

**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: December 19, 2011 at 4:00 p.m. (ET)

**FIRST MONTHLY APPLICATION OF  
ALVAREZ & MARSAL NORTH AMERICA, LLC AS RESTRUCTURING ADVISORS  
FOR THE DEBTORS AND DEBTORS-IN-POSSESSION FOR ALLOWANCE  
OF COMPENSATION AND REIMBURSEMENT OF EXPENSES INCURRED  
FOR THE INTERIM PERIOD SEPTEMBER 29, 2011 THROUGH OCTOBER 31, 2011**

Name of Applicant:	Alvarez & Marsal North America, LLC
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 October 31, 2011
Amount of Interim Compensation sought as actual, reasonable and necessary:	\$417,580.00
Amount of Interim Expense Reimbursement sought as actual, reasonable and necessary:	\$16,203.64
Retainer:	\$260,978.33

<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.

This is an:  X  interim   final application

Requested Payment Amount:

Fees at 80%	\$334,064.00
Expenses at 100%	<u>\$ 16,203.64</u>
Subtotal	\$350,267.64
Less Retainer	<u>\$260,978.33</u>
Total:	<u>\$ 89,289.31</u>

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

Prior applications: No 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	Position	Rate	Total Hours	Total Fees (Prior to Holdback)
Tom Hill	Managing Director	\$775	164.1	\$127,177.50
Justin Schmaltz	Director	\$550	172.2	\$94,710.00
Jodi Ehrenhofer	Director	\$425	120.0	\$51,000.00
Hamish Allanson	Sr. Associate	\$450	190.6	\$85,770.00
Matthew Williams	Consultant	\$375	6.9	\$2,587.50
Robert Esposito	Consultant	\$350	90.2	\$31,570.00
Paul Krolicki	Consultant	\$325	76.2	\$24,765.00
<b>Total</b>			<b>820.2</b>	<b>\$417,580.00</b>
	<b>Blended Rate \$509.12</b>			

**INTERIM COMPENSATION BY TASK CATEGORY**

<b>Matter Code</b>	<b>Description</b>	<b>Total Hours</b>	<b>Total Fees Requested</b>
Accounting	Bankruptcy filing cut-off issues, liabilities subject to compromise, pre-petition and post-petition claims payment processes and reporting requirements, bank related items and other accounting related items.	13.5	\$7,672.50
Administrative	Address administrative matters related to the engagement, including coordinating meetings, conference calls and the delivery of information, preparing or reviewing court documents, general case management; preparation of monthly and interim fee applications, documents for retention requirements.	36.0	\$18,577.50
Board	Preparation for and attendance at meetings of the Board of Directors.	9.6	\$6,052.50
Cash/DIP	Assist the Debtors with cash flow forecasts, budget vs. actual reporting, reporting on cash results to various constituents, entering into a post-petition financing agreement, cash collateral agreement, associated reporting under these agreements, and communication of the terms of such agreements to various constituents.	88.7	\$43,590.00
Claims	Assist Debtors establishing a claim reconciliation process, training Debtors personnel on claims reconciliation, generating claims reports to assist with claims resolution.	4.7	\$2,115.00
Contracts	Assist the Debtors with negotiations on key customer and supplier contracts, analysis of contract rejection claims and cure costs, review of executory contracts, and potential assumption / rejection of contracts.	55.7	\$27,825.00
Court	Prepare for and participate in court hearings.	24.4	\$18,392.50
Due Diligence	Preparation for and attendance at meetings or calls with secured or unsecured creditors and their advisors, coordinate responses to information requests from the secured lender, unsecured creditors and their advisors.	49.4	\$29,817.50

Monthly Operating Reports/US Trustee	Assist the Debtors with the preparation of the Monthly Operating Report, related matters for the US Trustee, and assistance with other reporting requirements.	32.9	\$19,567.50
Motions	Research for and preparation of Motions.	23.0	\$12,772.50
Operations	Assist the Debtors with various matters associated with implementing their business plan, wind down plans, employee matters, and communication plans.	34.4	\$23,415.00
Sale Transaction	Negotiations with Stalking Horse and other prospective 363 bidders, support a 363 Sale Auction, pre- and post-closing matters related to final transaction.	18.7	\$11,152.50
Statements & Schedules	Assist the Debtors with the preparation of statements and schedules.	330.9	\$139,030.00
Supplier/Customer Management	Work related to AP/Vendor or Customer communications/issues that are not related to contracts.	38.9	\$23,030.00
Travel	Non-working travel time reflected at 1/2 time incurred.	59.4	\$34,570.00
	<b>Total</b>	<b>820.2</b>	<b>\$417,580.00</b>
	<b>Blended Rate \$509.12</b>		

### INTERIM EXPENSE SUMMARY

<b>Expense Category</b>	<b>Total Expenses</b>
Airfare	\$7,773.60
Lodging	\$4,091.90
Meals	\$1,204.71
Miscellaneous	\$501.19
Transportation	\$2,632.24
<b>Total</b>	<b>\$16,203.64</b>

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FOR THE DISTRICT OF DELAWARE**

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*et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 11-13036 (PJW)

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**Obj. Deadline: December 19, 2011 at 4:00 p.m. (ET)**

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FOR THE INTERIM PERIOD SEPTEMBER 29, 2011 THROUGH OCTOBER 31, 2011**

Pursuant to 11 U.S.C. §§ 330 and 331 and Rule 2016 of the Federal Rules of Bankruptcy Procedure, Alvarez & Marsal North America, LLC (hereinafter "A&M") hereby moves this Court for reasonable compensation for professional services rendered as financial advisors to Graceway Pharmaceuticals, LLC, et al., the debtors and debtors-in-possession in the above-captioned cases (the "Debtors"), in the amount of \$417,580.00 together with reimbursement for actual and necessary expenses incurred in the amount of \$16,203.64 for the interim period September 29, 2011 through October 31, 2011 (the "Interim Fee Period"). In support of its Application, A&M respectfully represents as follows:

1. A&M was employed under a general retainer to represent the Debtors as financial advisors 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 A&M to be

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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 A&M were performed for or on behalf of the Debtor.

### **SUMMARY OF SERVICES RENDERED**

3. Attached hereto as Exhibits A-D is a detailed statement of fees incurred during the Interim Fee Period showing the amount of \$417,580.00 due for fees. Exhibits E-F is a detailed statement of expenses paid during the Interim Fee Period showing the amount of \$16,203.64 for reimbursement of expenses.

4. The services rendered by A&M during the Interim Fee Period are grouped into the categories set forth in Exhibit A. The professionals 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. A&M has incurred out-of-pocket disbursements during the Interim Fee Period in the amount of \$16,203.64. This disbursement sum is broken down into categories of charges, including, among other things, telephone, telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document processing, photocopying charges, travel expenses and "working meals," . A complete detailed summary and description of expenses incurred by category for the Interim Fee Period may be found in the attachments hereto as Exhibits E-F.



## VALUATION OF SERVICES

6. Professionals of A&M have expended a total of 820.2 hours in connection with this matter during the Interim Fee Period.
7. 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 B. These are A&M's normal hourly rates of compensation for work of this character. The reasonable value of the services rendered by A&M for the Interim Fee Period as restructuring advisors for the Debtors in these cases is \$417,580.00.
8. A&M believes that the time entries included in Exhibit D attached hereto and the expense breakdown set forth in Exhibit F hereto are in compliance with the requirements of Local Rule 2016-2.
9. 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.
10. This Application covers the Interim Fee Period September 29, 2011 through October 31, 2011.

WHEREFORE, A&M requests that allowance be made to it in the sum of \$417,580.00 as compensation for necessary professional services rendered to the Debtors for the Interim Fee Period, and the sum of \$16,203.64 for reimbursement of actual necessary costs and expenses incurred during that period. A&M further requests that the Debtors remit the amount of \$89,289.31 to the Applicant for the professional services and expenses net of the retainer, that the Applicant be directed to apply the retainer of \$260,978.33 for professional services and expenses rendered for the interim period September 29, 2011 through October 31, 2011, and further requests such other and further relief as this Court may deem just and proper.

Dated: November 29, 2011  
Chicago, Illinois

Respectfully Submitted,

/s/ Thomas E. Hill

Thomas E. Hill  
ALVAREZ & MARSAL NORTH AMERICA, LLC  
55 W. Monroe Street  
Suite 4000  
Chicago, Illinois 60603  
Telephone: (312) 601-4226  
Facsimile: (312) 803-1875  
thill@alvarezandmarsal.com

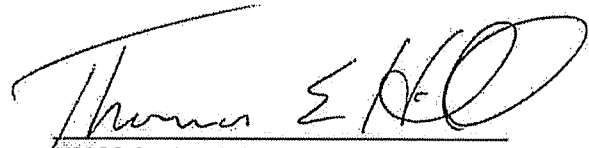
RESTRUCTURING ADVISORS FOR DEBTORS  
AND DEBTORS-IN-POSSESSION

VERIFICATION

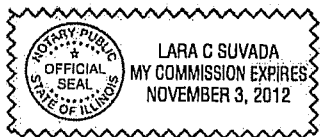
STATE OF ILLINOIS     )  
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COOK COUNTY            )     SS:

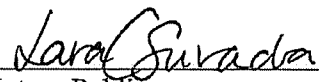
Thomas E. Hill, after being duly sworn according to law, deposes and says:

1. I am a Managing Director in the applicant firm, Alvarez & Marsal North America, LLC.
2. I have personally performed many of the professional services rendered by Alvarez & Marsal North America, LLC, as restructuring advisors to the Debtors and am familiar with all other work performed on behalf of the professionals 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.

  
THOMAS E. HILL

SWORN TO AND SUBSCRIBED before me this 22 day of November, 2011.



  
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Notary Public  
My Commission Expires: 11/3/2012