

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

PREMIUM PAPERS HOLDCO, LLC, et al.,¹

Debtors.

Chapter 11

Case No. 06-10269 (CSS)

Jointly Administrated

Hearing Date: April 10, 2006 at 2:00 p.m. (ET)

Objection Deadline: April 3, 2006 at 4:00 p.m. (ET)

NOTICE OF APPLICATION

TO: (I) THE OFFICE OF THE UNITED STATES TRUSTEE; (II) THE DEBTORS' THIRTY (30) LARGEST UNSECURED CREDITORS ON A CONSOLIDATED BASIS; (III) COUNSEL TO THE DEBTORS' LENDERS; AND (IV) ALL PARTIES THAT HAVE FILED REQUESTS FOR NOTICES IN THESE CASES PURSUANT TO FED. R. BANKR. P. 2002, IN ACCORDANCE WITH DEL. BANKR. LR 2002-1(b).

PLEASE TAKE NOTICE that the above-captioned debtors and debtors in possession (collectively, the "Debtors")² filed the attached **Debtors' Application For Order Pursuant to Sections 327 and 328 of the Bankruptcy Code and Bankruptcy Rule 2014 Approving Retention of Giuliani Capital Advisors, LLC as Investment Bankers to the Debtors Effective, *Nunc Pro Tunc*, to the Petition Date** (the "Application").

PLEASE TAKE FURTHER NOTICE that objections to the Application must be filed on or before **April 3, 2006 at 4:00 p.m. (ET)** (the "Objection Deadline") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801. At the same time, you must serve a copy of the objection upon the Debtors' undersigned counsel so as to be received on or before the Objection Deadline.

¹ The Debtors are: Premium Papers Holdco, LLC, Smart Papers, LLC, and PF Papers, LLC.

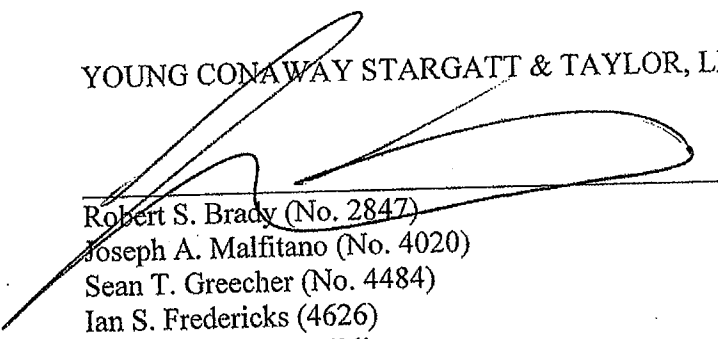
² The Debtors and the last four digits of their taxpayer identification numbers are: Premium Papers Holdco, LLC (4363), Smart Papers, LLC (7795), and PF Papers, LLC (4460). The mailing address for Premium Papers Holdco, LLC and Smart Papers LLC is 601 North B Street, Hamilton, OH 45013. The mailing address for PF Papers LLC is 200 1st Ave. N, Park Falls, WI 54552.

PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THE APPLICATION WILL BE HELD APRIL 10, 2006 AT 2:00 P.M. (ET) BEFORE THE HONORABLE CHRISTOPHER S. SONTCHI, UNITED STATES BANKRUPTCY JUDGE, AT THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 MARKET STREET, 5TH FLOOR, COURTROOM NO. 6, WILMINGTON, DELAWARE 19801.

PLEASE TAKE FURTHER NOTICE that, if you fail to respond on or before the Objection Deadline, the Court may grant the relief requested in the Application without further notice or hearing.

Dated: Wilmington, Delaware
March 24, 2006

YOUNG CONAWAY STARGATT & TAYLOR, LLP



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Counsel to the Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
PREMIUM PAPERS HOLDCO, LLC, et al.,¹) Case No. 06-10269 (CSS)
)
Debtors) Jointly Administered
)
) Hearing Date: April 10, 2006 at 2:00 p.m. (ET)
) Objection Deadline: April 3, 2006 at 4:00 p.m. (ET)
)

**DEBTORS' APPLICATION FOR ORDER PURSUANT TO
SECTIONS 327 AND 328 OF THE BANKRUPTCY CODE AND
BANKRUPTCY RULE 2014 APPROVING RETENTION OF GIULIANI
CAPITAL ADVISORS, LLC AS INVESTMENT BANKERS TO DEBTORS
EFFECTIVE, NUNC PRO TUNC, TO THE PETITION DATE**

The above-captioned debtors and debtors in possession (each a "Debtor" and collectively, the "Debtors"),² hereby apply (the "Application") for entry of an order, pursuant to sections 327 and 328 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (the "Bankruptcy Code") and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), authorizing the employment and retention of Giuliani Capital Advisors, LLC ("GCA"), as the Debtors' investment bankers effective, *nunc pro tunc*, to the Petition Date (as defined below). In support of this Application, the Debtors rely upon and incorporate by reference the Declaration of Phillip Van Winkle (the "Van Winkle Declaration"), a copy of which is attached hereto as Exhibit A. In further support of the Application, the Debtors respectfully represent as follows:

¹ The Debtors are: Premium Papers Holdco, LLC, Smart Papers, LLC, and PF Papers, LLC.

² The Debtors and the last four digits of their taxpayer identification numbers are: Premium Papers Holdco, LLC (4363), Smart Papers, LLC (7795), and PF Papers, LLC (4460). The mailing address for Premium Papers Holdco, LLC and Smart Papers LLC is 601 North B Street, Hamilton, OH 45013. The mailing address for PF Papers LLC is 200 1st Ave. N, Park Falls, WI 54552.

STATUS OF THE CASE AND JURISDICTION

1. On March 21, 2006 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On March 22, 2006, the Court approved the joint administration of the Debtors' cases.
2. The Debtors have continued in possession of their respective properties and have continued to operate their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.
3. No request has been made for the appointment of a trustee or examiner and no official committee has yet been established in these cases.
4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this District and before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory and legal predicates for the relief sought herein are sections 327 and 328 of the Bankruptcy Code, as well as Bankruptcy Rule 2014.

BACKGROUND

5. The Debtors operate three facilities in Hamilton, Ohio; Park Falls, Wisconsin; and West Chicago, Illinois, employing over 700 people at its facilities.
6. The Debtors' operations are conducted through Smart Papers, LLC ("Smart") and PF Papers, LLC ("PF Papers") which are both Delaware limited liability companies. Both Smart and PF Papers are wholly owned by Premium Papers Holdco, LLC, a Delaware limited liability company. Smart owns the paper machine operations, distribution center, and headquarters facility located in Hamilton, Ohio (the "Hamilton Mill") and PF Papers owns the paper machine operations, de-inking operations, and pulping operations located in Park

Falls, Wisconsin (the "Park Falls Mill"), as well as a 470,000 square foot converting and distribution operations center in West Chicago, Illinois (the "Distribution Center").

7. The Debtors are a market leading manufacturer, supplier, and marketer of premium cast-coated, matte coated and uncoated printing and writing papers. Their customers include paper distributors, printers, publishers and specialty converters throughout North America. Prior to the recent events at the Park Falls Mill, as discussed in the Needham Affidavit, the Debtors had annual net sales of approximately \$260 million.

8. The Debtors' high value premium branded products are used in producing annual reports, greeting cards, announcements, stationery, book cover and end-leaf, advertising brochures, packaging products, direct mail envelopes, security papers, tickets, high end labels and gift wrap. The Debtors actively market and advertise their brands with targeted and creative advertising, including direct mail programs, print collateral, commercial samples and direct sales presentations to develop printer, designer and end-user brand awareness and loyalty. The Debtors' commodity commercial printing papers are used in producing general commercial print material.

9. A detailed description of the Debtors prepetition financing and the events leading up to these chapter 11 filings is set forth more fully in the Affidavit of Timothy Needham in Support of First Day Motions.

RELIEF REQUESTED

10. By this Application, the Debtors respectfully request that the Court enter an order, pursuant to sections 327 and 328 of the Bankruptcy Code, authorizing the Debtors to employ and retain GCA as their investment bankers during all phases of these chapter 11 cases effective, *nunc pro tunc*, to the Petition Date. The Debtors seek to retain and employ GCA

pursuant to the terms of the engagement as set forth in the letter agreement, dated February 20, 2006, and attached hereto as Exhibit B (the "Engagement Letter") for the purposes of, among other things, assisting the Debtors in (i) recapitalization or restructuring of the Debtors, (ii) refinancing of the Debtors' indebtedness or lease obligations, and (iii) the sale of the Debtors' stock or other assets in the form of a sale, merger, joint venture or other similar transaction.

BASIS FOR RELIEF REQUESTED

11. Bankruptcy Code section 327(a) provides, in relevant part, as follows:

Except as otherwise provided in this section, the trustee, with the court's approval, may employ one or more attorneys, accountants, appraisers, auctioneers, or other professional persons, that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the trustee in carrying out the trustee's duties under this title

11 U.S.C. § 327(a).

12. Bankruptcy Code section 328(a) provides, in relevant part, as follows:

The trustee . . . with the court's approval, may employ or authorize the employment of a professional person under section 327 . . . of this title . . . on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, or on a contingent fee basis. Notwithstanding such terms and conditions, the court may allow compensation different from the compensation provide under such terms and conditions after the conclusion of such employment, if such terms and conditions prove to have been improvident in light of developments not capable of being anticipated at the time of the fixing of such terms and conditions.

11 U.S.C. § 328(a).

13. Bankruptcy Rule 2014 provides, in relevant part, as follows:

An order approving the employment of financial advisors . . . or other professionals pursuant to § 327 . . . of the Code shall be made only on application of the trustee or committee.

Fed. R. Bankr. P. 2014.

A. GCA's Qualifications

14. The Debtors have selected GCA based on its extensive experience in providing investment banking solutions and independent advice to business leaders dealing with complex challenges or financial distress and based on GCA's familiarity with the Debtors' business. GCA has become familiar with the Debtors' financial condition and business as a result of services provided to the Debtors prior to the Petition Date. In addition, GCA's investment banking professionals have extensive experience in advising Debtors in chapter 11 cases and have served as investment bankers to numerous debtors.

B. Services To Be Provided³

15. Generally, GCA shall provide long term advice as it pertains to (i) any sale of the Debtors' stock or assets in the form of a sale, merger, joint venture or other similar transactions, whether consummated in a single transaction or a series of transactions, (ii) recapitalization or restructuring of the Debtors, or (iii) any refinancing of the Debtors' indebtedness or lease obligations, or obtaining any new financing provided by a third party in an effort to maximize the estates' value going forward. Specifically, as more fully set forth in the Engagement Letter, the services that GCA will provide to the Debtors include, but shall not be limited to:

- a. Advise the Debtors' management, as requested, in their preparation of financial information that may be required by the Debtors' senior lenders, customers, creditors and other stakeholders; and coordinate communications with the parties-in-interest and their respective advisors;
- b. Advise the Debtors' management, as requested, in preparing for, meeting with and presenting information to parties-in-interest and

³ This summary is presented for convenience purposes only. The terms set forth in the Engagement Letter are controlling in all respects. Capitalized terms used, but not otherwise defined herein, shall have the meanings ascribed to such terms in the Engagement Letter.

their respective advisors, specifically including the Debtors' senior lenders, other debt holders and their respective advisors, customers, creditors and stakeholders;

- c. Advise in developing the Debtors' strategy with regard to the Transaction(s);
- d. Assist in the preparation, if necessary, a descriptive memorandum (or its equivalent) regarding the Transaction(s);
- e. Prepare and present a list of potential purchasers to the Debtors for the Debtors' review and written approval;
- f. Contact potential purchasers who have been disclosed to the Debtors in writing to solicit their interest in a Transaction and who the Debtors do not object to solicitation thereof (the "Approved Purchasers");
- g. Coordinate the creation and maintenance of a data room of information provided by the Debtors (including the creation of a CD ROM or Internet based data room), the costs of which shall be directly charged to the Debtors;
- h. Prepare, with the assistance of the Debtors (which shall be solely responsible for the content thereof), management presentations for Approved Purchasers;
- i. Advise the Debtors in their negotiations regarding the Transaction, including, if necessary, evaluating indications of interest and offers received and negotiating (along with your legal counsel) a definitive agreement;
- j. Coordinate with the Debtors' legal counsel regarding matters related to the closing of a Transaction;
- k. Other services as may be requested in writing from time to time by the Debtors or their counsel and agreed to by GCA;
- l. Advise the Debtors on their development of the Debtors' business plans; and
- m. Advise the Debtors on cash flow forecasts, financial projections and cash flow reporting.

16. The Debtors require qualified professionals to render these essential professional services. As noted above, GCA has substantial expertise in all of the areas for

which it is proposed to be retained. Accordingly, the Debtors submit that GCA is well qualified to perform these services and assist the Debtors in these chapter 11 cases.

C. Payment of Fees and Expenses and Indemnification

17. Subject to Court approval, in accordance with the provisions of section 328(a) of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules of Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), the Debtors propose to pay GCA a monthly advisory fee in the amount of \$125,00.00 (the "Monthly Advisory Fee") prorated for any partial monthly period upon termination of the engagement.

18. In addition, for each month that GCA provides the Debtors Supplemental Advisory Services (as defined in the Engagement Letter), the Debtors propose to pay GCA an additional monthly advisory fee in the amount \$50,000.00.

19. If, during the period that GCA is engaged by the Debtors or within eighteen (18) months of the termination of the engagement, (a) a transaction is consummated with an approved purchaser, or (b) a transaction is consummated with a buyer or investor (i) which was disclosed to the Debtors in writing by GCA, and (ii) which the Debtors or GCA had documented discussions regarding the transaction prior to the termination of the engagement, the Debtors shall also pay a fee ("Transaction Fee") as set forth below:

- a. Restructuring Transaction Fee. In connection with the recapitalization or restructuring of the Debtors, either out-of-court or through the bankruptcy, the Transaction Fee shall be \$750,000.
- b. Financing Transaction Fee. In connection with any refinancing of the Debtors' indebtedness or new financing, a Transaction Fee based upon the percentage of principal amount of committed capital successfully raised.
 - 1) 1.0% for senior secured bank or secured institutional financing; plus

- 2) 3.0% for junior secured bank or junior institutional financing, mezzanine debt, subordinated debt or unsecured debt; plus
- 3) 6.0% for equity

The minimum Transaction Fee shall be \$750,000.00.

- c. Change in Control Transaction. In connection with a sale of the Debtors' stock or assets in the form of a sale, merger, joint venture, or other similar transaction (whether out-of-court or pursuant to a Bankruptcy Code section 363 sale or a plan or reorganization, a Transactional Fee in the amount of 1.0% of the total consideration paid or payable to the Debtors. The minimum Transaction Fee for such a transaction shall be \$750,000.00.
- d. In the event that the Debtors combine a financing or refinancing transaction with another transaction and GCA provides services in connection with both transactions, the Transaction Fee attributable to such financing shall be payable in addition to such other Transaction Fee, but without duplication in the case of calculating total consideration paid or payable to the Debtors. In such event, the minimum Transaction Fee shall be \$1,000,000.00.

20. The Debtors shall also pay GCA for any actual and necessary costs and expenses incurred in connection with the engagement, including, but not limited to, travel costs, lodging, meals, research, overnight mail and courier service and a charge for administrative support, telephone, fax, and work-product production requests. In no event, however, shall such expenses exceed \$15,000.00 per month without the Debtors' prior written consent. GCA will maintain records in support of any actual and necessary costs and expenses incurred in connection with the rendering of its services in these cases.

21. The Debtors submit that the proposed fee structure and fees and expense reimbursement provisions described above are consistent with normal and customary billing practices for cases of this size and complexity that require the level and scope of services outlined. GCA and the Debtors also believe that the foregoing compensation arrangements are both reasonable and market-based.

