

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

In re:

GRACEWAY PHARMACEUTICALS, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 11-13036 (PJW)

Jointly Administered

Objection Deadline: 4/3/2012 @ 4:00 PM
Hearing Date: Only if Objections are Filed

**FIFTH MONTHLY APPLICATION OF ELLIOTT GREENLEAF,
CO-COUNSEL TO THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS, FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES
FOR THE PERIOD FEBRUARY 1, 2012 THROUGH FEBRUARY 29, 2012**

Name of Applicant: Elliott Greenleaf

Authorized to Provide
Professional Services to: Official Committee of Unsecured Creditors

Date of Retention: Nunc Pro Tunc to October 11, 2011

Period for which compensation and
reimbursement is sought: February 1, 2012 through February 29, 2012

Amount of Compensation sought as
actual, reasonable and necessary: \$14,586.40 (80% of \$18,233.00)

Amount of Expense Reimbursement sought
as actual, reasonable and necessary: \$1,229.95

This is a: monthly: interim final application

The total time expended for fee application preparation is approximately 6.0 hours and the corresponding compensation requested is approximately \$1,860.00.

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).

Each prior application disclosed:

Fee Application Date Filed, Doc. No.	Period Covered	Requested Fees	Requested Expenses	Certificate of No Objection Date Filed, Doc. No.	Approved Fees (80%)	Approved Expenses (100%)	Amount of Holdback Fees
11/22/2011	10/11/2011-10/31/2011	\$73,787.00	\$1,098.94	12/14/2011 (Docket No. 363)	\$59,029.60	\$1,098.94	\$14,757.40
12/7/2011	11/1/2011-11/30/2011	\$103,565.00	\$2,893.24	12/29/2011 Docket No. 421	\$82,852.00	\$2,893.24	\$20,713.00
1/18/2012	12/1/2011-12/31/2011	\$21,601.50	\$1,064.80	2/14/2012	\$17,281.20	1,064.80	\$4,320.30
2/15/12	1/1/2012 – 1/31/12	\$23,850.00	\$1,577.20	3/8/2012 Docket No. 591	\$19,080.00	1,577.20	\$4,770.00
3/13/12	2/1/2012-2/29/12	\$18,233.00	\$1,299.95	4/3/2012 TBD			

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

In re:

GRACEWAY PHARMACEUTICALS, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 11-13036 (PJW)

Jointly Administered

Objection Deadline: 4/3/2012 @ 4:00 PM
Hearing Date: Only if Objections are Filed

**FIFTH MONTHLY APPLICATION OF
ELLIOTT GREENLEAF, CO-COUNSEL TO THE
OFFICIAL COMMITTEE OF UNSECURED CREDITORS, FOR
COMPENSATION AND REIMBURSEMENT OF EXPENSES
FOR THE PERIOD FEBRUARY 1, 2012 THROUGH FEBRUARY 29, 2012**

Elliott Greenleaf (“EG”), co-counsel to the Official Committee of Unsecured Creditors (the “Committee”) of the above-captioned debtors (the “Debtors”), hereby submits this *Fifth Monthly Application of Elliott Greenleaf, Co-Counsel to the Official Committee of Unsecured Creditors, for Compensation and Reimbursement of Expenses for the period February 1, 2012 through February 29, 2012* (the “Application”). In support thereof, EG respectfully represents as follows:

BACKGROUND

1. On September 29, 2011 (the “Petition Date”), the Debtors commenced their bankruptcy cases (collectively, the “Bankruptcy Case”) by filing voluntary petitions for relief

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).

under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”).

2. The Debtors continue to operate its business and manage its properties as a debtor-in-possession pursuant to Bankruptcy Code Sections 1107 and 1108.

3. On October 11, 2011, the United States Trustee appointed the Committee, which consisted of the following members: Value Recovery Fund LLC (Michael Iuliano), Metaphor Inc. (Dwayne Hann), and 3M Company (Maureen Harms). *See* Appointment of Official Committee of Unsecured Creditors (Docket No. 90).

4. On October 11, 2011 (the “Retention Date”), the Committee met and selected Lowenstein Sandler (“LS”) and Elliott Greenleaf (“EG”) as Counsel to the Committee. On October 12, 2011, the Committee selected FTI Consulting (“FTI”) to serve as its Financial Advisors.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue of this proceeding and this Application is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

6. The statutory predicates for this Application are 11 U.S.C. §§ 328, 1103(a) and 1103(b) and Federal Rules of Bankruptcy Procedure 2014(a), 2016, and 5002.

TERMS AND CONDITIONS OF COMPENSATION OF EG

7. Subject to Court approval, EG seeks payment for compensation on an hourly basis, plus reimbursement of actual, necessary expenses incurred by EG for the period commencing February 1, 2012 through and including February 29, 2012 (the “Application

Period”). With the exception of copy charges (which are charged at a lower rate), the rates charged by EG in this case do not materially differ from the rates charged to EG’s non-bankruptcy clients and are lower in many cases.

8. A summary of the hours spent, the names of each professional and paraprofessional rendering services to the Committee during the Application Period, the regular customary billing rates and the total value of time incurred by each of the EG attorneys rendering services to the Committee is attached hereto as Exhibit A. A copy of the computer generated time entries reflecting the time recorded for these services, organized in project billing categories in accordance with the United States Trustee’s Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 (the “Guidelines”), is attached hereto as Exhibit B. A statement of expenses incurred by EG during the Application Period is also included in Exhibit C. All time entries and requested expenses are in compliance with Rule 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”).²

9. On October 17, 2011, this Court entered the Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals (the “Interim Compensation Order”) (Docket No. 127). Pursuant to the Interim Compensation Order, EG and other professionals retained in this case are authorized to file and to serve upon the Debtors and the parties identified in the Interim Compensation Order monthly fee applications (the “Monthly Fee Applications”) of their fees and expenses. After the expiration of a twenty (20) day objection period, the Debtors are authorized to promptly pay eighty percent (80%) of the fees and one hundred percent (100%) of the expenses requested in the Monthly Fee Application,

² EG has also attempted to ensure that this Application complies with the Guidelines. To the extent that the Guidelines conflict with the Local Rules, in particular, Local Rule 2016-2, EG has chosen to comply with such Local Rule. EG will supplement this Application with additional detail or information upon request.

unless an objection specifically objects to fees and/or expenses of a professional, or the Court orders otherwise.

9. In accordance with the Interim Compensation Order, EG has filed and served upon the Notice Parties identified in the Interim Compensation Order this Application with respect to fees and expenses incurred during the Application Period; in the amount of \$18,233.00 (80%, \$14,586.40) in fees and in the amount of \$1,299.95 in expenses.

10. All services and costs for which compensation is requested by EG in this Application were reasonable and necessary and were performed for and on behalf of the Committee during the Application Period.

CASE STATUS

11. To the best of EG's knowledge, the Debtors' monthly operating reports contain up-to-date information regarding the amount of cash on hand or on deposit in the Debtors' estate, the amount and nature of accrued unpaid administrative expenses, the Debtors' operating profits or losses, and the amount of unencumbered funds in the Debtors' estate.

12. To the best of EG's knowledge, the Debtors have paid to the UST its initial quarterly fees and has filed its initial monthly operating report.

NARRATIVE SUMMARY OF SERVICES

13. EG has rendered actual and necessary services on behalf of the Committee and is requesting reasonable compensation for their services for the Application Period. As noted above, a summary by project category is attached as Exhibit B, as are detailed time entries organized by category and chronology within the categories. EG has acted as the primary source for information and communication to and from the Committee and Court, including collecting and preserving, in an electronic database, all relevant pleadings for the Committee and the

Committee professionals. In addition, EG has provided summaries, calendaring, and periodically distributed a memorandum of all statutory and procedural deadlines to the Committee professionals and Chair of the Committee.

14. EG has filed with the Court and assisted in preparation of all documents filed on behalf of the Committee. In its capacity as Co-Counsel, EG has reviewed all relevant pleadings in the above captioned Debtors' bankruptcy cases for deadlines. EG has also assisted in substantive review, under the direction of the Committee, to support Co-Counsel, as needed. EG has reviewed all filings in the case to conform Committee filings to the requirements of local practice and the applicable local rules and chambers procedures. EG has also provided substantive review of all Delaware case law in Committee filings. EG has assisted the Committee professionals in other substantive areas in which it has specific expertise beyond Delaware law, including international and comparative law and coordination of efforts with Canadian Counsel retained by the Committee. At all times EG has coordinated its work with Co-Counsel to avoid all duplication of work, which has inured to the benefit of the Committee.

COMPENSATION REQUESTED

16. EG expended 58.8 hours during the Application Period in furtherance of its efforts on behalf of the Committee. EG requests allowance of compensation in amount of \$18,233.00 for legal services rendered during the Application Period at a blended hourly rate of \$310.09. Pursuant to the Interim Compensation Order, EG requests payment of 80% of the total fees requested, or \$14,586.40. None of the requested fees detailed herein have been paid.

REIMBURSEMENT OF EXPENSES

17. During the Application Period, EG incurred certain necessary expenses in rendering legal services to the Committee as set forth in Exhibit C. Exhibit C sets forth in

summary detail the expenses incurred during the Application Period (copies of invoices from EG's vendors are available for inspection upon request). Telecopying services completed in-house by EG were charged at \$1.00 per page for outgoing facsimiles only. EG represents that its rate for duplication is \$0.10 per page, consistent with the Local Rules and Guidelines. In order to more efficiently handle the voluminous copying of pleadings served and filed in this case, EG on occasion retained third-party duplication service providers. EG seeks reimbursement only for the actual expenses charged by such third-party service providers. Finally, EG seeks reimbursement for computer assisted research, which is the actual cost of such charges, if any.

18. EG seeks reimbursement for its reasonable, necessary and actual expenses incurred during the Application Period for the total amount of \$1,229.95.

LEGAL STANDARD

19. Section 330(a)(1) of the Bankruptcy Code allows the payment of:

(A) reasonable compensation for actual, necessary services rendered by the trustee, examiner, professional person, or attorney and by any paraprofessional person employed by any such person; and

(B) reimbursement for actual, necessary expenses.

11 U.S.C. § 330(a)(1). Reasonableness of compensation is driven by the "market-driven approach" which considers the nature, extent and value of services provided by the professional and cost of comparable services in the non-bankruptcy contexts. *See Zolfo Cooper & Co. v. Sunbeam-Oster Co.*, 50 F.3d 253, 258 (3d Cir. 1995); *In re Busy Beaver Building Ctr., Inc.*, 19 F.3d 833, 849 (3d Cir, 1994). Thus, the "baseline rule is for firms to receive their customary rates." *Zolfo Cooper*, 50 F.3d at 259.

20. In accordance with its practices in non-bankruptcy matters, EG has calculated its compensation requested in their Application by applying the standard hourly rates. EG's

calculation is based upon hourly rates that are well within the range of rates that are charged by comparable firms in similar bankruptcy cases. Accordingly, EG's rates should be determined to be reasonable under Section 330 of the Bankruptcy Code.

21. EG's fees during the Application Period are also reasonable under the prevailing legal standard and should be allowed. The amount of these fees is not unusual given the complexity, accelerated deadlines, aggressive sale schedule, and size of the Debtors' Chapter 11 case. EG's fees are commensurate with fees that other attorneys of comparable experience and expertise have charged and been awarded in similar Chapter 11 cases. Accordingly, EG's fees are reasonable pursuant to Section 330 of the Bankruptcy Code.

22. Section 330(a)(1)(B) of the Bankruptcy Code permits reimbursement for actual, necessary expenses. EG's legal services and expenses incurred during the Application Period are set forth in this Application and constitute only those necessary expenses that were incurred for the benefit of the Committee. EG has properly requested reimbursement of only actual, necessary and appropriate legal expenses.

23. Except as permitted by Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), no agreement or understanding exists between EG and/or any third person for the sharing or division of compensation. All of the services for which compensation is requested in this Application were rendered at the request of and solely on behalf of the Committee.

24. Pursuant to the standards set forth in Sections 330 and 331 of the Bankruptcy Code, EG submits that the compensation requested is for actual and necessary services and expenses, and is reasonable, based upon the nature, extent and value of such services, the time spent thereon, and the costs of comparable services in a case under the Bankruptcy Code.

25. The time records annexed to this Application constitute only a general statement of the services rendered and time expended without description of the pressure and constraints under which EG actually rendered these services. The considerable challenges of this case have been attended to and managed by EG at all levels, promptly, expertly, and often to the exclusion of the other matters in EG's office. EG submits, therefore, that its fees and expenses were actually, necessary, reasonable and justified, and should be allowed in full.

NOTICE AND NO PRIOR APPLICATION

26. No trustee or examiner has been appointed in this Chapter 11 case. Notice and service of this Application has been given to the Debtors; counsel to the Debtors; the UST; and special restructuring and bankruptcy counsel to the administrative agent for the lenders under the Debtors' prepetition first lien credit facility pursuant to the Interim Compensation Order. Pursuant to the Bankruptcy Rule 2002(a)(6), Notice of this Application has also been given to all parties requesting notices. In light of the nature of the relief requested herein, EG submits that no further or other notice is required.

27. No previous application for the relief sought herein has made to this or any other Court.

VERIFICATION

28. I am familiar with the work performed on behalf of the Committee by the lawyers and paraprofessionals in the firm.

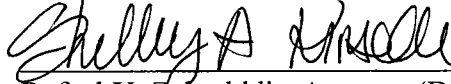
29. I have reviewed the foregoing Application and the facts set forth therein are true and correct to the best of my knowledge, information and belief. Moreover, I have reviewed Local Rule 2016-2, and submit that the Application substantially complies with such Local Rule.

WHEREFORE, EG requests that its Application for fees in the amount of \$18,223.00 and

expenses in the amount of \$1,299.95 be allowed and that if no objections are filed, 80% of the requested fees in the amount of \$14,586.40 and 100% of the amount of \$1,299.95 be paid for reimbursement of actual and necessary costs and expenses incurred during the Application Period, and further requests such other and further relief as the court may deem just and proper.

Dated: March 13, 2012
Wilmington, Delaware

ELLIOTT GREENLEAF



Rafael X. Zahralddin-Aravena (DE Bar No. 4166)

Shelley A. Kinsella (DE Bar No. 4023)

1105 North Market Street, Suite 1700

Wilmington, Delaware 19801

Telephone: (302) 384-9400

Facsimile: (302) 384-9399

Email: rxza@elliottgreenleaf.com

Email: sak@elliottgreenleaf.com

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