

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

In re)	
)	Chapter 11
SP NEWSPRINT HOLDINGS LLC., <u>et al.</u> , ¹)	Case No. 11-13649 (CSS)
)	
Debtors.)	Jointly Administered
)	
)	Hearing Date (Proposed): Sept. 4, 2012 at 1:00 p.m. (EDT)
)	Obj. Deadline (Proposed): At the hearing

**DEBTORS' EMERGENCY MOTION FOR ORDER AUTHORIZING
AMENDMENT TO DIP AGREEMENT IN ANTICIPATION OF SALE CLOSING**

The above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), by and through their undersigned attorneys, hereby file this emergency motion (the “Motion”) for entry of an order, pursuant to Bankruptcy Code §§ 105, 363, and 364, authorizing them to enter into an amendment to the DIP Agreement (as defined below) in contemplation of the closing of their global asset sale.² In support of the relief requested in this Motion, the Debtors respectfully represent as follows:

JURISDICTION

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue of these cases and this Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicates for the relief requested herein are Bankruptcy Code §§ 105(a), 363(b), and 364.

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each of the Debtors’ tax identification numbers, are: SP Newsprint Holdings LLC (6180); SP Newsprint Co., LLC (7779); SP Recycling Corporation (2936); and SEP Technologies, L.L.C. (2955).

² The Debtors intend to seek expedited consideration of this Motion and other relief to allow the proposed amendment to be considered at the same time as final approval of their proposed global asset sale, as described below, and will file a separate motion seeking such relief contemporaneously herewith.

INTRODUCTION³

2. On November 15, 2011, the Debtors filed with this Court separate, voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On November 17, 2011, this Court entered an order [ECF No. 57] directing the joint administration of these cases.

3. The Debtors continue to manage their properties and operate their business as debtors-in-possession pursuant to Bankruptcy Code §§ 1107 and 1108. No trustee or examiner has been appointed in these cases.

4. On November 29, 2011, the United States Trustee appointed an official committee of unsecured creditors (the “Committee”) for these cases.

5. SP Newsprint Co., LLC, is one of the largest producers of newsprint in North America, operating two newsprint mills located in Dublin, Georgia, and Newberg, Oregon. SP Recycling Corporation was established in 1980 as a means for the Debtors to secure a ready supply of recycled fiber, a key raw material for newsprint, and currently has over 20 recycling centers in nine states.

6. Like other companies in the newsprint and paper-related industries, a variety of external factors have led to a decline in the Debtors’ revenue over the last several years, while at the same time the cost of necessary raw materials has increased. In response, the Debtors undertook cost-cutting and other measures, but nonetheless, they fell out of compliance with certain covenants under their pre-petition credit agreement and have otherwise been in default thereunder since June 2011.

³ More information about the Debtors and these Chapter 11 cases can be found by visiting www.gcginc.com/cases/snp.

7. During these cases, the Debtors conducted a going-concern sale process in an effort to maximize value, and on July 27, 2012, this Court entered an order [ECF No. 1176] approving certain preliminary relief related thereto, including procedures for the sale of substantially all of the Debtors' assets (the "Sale"). The hearing to consider final approval of the Sale, which was originally scheduled for August 21, 2012, will occur on September 4, 2012, and the Debtors anticipate that the Sale will likely close shortly thereafter.

FACTUAL BACKGROUND

8. On December 15, 2011, the Debtors filed the *Motion for Entry of Interim and Final Orders (I) Authorizing Debtors (A) to Obtain Post-Petition Secured Financing Pursuant to 11 U.S.C. §§ 105,341,362,364, and 507; and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363; (II) Granting Liens and Super-Priority Claims; (III) Granting Adequate Protection to Pre-Petition Secured Parties Pursuant to 11 U.S.C. §§ 361, 363, and 364; and (IV) Scheduling Final Hearing Pursuant to Bankruptcy Rule 4001* (the "DIP Motion") [ECF No. 197]. On December 16, 2012, this Court approved the DIP Motion on an interim basis, authorizing the Debtors to incur immediately up to \$12 million in post-petition financing, and scheduled a hearing to consider final approval thereof.

9. On December 22, 2011, in accordance with the Interim DIP Order, the Debtors closed on the *Senior Secured Priming and Superpriority Debtor-in-Possession Credit Agreement* (as amended from time to time, the "DIP Agreement") and filed with this Court the *Notice of Filing of Executed Senior Secured Priming and Super-Priority Debtor-in-Possession Credit Agreement* [ECF No. 232], attaching the execution version of the DIP Agreement.

10. On January 25, 2012, this Court entered the *Final Order (I) Authorizing Debtors (A) To Obtain Post-Petition Secured Financing and (B) To Utilize Cash Collateral; (II) Granting Liens and Super-Priority Claims; and (III) Granting Adequate Protection to Pre-Petition Secured Parties* (as amended from time to time, the “Final DIP Order”), approving the DIP Motion on a final basis and authorizing the Debtors to incur up to (a) \$20 million in post-petition financing, with the ability to increase such amount to \$25 million, without the need for further Court approval, plus (b) other additional amounts necessary to cover interest on pre-petition loans and certain lender professional fees. This increase in liquidity under the DIP Agreement to \$25 million was approved on or about April 27, 2012 [ECF No. 824].

11. On July 19, 2012, the Debtors filed the *Motion for Orders (A)(I) Approving Sale Procedures to be Employed in Connection with Proposed Sale of Substantially All of Debtors’ Assets, (II) Scheduling Auction and Hearing to Consider Approval of Sale of Substantially All of Debtors’ Assets, and (III) Approving Notice of Respective Dates, Times, and Places for Auction and for Hearing on Approval of (1) Sale of Substantially All Assets and (2) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (B)(I) Authorizing and Approving Asset Purchase Agreement with SPN AcquisitionCo, LLC, or Such Other Purchaser(s) Providing Higher or Otherwise Better Offer(s); (II) Authorizing Sale of Substantially All of Debtors’ Assets, Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (III) Authorizing Assumption and Assignment of Certain Executory Contracts and Unexpired Leases and Rejection of Other Executory Contracts or Unexpired Leases; (IV) Authorizing Debtors to Consummate All Transactions Related to the Above; and (V) Granting Other Relief* (the “Sale Motion”) [ECF No. 1126], seeking authorization to sell substantially all

of their assets pursuant to the terms of an asset purchase agreement (as amended from time to time, the “APA”, a copy of the original version of which was attached to the Sale Motion), subject to higher or otherwise better offers and the approval of this Court, to an entity owned by the Debtors’ pre-petition lenders.

12. By order dated July 27, 2012 [ECF No. 1175], in connection with the Sale, this Court approved an amendment to the DIP Agreement (the “July DIP Agreement Amendment”) to permit an increase in the maximum commitment amount thereunder to cover the obligations of the Debtors for Closing Date Administrative Priority Claims and Cure Costs (each as defined in the APA), which the Debtors’ DIP lenders had agreed to satisfy in connection with the Sale. At the time the Debtors entered into the July DIP Agreement Amendment, the parties anticipated that capacity under the DIP Agreement would need to be \$60 million, but such amount now needs to be increased to \$67 million to cover other sale-related costs.

13. To that end, the Debtors’ DIP lenders have agreed to provide this additional funding, as set forth in a proposed amendment to the DIP Agreement (the “August DIP Agreement Amendment”) substantially in the form attached hereto as Exhibit A. The Final DIP Order requires that this proposed amendment, which increases commitments under the DIP Agreement, be approved by this Court.⁴

RELIEF REQUESTED

14. The Debtors respectfully request entry of an order authorizing them to enter into the August DIP Agreement Amendment.

⁴ Prior to the closing of the Sale, the Debtors anticipate that they will draw an additional \$5 million under the DIP Agreement in accordance with the July DIP Agreement Amendment and an additional amendment being finalized, which, under the Final DIP Order, does not require the approval of this Court.

BASIS FOR RELIEF REQUESTED

15. Bankruptcy Code § 363(b)(1) provides, in pertinent part, that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” Although the Bankruptcy Code does not specify a standard for determining when it is appropriate for a court to authorize out-of-the-ordinary-course transactions, courts have required that such transactions be based upon the sound business judgment of the debtor. See, e.g., In re Martin, 91 F.3d 389, 394-395 (3d Cir. 1996); In re Abbotts Dairies of Pennsylvania, Inc., 788 F.2d 143, 145-47 (3d Cir. 1986) (adopting the “articulated business justification” test set forth in In re Lionel Corp., 722 F.2d 1063, 1070-71 (2d Cir. 1983)); In re Fed. Mogul Global, Inc., 293 B.R. 124, 126 (D. Del. 2003); In re Del. & Hudson Ry. Co., 124 B.R. 169, 178 (D. Del. 1991); In re Allegheny Int’l, Inc., 117 B.R. 171, 176 (W.D. Pa. 1990); see also In re Montgomery Ward Holding Corp., 242 B.R. 147, 153 (D. Del. 1999); In re Delaware & Hudson Ry. Co., 124 B.R. 169, 175-76 (D. Del. 1991) (concluding that the Third Circuit adopted a “sound business purpose” test in Abbotts Dairies).

16. To determine whether the business judgment test is met under Bankruptcy Code § 363, the court “is required to examine whether a reasonable business person would make a similar decision under similar circumstances.” In re Exide Techs., Inc., 340 B.R. 222, 239 (Bankr. D. Del. 2006). Once a debtor articulates a valid business justification, it is presumed that “in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was in the best interests of the company.” In re Integrated Res., Inc., 147 B.R. 650, 656 (S.D.N.Y. 1992) (quoting Smith v. Van Gorkom, 488 A.2d 858, 872 (Del. 1985)). The business judgment rule shields a debtor’s management from

judicial second-guessing, and mandates that a court approve a debtor's business decision unless that decision is a product of bad faith or gross abuse of discretion. See Lubrizol Enters, Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043, 1047 (4th Cir. 1985), cert. denied, 475 U.S. 1057 (1986); see also In re Bridgeport Holdings, Inc., 388 B.R. 548, 567 (Bankr. D. Del. 2008).

17. Moreover, Bankruptcy Code § 364 authorizes a debtor to incur post-petition debt, and the bases for the Debtors' entering into the DIP Financing were detailed in the DIP Motion.

18. Finally, Bankruptcy Code § 105(a), which empowers a court to issue "any order, process, or judgment that is necessary or appropriate to carry out the provisions of" the Bankruptcy Code, is further justification for the relief requested herein. The purpose of Section 105(a) is to ensure a bankruptcy court's power to take whatever action "is appropriate or necessary in aid of the exercise of [its] jurisdiction." 2 Collier on Bankruptcy, ¶ 105.01 (16th rev. ed. 2012); see also In re Joint E. & S. Dist. Asbestos Litig., 129 B.R. 710, 843 (S.D.N.Y. 1991).

19. The Debtors believe that the facts and circumstances of these cases justify their entry into the August DIP Agreement Amendment as a sound and prudent exercise of their business judgment because it is necessary to provide sufficient liquidity to close on the Sale and to ensure that all required obligations are paid and/or assumed in accordance with the APA. Specifically, the additional funding to be provided under this proposed amendment is needed to cover the costs of the Debtors' operations during the extended period resulting from the adjournment of the Sale hearing and to satisfy additional claims related to resolutions to objections to the Sale.

20. Moreover, authorizing the entry into, and approving the terms of, the August DIP Agreement Amendment would not prejudice or harm other parties-in-interest. In fact, if the Debtors are unable to borrow the additional funds they will now need to operate and to close the Sale, then they could have to explore other options, which would likely be detrimental to creditors.

21. Finally, to the extent authority under Bankruptcy Code § 364 is required for the relief requested herein, the Debtors submit that the reasons set forth in the DIP Motion supporting the Debtors' entry into the DIP Agreement also justify the August DIP Agreement Amendment.

22. Accordingly, for the reasons set forth above, the Debtors submit that the relief requested herein is in their best interests and the best interests of their estates and creditors and, therefore, should be granted.

NOTICE

23. Notice of this Motion has been given via e-mail, overnight delivery, facsimile, and/or hand delivery, as appropriate, to the United States Trustee, counsel to the Committee, counsel to the agent for the Debtors' lenders, and any parties that have requested service of notice in these cases pursuant to Bankruptcy Rule 2002. The Debtors submit that no other or further notice need be given in light of the circumstances of these cases and the nature of the relief requested herein.

NO PREVIOUS APPLICATION

24. No previous request for the relief sought herein has been made to this Court or to any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request that this Court enter an order, substantially in the form attached hereto as Exhibit B, granting the relief requested herein and such other and further relief as is just and proper under the circumstances.

Dated: August 30, 2012
Wilmington, Delaware

Respectfully submitted,

/s/ Lee E. Kaufman

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Attorneys for the Debtors and Debtors-in-Possession

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)	Hearing Date (Proposed): Sept. 4, 2012 at 1:00 p.m. (EDT)
)	Obj. Deadline (Proposed): At the hearing
_____)	

NOTICE OF MOTION AND MOTION TO EXPEDITE

PLEASE TAKE NOTICE that, on August 30, 2012, the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) filed the *Debtors’ Emergency Motion for Order Authorizing Amendment to DIP Agreement in Anticipation of Sale Closing* (the “Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).

PLEASE TAKE FURTHER NOTICE that, on August 30, 2012, the Debtors also filed the *Debtors’ Motion for Order Shortening Notice Period and Scheduling Expedited Hearing with Respect to Their Emergency Motion for Order Authorizing Amendment to DIP Loan Agreement in Anticipation of Sale Closing* with the Bankruptcy Court, pursuant to which the Debtors have requested approval of a shortened notice period with respect to the Motion.

PLEASE TAKE FURTHER NOTICE that, if the Bankruptcy Court grants the relief requested in the Motion to Shorten, (i) a hearing to consider the Motion will be held before The Honorable Christopher S. Sontchi at the Bankruptcy Court, 824 N. Market Street, 5th Floor, Courtroom 6, Wilmington, Delaware 19801 on **September 4, 2012 at 1:00 p.m. (EDT)** (the “Hearing”); and (ii) objections to the Motion, if any, may be raised at the Hearing.

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each of the Debtors’ tax identification numbers, are: SP Newsprint Holdings LLC (6180); SP Newsprint Co., LLC (7779); SP Recycling Corporation (2936); and SEP Technologies, L.L.C. (2955).

PLEASE TAKE FURTHER NOTICE that, if the Bankruptcy Court denies the relief requested in the Motion to Shorten, parties-in-interest will receive separate notice of the Bankruptcy Court-approved objection deadline and hearing date for the Motion.

Dated: August 30, 2012
Wilmington, Delaware

/s/ Lee E. Kaufman

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*Attorneys for the Debtors and
the Debtors-in-Possession*

EXHIBIT A

August DIP Agreement Amendment

**EIGHTH AMENDMENT
TO SENIOR SECURED PRIMING AND SUPERPRIORITY DEBTOR-IN-POSSESSION
CREDIT AGREEMENT**

THIS EIGHTH AMENDMENT TO SENIOR SECURED PRIMING AND SUPERPRIORITY DEBTOR-IN-POSSESSION CREDIT AGREEMENT (this “Amendment”) is dated as of August [___], 2012 and is entered into by and among SP NEWSPRINT CO., LLC, a Georgia limited liability company and a Debtor and Debtor-In-Possession under the Bankruptcy Code (the “Borrower”), SP NEWSPRINT HOLDINGS LLC, a Delaware limited liability company and a Debtor and Debtor-In-Possession under the Bankruptcy Code (“Holdings”), SP RECYCLING CORPORATION, a Georgia corporation and a Debtor and Debtor-In-Possession under the Bankruptcy Code, SEP TECHNOLOGIES, L.L.C., a Georgia limited liability company and a Debtor and Debtor-In-Possession under the Bankruptcy Code and the Lenders party hereto and, for purposes of Section IV hereof, the Guarantors listed on the signature pages hereto, and is made with reference to that certain Senior Secured Priming and Superpriority Debtor-In-Possession Credit Agreement dated as of December 22, 2011 (as amended through the date hereof, the “Credit Agreement”) by and among the Borrower, Holdings, the subsidiaries of the Borrower named therein, the Lenders and the Administrative Agent. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement after giving effect to this Amendment.

RECITALS

WHEREAS, the Loan Parties, in connection with their entry into the Asset Purchase Agreement, have requested that the Lenders amend the Credit Agreement to commit to an increase of the Delayed Draw Commitment by an amount such that the Delayed Draw Commitment outstanding as of the Closing Date (under and as defined in the Asset Purchase Agreement) shall be the Maximum Incremental Commitment Amount, and the Lenders hereby agree to increase their Delayed Draw Commitments on a pro rata basis based on the percentages set forth on Schedule A, such increase to only be used to pay the Closing Date Administrative Priority Claims and Cure Costs that are liquidated in amount and are due and payable upon the Closing Date (as defined in the Asset Purchase Agreement) pursuant to the Sale Order (as defined in the Asset Purchase Agreement) and the Asset Purchase Agreement;

WHEREAS, subject to the terms and conditions set forth herein, the Lenders are willing to agree to such amendment relating to the Credit Agreement.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION I. AMENDMENTS TO CREDIT AGREEMENT

1.1 Amendments to Section 1: Definitions.

Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of “Maximum Incremental Commitment Amount” in its entirety and substituting the following definition therefor:

“**Maximum Incremental Commitment Amount**” means an amount equal to \$67,000,000 less the aggregate principal amount of the Loans outstanding together with any accrued and unpaid interest thereon immediately prior to the Closing Date (under and as defined in the Asset Purchase Agreement).

Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions in proper alphabetical sequence:

“**Eighth Amendment**” means that certain Eighth Amendment to Senior Secured Priming and Superpriority Debtor-In-Possession Credit Agreement dated as of the Eighth Amendment Effective Date, among the Borrower, Holdings, and the financial institutions and Guarantors listed on the signature pages thereto.

“**Eighth Amendment Effective Date**” means the date of satisfaction of the conditions referred to in Section II of the Eighth Amendment, which date is August [___], 2012.

1.2 Amendments to Schedule 2.1(b).

Schedule 2.1(b) to the Credit Agreement is hereby amended and restated by deleting such schedule in its entirety and substituting Schedule A attached hereto therefor, and each reference to “Schedule 2.1(b)” in the Credit Agreement and in the Loan Documents hereby shall mean and be a reference to such Schedule A.

SECTION II. CONDITIONS TO EFFECTIVENESS

This Amendment shall become effective as of the date hereof only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of such conditions being referred to herein as the “Eighth Amendment Effective Date”) on or prior to August [___], 2012:

A. Execution. Administrative Agent shall have received a counterpart signature page of this Amendment duly executed by (i) each of the Loan Parties and (ii) each of the Lenders.

B. Necessary Consents. Each Loan Party shall have obtained all material consents necessary or advisable in connection with the transactions contemplated by this Amendment.

C. Representations and Warranties; No Defaults or Events of Default. The representations and warranties contained in Section III of this Amendment are and will be true and correct in all material respects on and as of the Eighth Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true and correct in all material respects on and as of such earlier date. Both before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

D. Bankruptcy Court Order. The Bankruptcy Court shall have entered an order (the “Approving Order”) permitting (i) the amendments to the Credit Agreement contemplated by this Amendment and authorizing the Borrower to incur the maximum amount of the Delayed Draw Commitments that are outstanding immediately after effectiveness of this Amendment and (ii) the amendments to the Final Order to permit this Amendment, the amendments and additional commitments contemplated hereunder.

E. Other Documents. Administrative Agent and Lenders shall have received such other documents, information or agreements regarding Loan Parties as the Administrative Agent may reasonably request.

SECTION III. REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to enter into this Amendment and to amend the Credit Agreement in the manner provided herein, each Loan Party which is a party hereto represents and warrants to each Lender that the following statements are true and correct in all material respects:

A. Corporate Power and Authority. Each Loan Party, which is party hereto, has all requisite power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, this Amendment, the Credit Agreement as amended by this Amendment (the "Amended Agreement") and the other Loan Documents.

B. Authorization of Agreements. The execution and delivery of this Amendment and the performance of the Amended Agreement and the other Loan Documents have been duly authorized by all necessary action on the part of each Loan Party.

C. No Conflict. The execution and delivery by each Loan Party of this Amendment and the performance by each Loan Party of the Amended Agreement and the other Loan Documents do not and will not (i) violate (A) any provision of any law, statute, rule or regulation, or of the certificate or articles of incorporation, certificate of formation, operating agreement or partnership agreement, other constitutive documents or by-laws of Holdings, the Borrower or any Loan Party or (B) any applicable order of any court or any rule, regulation or order of any Governmental Authority, (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under any Contractual Obligation of the applicable Loan Party, where any such conflict, violation, breach or default referred to in clause (i) or (ii) of this Section III.C., individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, (iii) except as permitted under the Amended Agreement, result in or require the creation or imposition of any Lien upon any of the properties or assets of any Loan Party (other than any Liens created under any of the Loan Documents in favor of Administrative Agent on behalf of Lenders), or (iv) require any approval of stockholders, members, managers or partners or any approval or consent of any Person under any Contractual Obligation of each Loan Party, except for such approvals or consents which will be obtained on or before the Eighth Amendment Effective Date and except for any such approvals or consents the failure of which to obtain will not have a Material Adverse Effect.

D. Governmental Consents. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the execution and delivery by any Loan Party of this Amendment or the performance by the Borrower, Holdings or any other Loan Party of the Amended Agreement and the other Loan Documents, except for such actions, consents and approvals the failure to obtain or make which could not reasonably be expected to result in a Material Adverse Effect or which have been obtained and are in full force and effect.

E. Binding Obligation. Subject to approval of the Bankruptcy Court, this Amendment and the Amended Agreement have been duly executed and delivered by each of the Loan Parties and each constitutes a legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally and except as enforceability may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

F. Incorporation of Representations and Warranties from Credit Agreement. The representations and warranties contained in Article IV of the Amended Agreement are and will be true and correct in all material respects on and as of the Eighth Amendment Effective Date to the same extent

as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true and correct in all material respects on and as of such earlier date.

G. Absence of Default. No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment that would constitute an Event of Default or a Default.

H. Delayed Draw Loans Outstanding. As of the Eighth Amendment Effective Date, immediately prior to the effectiveness of this Amendment, the outstanding principal amount of Delayed Draw Loans is \$[___] and the amount of accrued and unpaid interest is \$[___].

I. Final Order. As of the Eighth Amendment Effective Date, the Final Order has not been modified, stayed, vacated, rescinded or appealed, except for modifications made with the consent of the Administrative Agent.

SECTION IV. ACKNOWLEDGMENT AND CONSENT

The Borrower and each Guarantor hereby acknowledges that it has reviewed the terms and provisions of the Credit Agreement and this Amendment and consents to the amendment of the Credit Agreement effected pursuant to this Amendment. The Borrower and each Guarantor hereby ratify, affirm, acknowledge and agree that the Credit Agreement and the other Loan Documents represent the valid, enforceable and collectible obligations of the Borrower. The Borrower hereby agrees that this Amendment in no way acts as a release or relinquishment of the Liens and rights securing payments of the Obligations. The Liens and rights securing payment of the Obligations are hereby ratified and confirmed by Borrower in all respects.

Each of (a) the Guarantors hereby confirms its guaranty of the Obligations pursuant to the Credit Agreement and (b) the Borrower and the Guarantors hereby confirms its respective pledges and grants of security interests, as applicable, in each case, under and subject to the terms of each of the Loan Documents to which it is party, and agrees that, notwithstanding the effectiveness of this Amendment, any such guaranty, pledges and grants of security interests, and the terms of each of the Loan Documents to which it is a party, shall continue to be in full force and effect and shall secure and guarantee, among other things, all obligations under the Credit Agreement. The Borrower and each Guarantor acknowledges that Lenders that are making additional Delayed Draw Loans are “Lenders” and “Secured Parties” for all purposes under the Loan Documents.

Each Guarantor represents and warrants that all representations and warranties contained in the Amended Agreement and the Loan Documents to which it is a party or otherwise bound are true and correct in all material respects on and as of the Eighth Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true and correct in all material respects on and as of such earlier date.

Each Guarantor acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Guarantor is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Guarantor to any future amendments to the Credit Agreement.

SECTION V. MISCELLANEOUS

A. Reference to and Effect on the Credit Agreement and the Other Loan Documents.

(i) On and after the Eighth Amendment Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by this Amendment, and each reference in the other Loan Documents to the “Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(ii) Except as specifically amended by this Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under, the Credit Agreement or any of the other Loan Documents.

B. Headings. Section and Subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

C. Applicable Law. **THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

D. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

Remainder of this page intentionally left blank.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SP NEWSPRINT CO., LLC, AS BORROWER

By: _____
Name:
Title:

SP NEWSPRINT HOLDINGS LLC, AS
GUARANTOR

By: _____
Name:
Title:

SP RECYCLING CORPORATION, AS
GUARANTOR

By: _____
Name:
Title:

SEP TECHNOLOGIES, L.L.C., AS
GUARANTOR

By: _____
Name:
Title:

GENERAL ELECTRIC CAPITAL
CORPORATION,
AS LENDER

By: _____
Name:
Title:

AVENUE INVESTMENTS, LP, AS LENDER

By: _____

Name:

Title:

SP NEWSPRINT CO., LLC EIGHTH AMENDMENT
TO SENIOR SECURED PRIMING AND SUPERPRIORITY DEBTOR-IN-POSSESSION CREDIT AGREEMENT

HAMBLIN WATSA INVESTMENT COUNSEL on
behalf of LOMBARD GENERAL INSURANCE
CO, AS LENDER

By: _____

Name:

Title:

SP NEWSPRINT CO., LLC EIGHTH AMENDMENT
TO SENIOR SECURED PRIMING AND SUPERPRIORITY DEBTOR-IN-POSSESSION CREDIT AGREEMENT

Schedule A

Delayed Draw Loan Commitment

<u>Lender</u>	<u>%*</u>
GE	55.18%
Avenue	34.21%
Lombard/Fairfax	10.61%
	100.00%

EXHIBIT B

Proposed Form of Order

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

In re)	Chapter 11
)	
SP NEWSPRINT HOLDINGS LLC., <u>et al.</u> , ¹)	Case No. 11-13649 (CSS)
)	
Debtors.)	Jointly Administered
)	
)	Re: ECF No. _____

ORDER AUTHORIZING AMENDMENT TO DIP AGREEMENT

Upon consideration of the emergency motion (the “Motion”)² of the Debtors for the entry of an order, pursuant to Bankruptcy Code §§ 105(a), 363(b), and 364, authorizing them to enter into the August DIP Agreement Amendment in contemplation of the closing of the Sale; and the Court’s having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and the Court’s having determined that the relief sought in the Motion is in the best interests of the Debtors, their creditors, and all other parties-in-interest and that entry into the August DIP Agreement Amendment, the terms of which appear to be fair, reasonable, and justified, is a sound and prudent exercise of the Debtors’ business judgment and necessary for the closing of the Sale; and upon consideration of the justification set forth on behalf of the Debtors in support of entry into the DIP Financing; and upon the record of these cases and of any hearing held to consider the Motion; and after due deliberation and sufficient cause appearing therefor; and it appearing that notice of the Motion was sufficient under the circumstances of these Chapter 11 cases and the events surrounding entry into the Motion, and no other or further notice being necessary or required

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each of the Debtors’ tax identification numbers, are: SP Newsprint Holdings LLC (6180); SP Newsprint Co., LLC (7779); SP Recycling Corporation (2936); and SEP Technologies, L.L.C. (2955).

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

IT IS HEREBY ORDERED THAT

1. The Motion is granted as set forth herein.
2. The August DIP Agreement Amendment is approved, and the Debtors are authorized to execute and consummate the August DIP Agreement Amendment.
3. The Debtors are authorized and empowered to take any and all actions necessary to implement the terms of this Order and the August DIP Agreement Amendment.
4. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.
5. This Court shall retain jurisdiction over all matters arising from, or related to, the interpretation and implementation of this Order and the August DIP Agreement Amendment.

Dated: September ____, 2012
Wilmington, Delaware

THE HONORABLE CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE