

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

	)
In re:	) Chapter 11
	) Case No. 11-13036 (PJW)
<b>Graceway Pharmaceuticals, LLC, et al.<sup>1</sup></b>	) (Jointly Administered)
	)
Debtors.	) <b>Objection Deadline: February 23, 2012 @ 4:00 p.m.</b>
	) <b>Hearing Deadline: March 1, 2012 @ 4:00 p.m.</b>

**FIRST INTERIM APPLICATION OF FTI CONSULTING, INC.  
FOR COMPENSATION FOR SERVICES RENDERED AND  
REIMBURSEMENT OF EXPENSES AS FINANCIAL ADVISOR  
FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
FOR THE PERIOD OCTOBER 13, 2011 THROUGH DECEMBER 31, 2011**

Name of Applicant:	<u>FTI Consulting, Inc.</u>
Authorized to Provide Professional Services to:	<u>Official Committee of Unsecured Creditors</u>
Date of Retention:	<u>October 13, 2011</u>
Period for which compensation and reimbursement is sought:	<u>October 13, 2011 through December 31, 2011</u>
Amount of Compensation sought as actual, reasonable and necessary:	<u>\$401,936.00</u>
Amount of Expense Reimbursement sought as actual, reasonable and necessary:	<u>\$651.83</u>
This is a(n):	<u>    </u> Monthly <u>  X  </u> Interim <u>    </u> Final Application

<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); 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)

**Summary of Fee Application for Compensation Period:**

Fee Application Covered Dates, Doc. No., Date Filed	Total Fee Request	Total Expense Request	Certificate of No Objection/ Certification of Counsel Filing Date, Doc. No.	Total Amount of Fees Approved to Date via Certificate of No Objection (80%)	Total Amount of Expenses Approved to Date via Certificate of No Objection (100%)	Amount of Holdback Fees
10/13/11 – 10/31/11; Doc. No. 322; 11/30/11	\$189,395.50	\$26.31	12/20/11; Doc No. 400	\$151,516.40	\$26.31	\$37,879.10
11/01/11 – 11/30/11; Doc. No. 391; 12/20/11	\$196,238.50	\$543.86	01/12/12; Doc No. 454	\$156,990.80	\$543.86	\$39,247.70
12/01/11 – 12/31/11; Doc. No. 449; 01/11/12	\$16,302.00	\$81.66	02/02/12; Doc No. 502	\$13,041.60	\$81.66	\$3,260.40
<b>Total:</b>	<b>\$401,936.00</b>	<b>\$651.83</b>		<b>\$321,548.80</b>	<b>\$651.83</b>	<b>\$80,387.20</b>

**NO OBJECTIONS TO ANY OF THE ABOVE-LISTED MONTHLY FEE APPLICATIONS HAVE BEEN FILED.**

**PLEASE TAKE NOTICE** that, pursuant to the Court’s Order Granting Debtors’ Motion for an Administrative Order Pursuant to 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Interim Monthly Compensation and Reimbursement of Expenses of Professionals, dated October 17, 2011 (the “Administrative Order”), objections, if any, to the Interim Fee Application must be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, Wilmington, Delaware 19801, and be served upon the Applicant at the address set forth below and the Notice Parties (as such term is defined in the Administrative Order) so as to be *actually received* no later than **February 23, 2012 at 4:00 p.m.** (Prevailing Eastern Standard Time). Only those objections made in writing and timely filed and received in accordance with the Administrative Order and the procedures described herein will be considered by the Court at such hearing.

PLEASE TAKE FURTHER NOTICE THAT IF NO OBJECTIONS TO THE FIRST INTERIM FEE APPLICATION ARE TIMELY FILED AND RECEIVED IN ACCORDANCE WITH THE ABOVE PROCEDURES, THE RELIEF REQUESTED IN THE FIRST INTERIM FEE APPLICATION WILL BE GRANTED WITHOUT FURTHER NOTICE OR A HEARING.

**The Applicant certifies that it has reviewed and complied with Rule 2016-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware.**

Dated: February 14, 2012

FTI CONSULTING, INC.

By: /s/ Samuel Star

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New York, NY 10036  
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*Financial Advisor for the Official Committee of Unsecured Creditors of Graceway Pharmaceuticals, LLC, et al.*

- and -

**ELLIOTT GREENLEAF**

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*Co-counsel to the Official Committee of Unsecured Creditors of Graceway Pharmaceuticals, LLC, et al.*

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

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In re:	)	Chapter 11
	)	Case No. 11-13036 (PJW)
<b>Graceway Pharmaceuticals, LLC, <i>et al.</i></b> <sup>2</sup>	)	(Jointly Administered)
	)	
Debtors.	)	

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**FIRST INTERIM APPLICATION OF FTI CONSULTING, INC.  
FOR COMPENSATION FOR SERVICES RENDERED AND  
REIMBURSEMENT OF EXPENSES AS FINANCIAL ADVISOR  
FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
FOR THE PERIOD OCTOBER 13, 2011 THROUGH DECEMBER 31, 2011**

FTI Consulting, Inc. (hereinafter referred to as “FTI Consulting”, “FTI” or the “Applicant”) as Financial Advisor for the Official Committee of Unsecured Creditors (the “Committee”) of the above-captioned debtors and debtors in possession. (collectively, the “Debtors”) files this First Interim Application for Compensation for Services Rendered and Reimbursement of Expenses (the “Application”) for the period of October 13, 2011 through December 31, 2011 (the “Application Period”). In support of this Application, the Applicant respectfully represents as follows:

**Jurisdiction**

1. The Court has jurisdiction over this matter under 28 U.S.C. § 157 and 1334. This is a core proceeding within the meaning of 28 U.S.C. §§ 157(b)(2). Venue of this chapter 11 case in this district is proper under 28 U.S.C. §§ 1408 and 1409.

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<sup>2</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); 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)

## **Background**

2. On September 29, 2011 (the “Petition Date”), the Debtors filed a voluntary petition for relief pursuant to chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). Since that date, the Debtors have continued in possession of their business and property as debtors-in-possession in accordance with sections 1107(a) and 1108 of the Bankruptcy Code.

3. On October 11, 2011 the Office of the United States Trustee held a meeting to appoint the Committee pursuant to section 1102 of the Bankruptcy Code (the “Formation Meeting”). After the Formation Meeting, the Committee selected Lowenstein Sandler PC as its counsel, and on October 13, 2011, the Committee selected FTI Consulting as its financial advisor.

4. The Applicant’s retention as Financial Advisor to the Committee was approved as of October 13, 2011 by this Court (the “Retention Order”) [Docket No. 224].

## **Relief Requested**

5. FTI submits this Application pursuant to sections 330 and 331 of the Bankruptcy Code, Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* (the “Interim Compensation Order”) [Docket No. 127], Del. Bankr. LR 2016-2 (the “Local Rules”) and the Retention Order.

6. By this Application, FTI seeks interim allowance of compensation for actual and necessary professional services rendered in the amount of \$401,936.00 for the Application Period, and seeks the allowance and payment of its actual and necessary expenses in the amount of \$651.83 in accordance with the terms of the Interim Compensation Order.

7. As of the date of this Application, the Debtors have been authorized to pay FTI \$321,548.80 (80% of \$401,936.00) with respect to fees and \$651.83 with respect to expenses incurred and authorized during the Application Period. FTI seeks payment of the holdback in the

amount of \$80,387.20, which represents the 20% holdback for the total fees authorized in the amount of \$401,936.00.

**Monthly Applications Covered Herein**

8. FTI has filed and served monthly fee applications for the periods of (i) October 13, 2011 through October 31, 2011; (ii) November 1, 2011 through November 30, 2011; and (iii) December 1, 2011 through December 31, 2011. The following table summarizes the monthly fee applications that FTI filed with respect to the Application Period.

<b>Fee Application Covered Dates, Doc. No., Date Filed</b>	<b>Total Fee Request</b>	<b>Total Expense Request</b>	<b>Certificate of No Objection/ Certification of Counsel Filing Date, Doc. No.</b>	<b>Total Amount of Fees Approved to Date via Certificate of No Objection (80%)</b>	<b>Total Amount of Expenses Approved to Date via Certificate of No Objection (100%)</b>	<b>Amount of Holdback Fees</b>
10/13/11 – 10/31/11; Doc. No. 322; 11/30/11	\$189,395.50	\$26.31	12/20/11; Doc No. 400	\$151,516.40	\$26.31	\$37,879.10
11/01/11 – 11/30/11; Doc. No. 391; 12/20/11	\$196,238.50	\$543.86	01/12/12; Doc No. 454	\$156,990.80	\$543.86	\$39,247.70
12/01/11 – 12/31/11; Doc. No. 449; 01/11/12	\$16,302.00	\$81.66	02/02/12; Doc No. 502	\$13,041.60	\$81.66	\$3,260.40
<b>Total:</b>	<b>\$401,936.00</b>	<b>\$651.83</b>		<b>\$321,548.80</b>	<b>\$651.83</b>	<b>\$80,387.20</b>

9. Twenty percent (20%) of such fees are to be withheld on a quarterly basis (the “Holdback Fees”). Pursuant to the Interim Compensation Order, beginning with the period ending December 31, 2011, and at three month intervals, each professional must file and serve a quarterly application for such period. All fees and costs paid to a professional pursuant to month and interim fee applications are subject to this Court’s approval of the final fee application of such professional.

10. On November, 30 2011, the *First Monthly Application of FTI Consulting, Inc. for Compensation for Services Rendered and Reimbursement of Expenses as Financial Advisor for the*

*Official Committee of Unsecured Creditors for the Period October 13, 2011 through October 31, 2011* (the “First Monthly Fee Application”) [Docket No. 322] was filed and served. The First Monthly Application requested interim allowance of \$151,516.40 (80% of the 189,395.50 total) in fees and reimbursement of \$26.31 in expenses. On December 22, 2011, a Certificate of No Objection regarding the First Monthly Fee Application [Docket No. 400] was entered. Pursuant to the Interim Compensation Order, FTI was authorized to be paid \$151,516.40 in fees and \$26.31 in expenses for the First Monthly Fee Application. Holdback Fees with respect to the First Monthly Fee Application totaled \$37,879.10. A true and correct copy of the First Monthly Fee Application is attached hereto as **Exhibit A**.

11. On December 20, 2011, the *Second Monthly Application of FTI Consulting, Inc. for Compensation for Services Rendered and Reimbursement of Expenses as Financial Advisor for the Official Committee of Unsecured Creditors for the Period November 1, 2011 through November 30, 2011* (the “Second Monthly Fee Application”) [Docket No. 391] was filed and served. The Second Monthly Application requested interim allowance of \$156,990.80 (80% of the \$196,238.50 total) in fees and reimbursement of \$543.86 in expenses. On January 12, 2012, a Certificate of No Objection regarding the Second Monthly Fee Application [Docket No. 454] was entered. Pursuant to the Interim Compensation Order, FTI was authorized to be paid \$156,990.80 in fees and \$543.86 in expenses for the Second Monthly Fee Application. Holdback Fees with respect to the Second Monthly Fee Application totaled \$39,247.70. A true and correct copy of the Second Monthly Fee Application is attached hereto as **Exhibit B**.

12. On January 11, 2012, the *Third Monthly Application of FTI Consulting, Inc. for Compensation for Services Rendered and Reimbursement of Expenses as Financial Advisor for the Official Committee of Unsecured Creditors for the Period December 1, 2011 through December 31, 2011* (the “Third Monthly Fee Application”) [Docket No. 449] was filed and served. The Third

Monthly Application requested interim allowance of \$13,041.60 (80% of the \$16,302.00 total) in fees and reimbursement of \$81.66 in expenses. On February 2, 2012, a Certificate of No Objection regarding the Third Monthly Fee Application [Docket No. 502] was entered. Pursuant to the Interim Compensation Order, FTI was authorized to be paid \$13,041.60 in fees and \$81.66 in expenses for the Third Monthly Fee Application. Holdback Fees with respect to the Third Monthly Fee Application totaled \$3,260.40. A true and correct copy of the Third Monthly Fee Application is attached hereto as **Exhibit C**.

**Compliance with the Bankruptcy Code, the Bankruptcy Rules and Local Rules**

13. The monthly fee applications covered by this Application contain detailed daily time logs describing the actual and necessary services provided by FTI during the Application Period as well as other detailed information required to be included in its fee applications.

14. By this Application, FTI requests that the Court approve (i) one-hundred percent (100%) of the fees earned and expenses incurred during the Application Period in the amount of \$402,587.83 and (ii) payment of the outstanding fees and expenses for the Application Period which consists of the twenty percent (20%) holdback in the amount of \$80,387.20

15. FTI submits that the services rendered and expenses incurred were actual and necessary and that the compensation sought is reasonable and in accordance with the standards of the Bankruptcy Code and Bankruptcy Rules.

16. No agreement or understanding exists between FTI and any other entity (other than shareholders or employees of FTI) for the sharing of compensation received or to be received for services rendered in or in connection with these cases.

**Notice**

17. As required by the Interim Compensation Order, a copy of this Application has been served upon: (a) Graceway Pharmaceuticals, LLC; (b) counsel for the Debtors (c) counsel for the



Committee (d) the Office of the United States Trustee for the District of Delaware; and (e) special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility. Notice of this Application was served upon all parties requesting notice pursuant to Bankruptcy Rule 2002.

WHEREFORE, FTI respectfully requests (i) that the Court approve and allow one-hundred percent (100%) of the fees earned and expenses incurred during the Application Period in the amount of \$402,587.83; (ii) that the Court approve the payment of the Holdback Fees in the amount of \$80,387.20; and (iii) for such other and further relief as may be just and proper.

Dated: February 14, 2012

FTI CONSULTING, INC.

By: /s/ Samuel Star  
Samuel Star  
Three Times Square  
New York, NY 10036  
Telephone: 212.841.9368  
E-mail: [samuel.star@fticonsulting.com](mailto:samuel.star@fticonsulting.com)

*Financial Advisor for the Official Committee of  
Unsecured Creditors of Graceway Pharmaceuticals,  
LLC, et al.*

**VERIFICATION PURSUANT TO DEL. BANKR.LR. 2016-2(f) AND 28 U.S.C. §1746(2)**

I, Samuel Star, verify as follows:

1. I am a Senior Managing Director with FTI Consulting, Inc. (together with its wholly owned subsidiaries, agents, independent contractors and employees, "FTI"). FTI has rendered professional services to the Official Committee of Unsecured Creditors (the "Committee") in this Chapter 11 case.

2. I have read the foregoing application of FTI for compensation and reimbursement of expenses (the "Fee Application"). To the best of my knowledge, information and belief formed upon the basis of my participation in this case, as well as after reasonable inquiry, the facts set forth in the foregoing Fee Application are true and correct and materially comply with the applicable orders, rules, guidelines and requirements as set forth by the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, Del.Bankr.LR 2016-2, and the Executive Office for the United States Trustee.

Executed on: February 14, 2012

FTI CONSULTING, INC.

By: /s/ Samuel Star  
Samuel Star  
Three Times Square  
New York, NY 10036  
Telephone: 212.841.9368  
E-mail: [samuel.star@fticonsulting.com](mailto:samuel.star@fticonsulting.com)

*Financial Advisor for the Official Committee of  
Unsecured Creditors of Graceway Pharmaceuticals,  
LLC, et al.*

Invoice Nos. 7281281, 7282749 and 7284234 should be referenced when making payment. Check and wire transfer instructions are as follows:

**By Check Remit to:**

FTI Consulting Inc  
P.O. Box 418178  
Boston, MA 02241-8178  
RE: Invoices: 7281281, 7282749  
and 7284234  
Project No. 425619.0002

**By Wire Transfer Remit to:**

FTI Consulting  
Bank of America, NA  
Rockville, MD 20852  
Account # 003939577164  
  
ABA # 026009593  
Tax ID #52-1261113  
RE: Invoices: 7281281, 7282749  
and 7284234  
Project No. 425619.0002

**By ACH Transfer Remit to:**

Bank of America, NA  
Rockville, MD 20852  
ABA: # 052001633  
Account: # 003939577164  
RE: Invoices: 7281281, 7282749  
and 7284234  
Project No. 425619.0002