

**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

Obj. Deadline: November 16, 2011 at 4:00 p.m. (ET)

**FIRST MONTHLY APPLICATION OF  
YOUNG CONAWAY STARGATT & TAYLOR, LLP AS COUNSEL FOR THE  
DEBTORS AND DEBTORS-IN-POSSESSION FOR ALLOWANCE  
OF COMPENSATION AND REIMBURSEMENT OF EXPENSES INCURRED  
FOR THE INTERIM PERIOD SEPTEMBER 29, 2011 THROUGH SEPTEMBER 30, 2011**

Name of Applicant: Young Conaway Stargatt & Taylor, LLP

Authorized to Provide Professional Services to: Debtors and Debtors-in-Possession

Date of Retention: Effective as of September 29, 2011

Period for which compensation and reimbursement is sought: September 29, 2011 through September 30, 2011

Amount of Interim Compensation sought as actual, reasonable and necessary: \$22,897.00

Amount of Interim Expense Reimbursement sought as actual, reasonable and necessary: \$3,592.80

This is an:  interim  final application

This application includes 0.00 hours and \$0.00 in fees incurred in connection with the preparation of Fee Applications.

<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.

Prior applications:

Date Filed / Docket No.	Period Covered	Requested		Approved	
		Fees (\$)	Expenses(\$)	Fees	Expenses
N/A	N/A	N/A	N/A	N/A	N/A

**INTERIM COMPENSATION BY INDIVIDUAL**

Name of Professional Person	Position of the Applicant, Number of Years in that Position, Prior Relevant Experience, Year of Obtaining License to Practice, Area of Expertise	Hourly Billing Rate (\$) (including changes)	Total Billed Hours	Total Compensation (\$)
Michael R. Nestor	Partner since 2003. Joined firm as an associate in 1998. Member of PA and NJ Bars since 1995. Member of DE Bar since 1996.	625.00	13.00	8,125.00
Kara Hammond Coyle	Joined firm as an associate in 2003. Member of the DE Bar since 2003.	395.00	20.20	7,979.00
Morgan L. Seward	Joined firm as an associate in 2009. Member of the DE Bar since 2009.	280.00	17.30	4,844.00
Troy Bollman	Paralegal	140.00	12.90	1,806.00
Chad A. Corazza	Paralegal	130.00	1.10	143.00
<b>Grand Total:</b>			<b>64.50</b>	<b>22,897.00</b>
<b>Blended Rate:</b>		<b>\$354.99</b>		

### INTERIM COMPENSATION BY PROJECT CATEGORY

<b>Project Category</b>	<b>Total Hours</b>	<b>Total Fees (\$)</b>
Case Administration (B001)	22.60	7,082.00
Court Hearings (B002)	36.20	13,792.00
Cash Collateral/DIP Financing (B003)	0.60	237.00
Use, Sale or Lease of Property (363 Issues) (B006)	1.10	434.50
Meetings (B008)	0.40	158.00
Retention of Professionals/Fee Issues (B017)	3.60	1,193.50
<b>TOTALS</b>	<b>64.50</b>	<b>22,897.00</b>

### INTERIM EXPENSE SUMMARY

Expenses Category	Total Expenses (\$)
Reproduction Charges	3,583.80
Long Distance Telephone	9.00
<b>TOTAL</b>	<b>3,592.80</b>

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Debtors.

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Case No. 11-13036 (PJW)

Jointly Administered

Obj. Deadline: November 16, 2011 at 4:00 p.m. (ET)

**FIRST MONTHLY APPLICATION OF  
YOUNG CONAWAY STARGATT & TAYLOR, LLP AS CO-COUNSEL FOR THE  
DEBTORS AND DEBTORS-IN-POSSESSION FOR ALLOWANCE  
OF COMPENSATION AND REIMBURSEMENT OF EXPENSES INCURRED  
FOR THE INTERIM PERIOD SEPTEMBER 29, 2011 THROUGH SEPTEMBER 30, 2011**

Pursuant to 11 U.S.C. §§ 330 and 331 and Rule 2016 of the Federal Rules of Bankruptcy Procedure, the law firm of Young Conaway Stargatt & Taylor, LLP (hereinafter “YCS&T”) hereby moves this Court for reasonable compensation for professional legal services rendered as co-counsel to Graceway Pharmaceuticals, LLC, et al., the debtors and debtors-in-possession in the above-captioned cases (the “Debtors”), in the amount of \$22,897.00 together with reimbursement for actual and necessary expenses incurred in the amount of \$3,592.80 for the interim period September 29, 2011 through September 30, 2011 (the “Interim Fee Period”). In support of its Application, YCS&T respectfully represents as follows:

1. YCS&T was employed under a general retainer to represent the Debtors as bankruptcy counsel in connection with this chapter 11 case effective as of September 29, 2011, pursuant to an Order entered by this Court on October 19, 2011. The Order authorized YCS&T to

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be compensated on an hourly basis and to be reimbursed for actual and necessary out-of-pocket expenses.

2. All services for which compensation is requested by YCS&T were performed for or on behalf of the Debtor.

### **SUMMARY OF SERVICES RENDERED**

3. Attached hereto as Exhibit A is a detailed statement of fees incurred during the Interim Fee Period showing the amount of \$22,897.00 due for fees. Exhibit B is a detailed statement of expenses paid during the Interim Fee Period showing the amount of \$3,592.80 for reimbursement of expenses.

4. The services rendered by YCS&T during the Interim Fee Period are grouped into the categories set forth in Exhibit A. The attorneys and paralegals who rendered services relating to each category are identified, along with the number of hours for each individual and the total compensation sought for each category, in the attachments hereto.

### **DISBURSEMENTS**

5. YCS&T has incurred out-of-pocket disbursements during the Interim Fee Period in the amount of \$3,592.80. This disbursement sum is broken down into categories of charges, including, among other things, telephone and telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, charges for mailing supplies (including, without limitation, envelopes and labels) provided by the Firm to outside copying services for use in mass mailings, travel expenses, expenses for "working meals," computerized research, transcription costs, as well as non-ordinary overhead expenses such as secretarial and other overtime. A complete review by category of the expenses incurred for the Interim Fee Period may be found in the attachments hereto as Exhibit B.

6. Costs incurred for overtime and computer assisted research are not included in YCS&T's normal hourly billing rates and, therefore, are itemized and included in YCS&T's disbursements. Pursuant to Local Rule 2016-2, YCS&T represents that its rate for duplication is \$.10 per page, its rate for outgoing telecopier transmissions is \$1.00 per page (excluding related long distance transmission charges), there is no charge for incoming telecopier transmissions and there is no surcharge for computerized research.

### VALUATION OF SERVICES

7. Attorneys and paraprofessionals of YCS&T have expended a total of 64.50 hours in connection with this matter during the Interim Fee Period.

8. The amount of time spent by each of these persons providing services to the Debtors for the Fee Period is fully set forth in the detail attached hereto as Exhibit A. These are YCS&T's normal hourly rates of compensation for work of this character. The reasonable value of the services rendered by YCS&T for the Interim Fee Period as counsel for the Debtors in these cases is \$22,897.00.

9. YCS&T believes that the time entries included in Exhibit A attached hereto and the expense breakdown set forth in Exhibit B hereto are in compliance with the requirements of Local Rule 2016-2.

10. In accordance with the factors enumerated in 11 U.S.C. §330, the amount requested is fair and reasonable given (a) the complexity of this case, (b) the time expended, (c) the nature and extent of the services rendered, (d) the value of such services, and (e) the costs of comparable services other than in a case under this title.

11. This Application covers the Interim Fee Period September 29, 2011 through September 30, 2011.

WHEREFORE, YCS&T requests that allowance be made to it in the sum of \$22,897.00 as compensation for necessary professional services rendered to the Debtors for the Interim Fee Period, and the sum of \$3,592.80 for reimbursement of actual necessary costs and expenses incurred during that period, and further requests such other and further relief as this Court may deem just and proper.

Dated: October 27, 2011  
Wilmington, Delaware

Respectfully Submitted,

/s/ Michael R. Nestor

Michael R. Nestor (No. 3526)  
Kara Hammond Coyle (No. 4410)  
Morgan L. Seward (No. 5388)  
YOUNG CONAWAY STARGATT & TAYLOR, LLP  
1000 West Street, 17th Floor  
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Telephone: (302) 571-6600  
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-and-

David S. Heller  
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Facsimile: (312) 993-9767

ATTORNEYS FOR DEBTORS  
AND DEBTORS-IN-POSSESSION

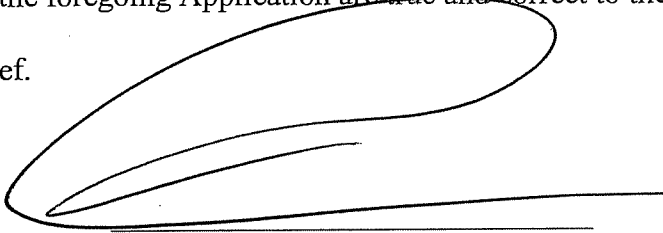


VERIFICATION

STATE OF DELAWARE    )  
                                  )    SS:  
NEW CASTLE COUNTY    )

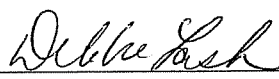
Michael R. Nestor, Esquire, after being duly sworn according to law, deposes and says:

1.     I am a Partner in the applicant firm, Young Conaway Stargatt & Taylor, LLP, and have been admitted to the bar of the Supreme Court of Delaware since 1996.
  
2.     I have personally performed many of the legal services rendered by Young Conaway Stargatt & Taylor, LLP, as counsel to the Debtors and am familiar with all other work performed on behalf of the lawyers and paraprofessionals in the firm.
  
3.     The facts set forth in the foregoing Application are true and correct to the best of my knowledge, information and belief.



MICHAEL R. NESTOR

SWORN TO AND SUBSCRIBED before me this 25 day of October, 2011.

  
\_\_\_\_\_  
Notary Public  
My Commission Expires: \_\_\_\_\_

**DEBBIE ELLEN MASKIN**  
**NOTARY PUBLIC**  
**STATE OF DELAWARE**  
**My commission expires Dec. 21, 2012**