

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

In re:) Chapter 11
)
)
GRACEWAY PHARMACEUTICALS, LLC., et) Case No. 11-13036 (PJW)
al.,) Jointly Administered
)
)
Debtors.)
)
)

FIFTH INTERIM FEE AND EXPENSE APPLICATION COVER SHEET

Name of Applicant: Latham & Watkins, LLP

Name of Client: Graceway Pharmaceuticals, et al., debtors and debtors-in-possession

Date of Retention: September 29, 2011

Period Covered: February 1, 2012 through February 29, 2012

Amount of Compensation sought as actual, reasonable and necessary: \$ 396,439.00¹

Amount of Expense Reimbursement sought as actual, reasonable and necessary: \$6,060.90²

This is a Fifth interim fee application.

The total time expended for fee application preparation is approximately 2.0 hours and the corresponding compensation requested is approximately \$1,890.00.

¹ This amount is the sum of the gross amount of compensation \$403,366.50 less (a) \$2,832.00 for attorney compensation charged at rates in excess of \$950.00 per hour (for which Latham & Watkins, LLP reserves the right to seek approval in its final fee application) and (b) \$4,095.50, which constitutes 50% of attorney compensation for non-working travel time.

² This amount is the gross amount of expenses of \$6,074.69 less \$13.79 (\$0.07 per copy for black-and-white copies and \$0.15 per copy for color copies).

SECTION I: FEE SUMMARY

| | | To Date | | Current Period |
|-----------------------------------------|----|--------------|----|----------------|
| Total Fees Requested: | \$ | 2,761,899.50 | \$ | 396,439.00 |
| Total Disbursements Requested: | \$ | 51,432.41 | \$ | 6,060.90 |
| Total Fees Previously Allowed: | \$ | 2,277,975.50 | \$ | 0 |
| Total Disbursements Previously Allowed: | \$ | 45,371.51 | \$ | 0 |
| Total Previously Received by Applicant: | \$ | 2,323,347.01 | \$ | 0 |

SECTION II: ATTORNEY/OTHER PROFESSIONAL SUMMARY

| <u>Name of Attorney/ Other Professional</u> | <u>Yr. Admitted to Practice</u> | <u>Hours Billed</u> | <u>Hours Rate</u> | <u>Total</u> |
|-------------------------------------------------|-------------------------------------|-------------------------|-----------------------|--------------|
| <u>PARTNERS/OF COUNSEL</u> | | | | |
| D. S. Heller | 1978 | 15.40 | \$1,110.00 | \$ 17,094.00 |
| J. S. Athanas | 1991 | 73.00 | \$945.00 | \$ 68,985.00 |
| M. G. Egge | 1991 | 0.30 | \$985.00 | \$ 295.50 |
| J. M. Kronsoble | 1991 | 6.50 | \$1,005.00 | \$ 6,532.50 |
| C. A. Reckler | 2001 | 74.00 | \$895.00 | \$ 66,230.00 |
| <u>ASSOCIATES</u> | | | | |
| V. C. Barbosa | 2006 | 21.80 | \$725.00 | \$ 15,805.00 |
| L. R. Bailey | 2008 | 97.00 | \$625.00 | \$ 60,625.00 |
| S. E. Barr | 2008 | 0.50 | \$625.00 | \$ 312.50 |
| M. L. Warren | 2008 | 114.70 | \$625.00 | \$ 71,687.50 |
| A. C. Weis | 2009 | 66.60 | \$595.00 | \$ 39,627.00 |
| H. A. Miller | 2010 | 20.30 | \$535.00 | \$ 10,860.50 |
| C. R. Koepsel | 2011 | 7.50 | \$465.00 | \$ 3,487.50 |
| <u>NONLAWYER PROFESSIONALS</u> | | | | |
| K. K. George | Law Clerk | 85.90 | \$465.00 | \$ 39,943.50 |
| E. C. Arnold | Paralegal | 3.40 | \$350.00 | \$ 1,190.00 |

| | | | | | |
|----------------------|------------|--------|----------|----|------------|
| C. M. Rico | Paralegal | 1.20 | \$330.00 | \$ | 396.00 |
| C. H. Meller | Prof Staff | 1.00 | \$295.00 | \$ | 295.00 |
| Total hours and fees | | 589.10 | | \$ | 403,366.50 |

SECTION III: COMPENSATION BY PROJECT CATEGORY

| | <u>Hours Billed</u> | <u>Hours Rate</u> | <u>Total</u> |
|--------------------------------|---------------------|-------------------|---------------|
| Case Administration | 39.10 | \$ 674.00 | \$ 26,342.50 |
| Plan and Disclosure Statement | 283.60 | \$ 717.00 | \$ 203,399.00 |
| Financing Cash Collateral | 0.00 | \$ 0.00 | \$ 0.00 |
| Claims Analysis and Objections | 214.00 | \$ 623.00 | \$ 133,225.00 |
| General Litigation | 0.00 | \$ 0.00 | \$ 0.00 |
| Corporate and Securities | 0.00 | \$ 0.00 | \$ 0.00 |
| Avoidance Actions | 39.80 | \$ 797.00 | \$ 37,710.50 |
| Asset Sales | 0.40 | \$ 465.00 | \$ 186.00 |
| Executory Contracts | 1.20 | \$ 595.00 | \$ 714.00 |
| Fee and Retention Apps | 9.90 | \$ 721.00 | \$ 7,135.00 |
| Creditor Inquiries | 1.10 | \$ 595.00 | \$ 654.50 |
| | | | |
| Total hours and fees | 589.10 | \$ 685.00 | \$ 403,366.50 |

SECTION IV: EXPENSE SUMMARY

| <u>Expenses</u> | <u>Amount</u> |
|--------------------------------------|--------------------|
| a. Telecopying | \$ 0.00 |
| b. Photocopying | \$ 33.49 |
| c. Telephone | \$ 153.25 |
| d. Travel, Meals and Lodging | \$ 4,052.89 |
| e. Air Express, Shipping and Postage | \$ 11.18 |
| f. Employee Overtime, Miscellaneous | \$ 0.00 |
| g. Electronic Research | \$ 1,823.88 |
| h. Recording Fees | <u>\$ 0.00</u> |
| Total Expenses | <u>\$ 6,074.69</u> |

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

| | | |
|-------------------------------------------|---|-------------------------|
| In re: |) | Chapter 11 |
| |) | |
| |) | Case No. 11-13036 (PJW) |
| GRACEWAY PHARMACEUTICALS, LLC., <u>et</u> |) | |
| <u>al.</u> |) | Jointly Administered |
| |) | |
| Debtors. |) | |
| |) | |

**FIFTH INTERIM APPLICATION OF LATHAM & WATKINS LLP
FOR ALLOWANCE AND PAYMENT OF COMPENSATION AND
REIMBURSEMENT OF EXPENSES AS COUNSEL FOR THE DEBTORS**

TO: THE HONORABLE PETER J. WALSH
UNITED STATES BANKRUPTCY JUDGE

Pursuant to sections 330, 331 and 503(b)(1)(A) of the Bankruptcy Code, 11 U.S.C. §§ 101-1330 (the "Bankruptcy Code"), Rule 2016 of the Federal Rules of Bankruptcy Procedure ("the Bankruptcy Rules") and Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), Latham & Watkins LLP ("Latham"), court appointed counsel for Graceway Pharmaceuticals, LLC ("Graceway") and the other above-captioned debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the "Debtors"), respectfully makes this interim application for allowance of

\$396,439.00¹ for compensation and \$6,060.90² as reimbursement for expenses during the period from February 1, 2012 through February 29, 2012 (the “Compensation Period”).

In support of this application, Latham respectfully represents as follows:

Background

1. Voluntary petitions for relief under chapter 11 of the Bankruptcy Code were filed by the Debtors on September 29, 2011. The Debtors are continuing in possession of their respective properties and managing their respective businesses as authorized under sections 1107 and 1108 of the Bankruptcy Code.

2. On October 17, 2011, this Court entered an order approving the retention of Latham as counsel for the Debtors. Latham was provided a pre-petition retainer of approximately \$130,000.00.

3. The supervisory responsibility for Latham’s efforts on behalf of the Debtors has been borne by David S. Heller and Josef S. Athanas. Mr. Heller and Mr. Athanas are partners in Latham’s Chicago office. Mr. Heller is a 1974 graduate of Northwestern University and a 1978 graduate of Georgetown University Law School, and Mr. Athanas is a 1988 graduate of Indiana University and a 1991 graduate of University of Chicago Law School. Mr. Heller and Mr. Athanas both concentrate their practice in bankruptcy.

¹ This amount is the sum of the gross amount of compensation \$403,366.50 less (a) \$2,832.00 for attorney compensation charged at rates in excess of \$950.00 per hour (for which Latham & Watkins, LLP reserves the right to seek approval in its final fee application) and (b) \$4,095.50, which constitutes 50% of attorney compensation for non-working travel time.

² This amount is the gross amount of expenses of \$6,074.69 less \$13.79 (\$0.07 per copy for black-and-white copies and \$0.15 per copy for color copies).

Summary of Services Performed During the Current Compensation Period

4. As is reflected in the Fifth Interim Fee and Expense Application Cover Sheet (the "Cover Sheet"), Latham has rendered 589.10 hours of legal services in the representation of the Debtors during the Compensation Period. Based on the nature of the services rendered, the time required, the value of the services to the Debtors and their estates, and the cost of comparable services other than in a case under the Bankruptcy Code, the compensation for these services should not be less than \$403,366.50. This total represents 589.10 hours of Latham attorney and other professional time, at an average hourly rate of \$685.00. The hourly rate for each attorney and other professional who performed services for the Debtors is set forth in the Cover Sheet.

5. In accordance with Local Rule 2016-2(d), Exhibit A, attached hereto and incorporated herein by reference, contains a detailed chronological narrative of the time spent, the dates and descriptions of the services rendered, and the identity of the attorneys and other professionals who provided services on behalf of the Debtors during the Compensation Period, divided among eleven (11) uniform categories adopted at the outset of this case. Section III of the Cover Sheet, attached hereto and incorporated herein by this reference, contains a summary of the services provided by project category.

6. In accordance with Local Rule 2016-2(c)(iii), Latham respectfully supplements the chronological narrative of the time spent, the dates and descriptions of services rendered by the professionals who worked on this engagement and the related disbursements incurred on behalf of the Debtors with the following narrative summary of the services rendered by Latham, organized by category.

a. **General Administration.** Latham rendered a total of 39.10 hours and \$26,342.50 in services in the category "General Administration," which includes all of the time

spent participating in strategic meetings with the Debtors regarding the status of the cases, drafting pleadings, attending hearings, communicating with the Debtors regarding the outcome of each hearing, and receiving the Debtors' instructions in connection with the administration of these cases.

b. **Plan and Disclosure Statement.** Latham rendered a total of 283.60 hours and \$203,399.00 in services in the category "Plan and Disclosure Statement." This project category includes Latham's services in connection with drafting and negotiating the Plan of Liquidation, Liquidating Trust Agreement and Disclosure Statement.

c. **Financing Cash Collateral.** Latham rendered a total of 0.00 hours and \$0.00 in services in the category "DIP Financing." Latham has performed no services in this category during the Compensation Period

d. **Claims Analysis and Objections.** Latham rendered a total of 214.00 hours and \$133,225.00 in services in the category "Claims Analysis and Objections." This project category includes Latham's services in connection with the objection to, and negotiation of, various claims, including the Edwards Wildman claim, CVS claim, Cardinal Claim and Amerisource claim.

e. **General Litigation.** Latham rendered a total of 0.00 hours and \$0.00 in services in the category "General Litigation." Latham has performed no services in this category during the Compensation Period

f. **General Corporate, Securities and Tax.** Latham rendered a total of 0.00 hours and \$0.00 in services in the category "General Corporate, Securities and Tax." Latham has performed no services in this category during the Compensation Period

g. **Prosecution of Avoidance Actions.** Latham rendered a total 39.80 hours and of \$31,710.50 in services in the category "Prosecution of Avoidance Actions." This project category contains Latham's services in reviewing and encouraging settlement of avoidance actions, including documenting the GTCR settlement.

h. **Issues Regarding Asset Sales.** Latham rendered a total of .40 hours and \$186.00 in services in the category "Issues Regarding Asset Sales," which includes Latham's efforts to sell the Debtors' distribution center.

i. **Executory Contracts.** Latham rendered a total of 1.20 hours and \$714.00 in services in the category "Executory Contracts." This project category includes Latham's services in connection with the rejection of various contracts and leases.

j. **Fee and Employment Applications.** Latham rendered a total of 9.90 hours and \$7,135.00 in services in the category "Fee and Employment Applications." This project category contains all of Latham's services rendered in connection with the supplemental retention of PWC, the preparation of Latham's Third Supplemental Declaration, the preparation of fee applications and responding to comments to fee applications.

k. **Creditor Inquiries.** Latham rendered a total of 1.10 hours and \$654.50 in services in the category "Creditor Inquiries." This project category contains Latham's services in responding to creditor inquiries.

l. **Latham's Staffing and Internal Procedures.** Latham has made a conscious effort in these cases to provide the Debtors with high quality legal services at the lowest possible cost. Whenever possible, rather than "recreating the wheel," Latham has called upon the considerable expertise of its senior partners to obtain quick answers to difficult questions without the need for expensive and time consuming legal research. Where research has been required,

Latham has utilized the low billing rates of first and second year lawyers, resulting in considerable savings for the Debtors. In addition, to keep the need for internal and intra-firm meetings and duplication of effort to an absolute minimum, a work in process report delineating each professional's separate responsibilities was distributed to all attorneys and other professionals periodically. Latham respectfully submits that it and co-counsel Young, Conaway, Stargatt & Taylor, LLP ("YCST") have been extremely efficient in avoiding duplication of effort and keeping fees and costs at the lowest level possible given the exigencies of these cases.

7. Latham believes that the attached invoices reflect the actual, fair and reasonable value of the legal expertise provided to the Debtors, and for the benefit of the Debtors' estates, which required skilled and experienced legal counsel with knowledge not only of bankruptcy law, but also litigation, securities, tax, employee benefits and other substantive areas of law. The Debtors, with the assistance of Latham and YCST, have obtained post-petition financing, conducted a successful auction and sold substantially all of the Debtor's assets. By any measure, the results achieved by Latham and YCST so far in these cases have been excellent for the Debtors and their creditors.

Disbursements

8. Latham also expended a total of \$6,060.90 for reasonable and necessary expenses in connection with its representation of the Debtors during the Compensation Period. In accordance with Local Rule 2016-2(e), Section IV of the Cover Sheet, attached hereto and incorporated herein by this reference, also contains a summary of the expenses incurred by type.

9. Latham does not build a profit component into its disbursements and charges the Debtors' estates only Latham's actual out-of-pocket expenses. Photocopy charges are billed at \$0.17 per page. No fee is charged for incoming or outgoing faxes. All airfare expenses charged to the Debtors were for "coach" class travel.

Certification

10. As required by Local Rule 2016-2(f), Exhibit B, attached hereto and incorporated herein by this reference, contains Latham's certification that the Debtors have reviewed and approved Latham's Application, that the facts set forth in this Application are true and correct and that the Application complies with the Local Rules.

Latham is a Disinterested Person and Holds No Adverse Interest

11. All professional services for which allowance of compensation is requested were performed by Latham on behalf of the Debtors and not on behalf of any other entity or person. Latham owns neither a claim against, nor an interest in any of the Debtors, and no beneficial interest in the Debtors, directly or indirectly, has been acquired or transferred by Latham or for Latham's benefit since the commencement of these cases. Latham represents no interest adverse to any of the Debtors with respect to matters upon which it is engaged and Latham is a "disinterested person" under section 101(14) of the Bankruptcy Code.

12. No agreement or understanding exists between Latham and any other person or entity for sharing of compensation received or to be received for services rendered in connection with these proceedings, except that fees will be shared with other partners of Latham as permitted by Bankruptcy Rule 2016 and section 504 of the Bankruptcy Code.

Dated: April 17, 2012

Respectfully submitted,



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Attorneys for the Debtors and
Debtors-in-Possession