

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

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 In re: : Chapter 11
 :
 GRACEWAY PHARMACEUTICALS, LLC, *et* : Case No. 11-13036 (PJW)
*al.*¹ :
 : Jointly Administered
 Debtors. :
 :
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**FIRST MONTHLY APPLICATION OF PRICEWATERHOUSECOOPERS LLP FOR
COMPENSATION FOR SERVICES RENDERED AND REIMBURSEMENT OF
EXPENSES AS TAX CONSULTANTS TO THE DEBTORS FOR THE PERIOD OF
SEPTEMBER 29, 2011 THROUGH DECEMBER 31, 2011**

Summary

Name of Applicant:	PricewaterhouseCoopers LLP (" PwC ") ²
Authorized to Provide Professional Services to:	Debtors
Date of Retention:	Effective <i>nunc pro tunc</i> to September 29, 2011 by order signed October 18, 2011
Period for which compensation and reimbursement is sought:	September 29, 2011 through December 31, 2011 (the " Fee Period ") ³
Amount of Compensation sought as actual, reasonable and necessary:	\$9,237.20 (80% of \$11,546.50)

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); Graceway Holdings, LLC, a Delaware limited liability company (2502); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385); Chester Valley Holdings, LLC, a Delaware limited liability company (9457); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713); Graceway Canada Holdings, Inc., a Delaware corporation (6663); and Graceway International, Inc., a Delaware corporation (2399). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy).

² Capitalized terms not otherwise defined herein have the meanings given to them in the applicable Motion, Order or other filing defined.

³ The applicant reserves the right to include any time expended in the period indicated above in future application(s) if it is not included herein.

Amount of Expense Reimbursement sought as actual, reasonable and necessary:	\$0.00
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This is a: X monthly interim final application.

The total time expended for fee application preparation is approximately 7.90 hours and the corresponding compensation requested is approximately \$1,185.00.

This is the first Monthly Fee Application filed by PwC.

Summary by Project

Project Category and Billing Category	Total Hours	Compensation
Hourly Services		
<i>Tax Consulting Services</i>		
Restructuring Tax Consulting	20.30	\$10,361.50
<i>Subtotal - Hours and Compensation - Tax Consulting Services</i>	20.30	\$10,361.50
Subtotal - Hours and Compensation - Hourly Services	20.30	\$10,361.50
Case Administration		
<i>Bankruptcy Requirements and Other Court Obligations</i>		
Monthly, Interim and Final Fee Applications	7.90	\$1,185.00
<i>Subtotal - Hours and Compensation - Bankruptcy Requirements and Other Court Obligations</i>	7.90	\$1,185.00
Subtotal - Hours and Compensation - Case Administration	7.90	\$1,185.00
Total - Hours and Compensation Sought for Reimbursement	28.20	\$11,546.50

Summary by Project and Professional

Project Category and Professional Position	Rate	Hours	Total Compensation
Hourly Services			
<i>Tax Consulting Services</i>			
Mark D. Yarbrough Partner	\$680	6.80	\$4,624.00
Jay R Shallenberger Director	\$425	1.00	\$425.00
Ann Rembach Director	\$425	12.50	\$5,312.50
<i>Subtotal - Hours and Compensation - Tax Consulting Services</i>		20.30	\$10,361.50
Subtotal - Hours and Compensation - Hourly Services		20.30	\$10,361.50

Project Category and Professional Position	Rate	Hours	Total Compensation
Case Administration			
<i>Bankruptcy Requirements and Other Court Obligations</i>			
Elizabeth R Froseth Paraprofessional	\$150	7.90	\$1,185.00
<i>Subtotal - Hours and Compensation - Bankruptcy Requirements and Other Court Obligations</i>		<i>7.90</i>	<i>\$1,185.00</i>
Subtotal - Hours and Compensation - Case Administration		7.90	\$1,185.00
Total - Hours and Compensation - Hourly Services and Case Administration		28.20	\$11,546.50

Expense Summary

PwC professionals did not incur expenditures.

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**FIRST MONTHLY APPLICATION OF PRICEWATERHOUSECOOPERS LLP FOR
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EXPENSES AS TAX CONSULTANT TO THE DEBTORS FOR THE PERIOD OF
SEPTEMBER 29, 2011 THROUGH DECEMBER 31, 2011**

PricewaterhouseCoopers LLP ("**PwC**")² hereby submits this *First Monthly Fee Application of PricewaterhouseCoopers LLP for Compensation for Services Rendered and Reimbursement of Expenses as Tax Consultant to the Debtors for the Period September 29, 2011 through December 31, 2011* (the "**Monthly Fee Application**") for interim allowance and payment of compensation for tax consulting services performed and expenses incurred during the period commencing September 29, 2011 through December 31, 2011 (the "**Fee Period**").

In support of this Monthly Fee Application, PwC respectfully represents as follows:

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); Graceway Holdings, LLC, a Delaware limited liability company (2502); Graceway Pharmaceuticals, LLC, a Delaware limited liability company (5385); Chester Valley Holdings, LLC, a Delaware limited liability company (9457); Chester Valley Pharmaceuticals, LLC, a Delaware limited liability company (3713); Graceway Canada Holdings, Inc., a Delaware corporation (6663); and Graceway International, Inc., a Delaware corporation (2399). The mailing address for Graceway Pharmaceuticals, LLC is 340 Martin Luther King Jr. Blvd., Suite 500, Bristol, TN 37620 (Attn: John Bellamy).

² Capitalized terms not otherwise defined herein have the meanings given to them in the applicable Motion, Order or other filing defined.

Jurisdiction

1. This Court has jurisdiction over this Application under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Application in this District is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief requested herein are Sections 327(a), 328(a) and 1107 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"), Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 2014-1 and 2016-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules").

Background

3. On September 29, 2011 (the "Petition Date"), each of the Debtors filed a petition with the Court under chapter 11 of the Bankruptcy Code (collectively, the "Chapter 11 Cases"). The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these Chapter 11 Cases, and no official statutory committees have been appointed or designated.

4. On September 29, 2011, the Debtors filed the Application of the Debtors to Retain and Employ PricewaterhouseCoopers LLP as Tax Consultant Nunc Pro Tunc to the Petition Date [Docket No. 28] (the "Retention Application").

5. On October 17, 2011, this Court approved the retention of PwC as tax consultant to the Debtors by entering the Order Authorizing the Debtors to Retain and Employ PricewaterhouseCoopers LLP as Tax Consultant Nunc Pro Tunc to the Petition Date [Docket No. 131] (the "Retention Order"). The Retention Order states, among other things, that the Debtors

are authorized to retain and employ PwC as their tax consultant in accordance with the terms and conditions set forth in the Engagement Letter, effective nunc pro tunc to the Petition Date, subject to the modifications contained within the Retention Order.

Relief Requested

6. This Monthly Fee Application has been prepared in accordance with sections 327(a), 328 (a), 1107 of the United States Code, 11 U.S.C. §§101-1535 and the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, dated October 17, 2011 [Docket No. 127] (the "**Interim Compensation Order**"), and the *United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330*, effective January 30, 1996 (the "**UST Guidelines**"), collectively with the Local Rules, the Bankruptcy Rules and the Interim Compensation Order, the "**Compensation Guidelines**").

7. The Interim Compensation Order establishes certain procedures for all Professionals to file with the Court a Monthly Fee Application for interim compensation and reimbursement for expenses. The Interim Compensation Order provides, among other things, that each Professional will file with the Court and serve such Monthly Fee Application to various Notice Parties, identified in the Interim Compensation Order, and the Notice Parties may object to such requests. 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 the 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 or 80% of the fees and 100% of the expenses not subject to an objection

(the "**Actual Interim Payment**").

a. This is PwC's first Monthly Fee Application.

8. On a three-month period, the Interim Compensation Order provides that Professionals may file with the 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.

a. The first Interim Fee Application must be filed on or before February 14, 2012 for the Interim Fee Period from the Petition Date through and including December 31, 2011.

9. Other than as provided in Section 504(b) of the Bankruptcy Code, PwC has not shared, or agreed to share, any compensation received with respect to the Fee Period as a result of this case with any person, firm or entity. No agreement or understanding concerning compensation prohibited by 18 U.S.C. § 155 has been made to PwC by any firm, person or entity. The sole and exclusive source of compensation shall be funds of the Debtors' estates.

10. This is PwC's first Monthly Fee Application. PwC submits this Monthly Fee Application for approval and allowance of interim compensation equal to 80 % of the \$11,546.50 for actual, reasonable and necessary professional services rendered, and reimbursement of 100 % of the \$0.00 for actual, reasonable and necessary expenses incurred during the Fee Period³ for a total request of \$9,237.20 (the "**Total Compensation Amount**")

11. PwC is filing the attached Monthly Fee Application for compensation for professional services rendered and reimbursement of disbursements made in these Chapter 11 Cases during the Fee Period. The Monthly Fee Application contains detailed time logs describing

³ PwC reserves its right to seek at a later date compensation for services rendered and expenses incurred during the Fee Period that are not otherwise included in this Monthly Fee Statement, due to internal billing delays.

the actual and necessary services provided by PwC during the Fee Period, as well as other detailed information required to be included in the fee applications. The Monthly Fee Application is comprised of several exhibits which are attached hereto as follows:

- Exhibit A, provides a summary of the hours and compensation by project;
- Exhibit B, provides the summary of the hourly fees, including the name and position of each professional, cumulative hours worked by project, hourly billing rates for the hourly compensation, and the corresponding compensation requested; and
- Exhibit C, provides the daily activity descriptions for the hourly compensation, including the activity description, time and billing rates associated with each activity.

Summary of Professional Services Rendered

12. As described within the Retention Application, PwC continues to provide tax consulting services pursuant to the Engagement Letter. A summary of the hours and compensation sought by type of service is shown below:

Type of Services	Hours	Total Compensation
Hourly Services	20.30	\$10,361.50
Case Administration Services	7.90	\$1,185.00
Total - Hours and Compensation Sought for Reimbursement	28.20	\$11,546.50

Hourly Services

13. *Restructuring Tax Consulting* - This category includes, but is not limited to: (a) discussions with the Debtors to provide direction in how to calculate the gain/loss on the bulk sale of assets and determination of differences for reporting purposes, (b) meeting/participating on calls with various Debtors personnel to discuss information requests and questions regarding the preparation of the statements of financial affairs and schedules of assets and liabilities.

Case Administration

14. During the Fee Period, PwC bankruptcy professionals worked with the various professionals on the tax engagement team. These hours and corresponding fees represents the

additional time incurred by PwC's bankruptcy retention and billing professionals to prepare the Monthly Fee Application in accordance with the Compensation Guidelines. All of these services are incremental to the normal billing procedures performed by PwC for its non-bankruptcy audit clients. One step within this process is to review the submitted time and expense entries received from the client-service professionals and provide feedback and guidance regarding revisions necessary to comply with the Compensation Guidelines prior to submission to the Notice Parties and the Court. The time incurred by the client-service professionals (original entries and revising entries) are not invoiced to the Debtors. During the Fee Period, PwC bankruptcy professionals worked with the various management professionals on the accounting and valuation teams. PwC bankruptcy professionals provided guidance and technical expertise associated with the preparation of the first Monthly Fee Application.

15. The hourly time records of PwC, annexed hereto as Exhibit B and Exhibit C, provide a summary and daily breakdown of the time spent by each PwC timekeeper.

16. The fees sought by this Monthly Fee Application reflect an aggregate of 28.20 hours of professional time spent and recorded in performing services for the Debtors and their estates during the Fee Period at a blended average hourly rate of \$409.45. PwC is only seeking compensation for services rendered to the Debtors and their estates in connection with these Chapter 11 Cases.

Summary of Expenditures Incurred

17. PwC professionals did not incur expenditures during the Fee Period.

Reasonable and Necessary Services Rendered by PwC

18. This Monthly Fee Application includes details of the services provided by PwC to the Debtors, including, in each instance, the identity of the professionals involved in the provision of such services, the dates of service, the time expended, and a brief description of the services sought. PwC charged and now requests those fees that are reasonable and necessary in order for PwC to perform its duties and obligations to the Debtors and customary in this marketplace for similar Chapter 11 cases. The billing rates⁴ set forth in the various summaries of professionals and paraprofessionals rendering services during the Fee Period represent customary rates that are routinely billed to PwC's many clients for similar services. The compensation requested in this Monthly Fee Application does not exceed the reasonable value of the services rendered.

19. This Monthly Fee Application covers the period from September 29, 2011 through and including December 31, 2011. Although every effort was made to include all fees and expenses from the Fee Period in this Monthly Fee Application, some fees and/or expenses from the Fee Period might not be included in this Monthly Fee Application due to delays in processing time and receipt of invoices for expenses and/or for preparation for the instant application subsequent to the covered period. Accordingly, PwC reserves the right to make further applications for allowance of fees and expenses not included herein. This Monthly Fee Application is also made without prejudice to PwC's right to seek further interim allowances and/or a final allowance of compensation in the future in accordance with the Retention Order and

⁴ Billing rates are subject to change and are reviewed and adjusted periodically.

the Interim Compensation Order.

Requested Compensation Should be Allowed

20. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of Section 330 of the Bankruptcy Code to govern the Court's award of such compensation. 11 U.S.C. § 331. Section 330 provides that a Court may award a professional employed under Section 327 of the Bankruptcy Code "reasonable compensation for actual, necessary services rendered and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1). Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded, the court should consider the nature, extent, and the value of such services, taking into account all relevant factors, including --

- (a) the time spent on such services;
- (b) the rates charged for such services;
- (c) whether the services were necessary to the administration of, or beneficial at the time which the service was rendered toward the completion of, a case under this title;
- (d) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (e) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and expertise in the bankruptcy field, and;
- (f) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330.

21. In accordance with the factors enumerated in section 330 of the Bankruptcy Code,

it is respectfully submitted that the amount requested by PwC is fair and reasonable given (a) the complexity of the 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 the Bankruptcy Code.

22. In rendering these services, PwC made every effort to maximize the benefit to the Debtors and to work with other professionals employed in the case to avoid duplication of effort. PwC believes that the level of services rendered to achieve the results obtained for the benefit of the Debtors estate was reasonable in light of the number and complexity of the issues involved in this case at the time the services were rendered. PwC judiciously allocated responsibilities to minimize possible duplication of effort.

Certificate of Compliance and Waiver

23. To the best of its knowledge, PwC believes that this Monthly Fee Application and the description of services set forth herein of work performed are in compliance with the requirements as outlined within the Compensation Guidelines, as well as its Retention Order which granted a waiver of the information requirements relating to compensation requests set forth in Local Bankruptcy Rule 2016-2(d). To the extent that this Monthly Fee Statement does not comply in all respects with the requirements of the Compensation Guidelines, PwC believes that such deviations are not material and respectfully requests that such requirements be waived.

Notice

24. Notice of this Monthly Fee Application has been provided to the Debtors and the Notice Parties (as defined within the Interim Compensation Order) and PwC believes that no other or further notice need be provided.

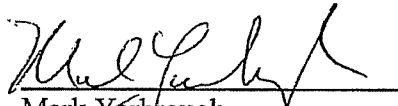
Conclusion

25. PwC respectfully submits that the Total Compensation Amount requested herein is reasonable compensation for the actual and necessary services rendered based upon the time, nature and value of such services. PwC further asserts that the costs of services rendered and expenses incurred are comparable to the cost of similar services and expenses in matters other than under the Bankruptcy Code and consistent with its Retention Application.

26. In summary, by this Monthly Fee Application, PwC respectfully requests approval and payment by the Debtors of (a) interim compensation for professional services rendered as tax consultants for the Debtors in the sum of \$9,237.20 representing 80 % of \$11,546.50 incurred during the Fee Period, less a 20 % holdback in the amount of \$2,309.30; and (b) reimbursement of actual and necessary expenses incurred in the sum of \$0.00.

WHEREFORE, PwC requests that is be allowed reimbursement for its fees and expenses incurred during the Fee Period and that such fees and expenses be paid as administrative expenses of the Debtors' estates.

Dated: January 12, 2012
New York, NY

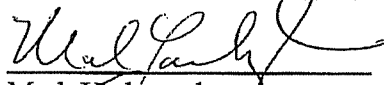

Mark Yarbrough
Partner
PricewaterhouseCoopers LLP
800 Green Valley Road
Suite 500
Greensboro, NC 27408-7032
Tax Consultants to the Debtors

CERTIFICATION OF MONTHLY FEE APPLICATION

STATE OF NORTH CAROLINA)
)
COUNTY OF GUILFORD) ss:

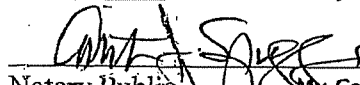
Mark Yarbrough, hereby respectfully certifies and verifies as follows:

- 1. I am a Partner in the applicant firm, PricewaterhouseCoopers LLP ("PwC").
- 2. I have personally supervised many of the tax consultation services rendered by PwC to the Debtors and am familiar with all other work performed on behalf of the partners and professionals employed by PwC.
- 3. The facts set forth in the foregoing Monthly Fee Application are true and correct to the best of my knowledge, information and belief. Moreover, I have reviewed Del.Bankr. LR 2016-2 and the Interim Compensation Order signed on October 26, 2011, and submit that the Monthly Fee Application substantially complies with such Rule and Order.



Mark Yarbrough
Partner
PricewaterhouseCoopers LLP
800 Green Valley Road Suite 500
Greensboro, NC 27408-7032
Tax Consultant to the Debtors

SWORN TO AND SUBSCRIBED before
me this 18 day of January 2012.



Notary Public My Commission Expires September 4, 2013
My Commission Expires: _____



Graceway Pharmaceuticals, LLC, et al., Case 11-13036 (PJW)
PricewaterhouseCoopers LLP - Tax Consultants

Hours and Compensation Submission
For the Period September 29, 2011 through December 31, 2011

Enclosure:

PricewaterhouseCoopers invoice for professional fees rendered and expenses incurred

Fees, \$11,546.50

Expenses, \$0.00

Hours and Compensation:

Exhibits:

Summary by Project Category and Billing Category

A

Summary of Hours and Fees by Project and Professional

B

Professional Services by Project, Professional and Date

C