing Notice.

j. To the extent that a member of any official committee seeks reimbursement of its expenses, it shall submit its statements of expenses and supporting vouchers to counsel for the respective committee (or, if no counsel is retained, to the chair of the committee), who will collect and submit such requests for reimbursement in accordance with the foregoing Compensation Procedures.

3. The Debtors shall include all payments made to Professionals in their monthly operating reports, detailed so as to state the amount paid to the Professionals.

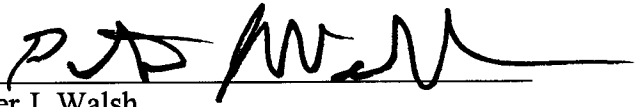
4. The Compensation Procedures shall not apply to (a) BMC Group, Inc., the Debtors' notice, claims and balloting agent, (b) professionals retained in the ordinary course of the Debtors' business, or (c) Professionals for whom the Court enters other orders governing compensation.

5. Notwithstanding anything to the contrary contained herein, any payment to be made, or authorization contained, hereunder, shall, in each case, be subject to the requirements imposed on the Debtors under any approved debtor-in-possession financing facility, or any order regarding the use of cash collateral.

6. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

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

Dated: Oct 17, 2011  
Wilmington, Delaware

  
Peter J. Walsh  
United States Bankruptcy Judge