

Verso Paper Corp.  
Form S-4/A  
July 08, 2014  
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As filed with the Securities and Exchange Commission on July 8, 2014

No. 333-193794

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Amendment No. 5**  
**To**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**VERSO PAPER CORP.**  
**VERSO PAPER HOLDINGS LLC**  
**VERSO PAPER INC.**

**(Exact name of each registrant as specified in its charter)**

<b>Delaware</b>	<b>2621</b>	<b>75-3217389</b>
<b>Delaware</b>	<b>2621</b>	<b>56-2597634</b>
<b>Delaware</b> <b>(State or other jurisdiction of</b> <b>incorporation or organization)</b>	<b>2621</b> <b>(Primary Standard Industrial</b> <b>Classification Code Number)</b> <b>6775 Lenox Center Court, Suite 400</b> <b>Memphis, TN 38115-4436</b> <b>(901) 369-4100</b>	<b>56-2597640</b> <b>(I.R.S. Employer</b> <b>Identification No.)</b>

**(Address, including zip code, and telephone number, including area code, of each registrant's principal executive offices)**

**David J. Paterson**  
**President and Chief Executive Officer**  
**Verso Paper Corp.**  
**6775 Lenox Center Court, Suite 400**  
**Memphis, TN 38115-4436**  
**(901) 369-4100**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copies of all communications, including communications sent to agent for service, should be sent to:*

<b>Taurie M. Zeitzer</b>	<b>George F. Martin</b>	<b>Gregory A. Ezring</b>	<b>Joseph Frumkin</b>
<b>Joshua N. Korff</b>	<b>President and Chief</b>	<b>David S. Huntington</b>	<b>Melissa Sawyer</b>

<b>Michael Kim</b>	<b>Executive Officer</b>	<b>Paul, Weiss, Rifkind,</b>	<b>Sullivan &amp; Cromwell LLP</b>
<b>Kirkland &amp; Ellis LLP</b>	<b>NewPage Holdings Inc.</b>	<b>Wharton &amp; Garrison LLP</b>	<b>125 Broad Street</b>
<b>601 Lexington Avenue</b>	<b>8540 Gander Creek Drive</b>	<b>1285 Avenue of the Americas</b>	<b>New York, NY 10004</b>
<b>New York, NY 10022</b>	<b>Miamisburg, OH 45342</b>	<b>New York, NY 10019</b>	

**Approximate date of commencement of proposed sale to the public:** As soon as practicable on or after the effective date of this registration statement after all conditions to the completion of the merger described herein have been satisfied or waived.

If the securities being register on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer " Accelerated filer "

Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company "

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) "

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) "

**The registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.**

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<b>Guarantor</b>	<b>State or Other Jurisdiction of Incorporation or Organization</b>	<b>Address of Registrants Principal Executive Offices</b>	<b>Primary Standard Industrial Classification Code No.</b>	<b>IRS Employer Identification Number</b>
Verso Paper LLC	Delaware	6775 Lenox Center Court, Suite 400 Memphis, TN 38115-4436 (901) 369-4100	2621	75-3217399
Verso Androscoggin LLC	Delaware	6775 Lenox Center Court, Suite 400 Memphis, TN 38115-4436 (901) 369-4100	2621	75-3217400
Verso Bucksport LLC	Delaware	6775 Lenox Center Court, Suite 400 Memphis, TN 38115-4436 (901) 369-4100	2621	75-3217402
Verso Sartell LLC	Delaware	6775 Lenox Center Court, Suite 400 Memphis, TN 38115-4436 (901) 369-4100	2621	75-3217406
Verso Quinnesec LLC	Delaware	6775 Lenox Center Court, Suite 400 Memphis, TN 38115-4436 (901) 369-4100	2621	75-3217404
Verso Maine Energy LLC	Delaware	6775 Lenox Center Court, Suite 400 Memphis, TN 38115-4436 (901) 369-4100	2621	26-1857446
Verso Fiber Farm LLC	Delaware	6775 Lenox Center Court, Suite 400 Memphis, TN 38115-4436 (901) 369-4100	2621	75-3217398
nexTier Solutions Corporation	California	6775 Lenox Center Court, Suite 400 Memphis, TN 38115-4436 (901) 369-4100	2621	33-0901108
Verso Quinnesec REP Holding Inc.	Delaware	6775 Lenox Center Court, Suite 400 Memphis, TN 38115-4436	2621	27-4272864



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**The information in this joint proxy and information statement/prospectus is not complete and may be changed. Verso Paper Corp. may not issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy and information statement/prospectus is not an offer to sell these securities and Verso Paper Corp. is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**PRELIMINARY COPY SUBJECT TO COMPLETION, DATED JULY 8, 2014**

**JOINT PROXY AND INFORMATION STATEMENT/PROSPECTUS**

**PROPOSED MERGER YOUR VOTE IS IMPORTANT**

Dear Stockholders of Verso Paper Corp.:

On December 28, 2013, the board of directors of Verso Paper Corp., or Verso, approved an Agreement and Plan of Merger, which was subsequently entered into on January 3, 2014, referred to as the Merger Agreement, providing for Verso to acquire NewPage Holdings Inc., or NewPage, which transaction is referred to as the Merger. The Merger Agreement was separately approved by the NewPage board of directors at a meeting on January 1, 2014 and subsequently by unanimous written consent on January 3, 2014.

Pursuant to the Merger Agreement, (a) approximately \$243 million in cash was paid to holders of NewPage common stock as a dividend prior to the date of this joint proxy and information statement/prospectus, which is referred to as the Recapitalization Dividend, with the remaining approximately \$7 million of the \$250 million total cash consideration contemplated by the Merger Agreement paid into an escrow account for the benefit of holders of NewPage restricted stock units upon vesting and holders of NewPage stock options upon consummation of the Merger, and (b) each share of common stock of NewPage outstanding immediately prior to the effective time of the Merger (other than treasury shares of NewPage and any shares of NewPage common stock owned by Verso or any subsidiary of Verso or NewPage, and other than shares of common stock as to which dissenters' rights have been properly exercised pursuant to the General Corporation Law of the State of Delaware) will be converted into the right to receive its pro rata portion of:

the remainder, if any, of the approximately \$7 million in cash paid into the escrow account, plus the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger;

\$650 million in principal amount of New First Lien Notes (subject to downward adjustment in certain circumstances in an amount not to exceed \$27 million in value); and

shares of Verso common stock representing 20% (subject to upward adjustment in certain circumstances to no greater than 25%) of the sum of (x) the number of outstanding Verso shares as of immediately prior to closing of the Merger plus (y) the number of shares, if any, underlying vested, in-the-money Verso stock options as of the signing of the Merger Agreement.

The New First Lien Notes, Verso common stock, cash received from option exercises prior to closing and the remainder of cash in the escrow account at closing are referred to as the Merger Consideration, and the Merger Consideration together with the Recapitalization Dividend and any portion of cash from the escrow account paid in respect of restricted stock units upon vesting prior to closing are referred to as the Transaction Consideration. The cash portions of the Transaction Consideration (other than cash received from option exercises prior to closing) were funded from the proceeds of a new \$750 million bank borrowing that was also used to refinance NewPage's former \$500 million term loan facility. See The Merger Agreement Transaction Consideration for more details.

As of the date of this joint proxy and information statement/prospectus, the number of shares of Verso common stock to be issued to NewPage stockholders would be approximately 14.0 million in the aggregate, assuming a 100% participation of aggregate principal amount of Old Second Lien Notes in the Second Lien Notes Exchange Offer and a 100% participation of aggregate principal amount of Old Subordinated Notes in the Subordinated Notes Exchange Offer, and that the number of shares of Verso common stock issued as part of the Merger Consideration is not further adjusted upwards. See Description of Other Indebtedness Exchange Offer Transactions for more details. The Verso common stock is listed for trading on the New York Stock Exchange under the symbol VRS. The implied value of the stock portion of the Merger Consideration will fluctuate as the market price of Verso common stock fluctuates. The number of shares of Verso common stock issuable to each NewPage stockholder will be rounded up or down to the nearest whole number of shares, and no fractional shares or cash in lieu of fractional shares will be paid by Verso.

The value of the portion of the Merger Consideration represented by the New First Lien Notes may be adversely affected by several factors identified in this joint proxy and information statement/prospectus, and we



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cannot assure you that an active market for the notes will develop or continue. Additionally, the amount of New First Lien Notes to be issued in the Merger is subject to downward adjustment, in an amount not to exceed \$27 million in value, if NewPage makes certain restricted payments between September 30, 2013 and the closing of the Merger. No denomination of New First Lien Notes less than \$2,000 will be issued in the Merger, but in lieu thereof each holder of NewPage common stock otherwise entitled to a lower amount of New First Lien Notes will have the aggregate amount of such New First Lien Notes to be issued to such holder equitably adjusted (by rounding up or down to the nearest whole denomination or increment, as appropriate) such that the holders of NewPage common stock only receive New First Lien Notes in denominations of \$2,000 with fully integral multiples of \$1,000 in excess of \$2,000, with no adjustment to the aggregate amount of New First Lien Notes issuable in the Merger.

Verso is soliciting proxies for use at a special meeting of its stockholders where they will be asked to consider and vote on proposals to (1) approve the issuance of shares of Verso common stock to the NewPage stockholders as part of the Merger Consideration pursuant to the Merger Agreement; (2) approve the issuance of Verso Warrants to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration, as each such term is defined in this joint proxy and information statement/prospectus; (3) approve the issuance of Verso Warrants to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration, as each such term is defined in this joint proxy and information statement/prospectus; (4) approve Verso's Amended and Restated 2008 Incentive Award Plan; (5) approve and adopt the amendment of Verso's Amended and Restated Certificate of Incorporation to change its corporate name to Verso Corporation effective upon the consummation of the Merger; and (6) approve any adjournment of the Verso special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve Proposal 1 at the time of the Verso special meeting.

Certain of NewPage's stockholders who owned approximately 61% of the voting power of NewPage common stock on January 3, 2014 have entered into support agreements with NewPage and Verso pursuant to which such stockholders have agreed to vote their shares of NewPage common stock or execute a written consent in favor of the adoption and approval of the Merger Agreement. NewPage expects to receive the requisite written consents from those stockholders promptly after receiving the request of NewPage and/or Verso following the effectiveness of the registration statement of which this joint proxy and information statement/prospectus is a part.

After careful consideration, on December 28, 2013, the Verso board of directors unanimously approved the Merger Agreement, the Merger and the transactions contemplated by the Merger Agreement, and declared that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable, fair to and in the best interests of Verso and its stockholders. **The Verso board of directors unanimously recommends that you vote FOR each of Proposals 1-6 as described above and elsewhere in this joint proxy and information statement/prospectus.**

**Your vote is important, regardless of the number of shares that you own.** The Merger cannot be completed without the approval of the Verso stockholders. Verso is holding a special meeting of its stockholders to vote on, among other things, a proposal necessary to complete the Merger. More information about Verso, NewPage, the Merger Agreement, the Merger and the special meeting of Verso stockholders is contained in this joint proxy and information statement/prospectus. **We encourage you to read this document carefully before voting, including the section entitled Risk Factors beginning on page 47.** Regardless of whether you plan to attend the Verso special meeting, please take the time to vote your securities in accordance with the instructions contained in this document.

**For a discussion of risk factors you should consider in evaluating the Merger Agreement and the proposals you are being asked to adopt, see Risk Factors beginning on page 47 of this joint proxy and information statement/prospectus.**

Sincerely,

David J. Paterson  
President and Chief Executive Officer

Verso Paper Corp.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Merger described in this joint proxy and information statement/prospectus nor have they approved or disapproved of the issuance of the Verso common stock in connection with the Merger, or determined if this joint proxy and information statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

This joint proxy and information statement/prospectus is dated \_\_\_\_\_, 2014 and is first being mailed on or about \_\_\_\_\_, 2014.

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**INFORMATION STATEMENT**

**NOTICE OF EXPECTED ACTION BY WRITTEN CONSENT AND APPRAISAL RIGHTS**

**PROPOSED MERGER WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED  
NOT TO SEND US A PROXY**

Dear Stockholders of NewPage Holdings Inc.:

The board of directors of NewPage Holdings Inc., or NewPage, at a meeting on January 1, 2014 (with one director absent) and subsequently by unanimous written consent on January 3, 2014, approved the Agreement and Plan of Merger, which was subsequently entered into on January 3, 2014, referred to as the Merger Agreement, providing for NewPage to be acquired by Verso Paper Corp., or Verso, which transaction is referred to as the Merger. The Merger Agreement was separately approved by Verso's board of directors on December 28, 2013.

Pursuant to the Merger Agreement, (a) approximately \$243 million in cash was paid to holders of NewPage common stock as a dividend prior to the date of this joint proxy and information statement/prospectus, which is referred to as the Recapitalization Dividend, with the remaining approximately \$7 million of the \$250 million total cash consideration contemplated by the Merger Agreement paid into an escrow account for the benefit of holders of NewPage restricted stock units upon vesting and holders of NewPage stock options upon consummation of the Merger, and (b) each share of common stock of NewPage outstanding immediately prior to the effective time of the Merger (other than treasury shares of NewPage and any shares of NewPage common stock owned by Verso or any subsidiary of Verso or NewPage, and other than shares of common stock as to which dissenters' rights have been properly exercised pursuant to the General Corporation Law of the State of Delaware) will be converted into the right to receive its pro rata portion of:

the remainder, if any, of the approximately \$7 million in cash paid into the escrow account, plus the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger;

\$650 million in principal amount of New First Lien Notes (subject to downward adjustment in certain circumstances in an amount not to exceed \$27 million in value); and

shares of Verso common stock representing 20% (subject to upward adjustment in certain circumstances to no greater than 25%) of the sum of (x) the number of outstanding Verso shares as of immediately prior to closing of the Merger plus (y) the number of shares, if any, underlying vested, in-the-money Verso stock options as of the signing of the Merger Agreement.

The New First Lien Notes, Verso common stock, cash received from option exercises prior to closing and the remainder of cash in the escrow account at closing are referred to as the Merger Consideration, and the Merger Consideration together with the Recapitalization Dividend and any portion of cash from the escrow account paid in

respect of restricted stock units upon vesting prior to closing are referred to as the Transaction Consideration. The cash portions of the Transaction Consideration (other than cash received from option exercises prior to closing) were funded from the proceeds of a new \$750 million bank borrowing that was also used to refinance NewPage's former \$500 million term loan facility. See The Merger Agreement Transaction Consideration for more details.

As of the date of this joint proxy and information statement/prospectus, the number of shares of Verso common stock to be issued to NewPage stockholders would be approximately 14.0 million in the aggregate, assuming a 100% participation of aggregate principal amount of Old Second Lien Notes in the Second Lien Notes Exchange Offer and a 100% participation of aggregate principal amount of Old Subordinated Notes in the Subordinated Notes Exchange Offer, and that the number of shares of Verso common stock issued as part of the Merger Consideration is not further adjusted upwards. See Description of Other Indebtedness Exchange Offer Transactions for more details. The Verso common stock is listed for trading on the New York Stock Exchange under the symbol VRS. The implied value of the stock portion of the Merger Consideration will fluctuate as the market price of Verso common stock fluctuates. The number of shares of Verso common stock issuable to each NewPage shareholder will be rounded up or down to the nearest whole number of shares, and no fractional shares or cash in lieu of fractional shares will be issued or paid by Verso.

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The value of the portion of the Merger Consideration represented by the New First Lien Notes may be adversely affected by several factors identified in the Information Statement, and we cannot assure you that an active market for the notes will develop or continue. Additionally, the amount of New First Lien Notes to be issued in the Merger is subject to downward adjustment, in an amount not to exceed \$27 million in value, if NewPage makes certain restricted payments between September 30, 2013 and the closing of the Merger. No denomination of New First Lien Notes (as defined in the information statement enclosed with this letter, the Information Statement ) less than \$2,000 will be issued in the Merger, but in lieu thereof each holder of NewPage common stock otherwise entitled to a lower amount of New First Lien Notes will have the aggregate amount of such New First Lien Notes to be issued to such holder equitably adjusted (by rounding up or down to the nearest whole denomination or increment, as appropriate) such that the holders of NewPage common stock only receive New First Lien Notes in denominations of \$2,000 with fully integral multiples of \$1,000 in excess of \$2,000, with no adjustment to the aggregate amount of New First Lien Notes issuable in the Merger.

As of the date of this joint proxy and information statement/prospectus, NewPage has 7,092,477 shares of common stock issued and outstanding. Each of such shares is entitled to one vote on the Merger. The adoption and approval of the Merger Agreement requires the affirmative vote or written consent of the holders of a majority of NewPage s issued and outstanding common stock. On January 3, 2014, certain of NewPage s stockholders which collectively owned 4,299,808 shares, which represented approximately 61% of the voting power of NewPage common stock, entered into support agreements with NewPage and Verso pursuant to which such stockholders have agreed to vote their shares of NewPage common stock or execute a written consent in favor of the adoption and approval of the Merger Agreement. NewPage expects to receive the requisite written consents from those stockholders promptly after receiving the request of NewPage and/or Verso following the effectiveness of the registration statement of which the Information Statement is a part. If NewPage receives written consents from such stockholders, no further action by any other NewPage stockholders would be required to adopt the Merger Agreement or to authorize the transactions contemplated thereby. For this reason, the Information Statement is being provided to you for informational purposes only. NewPage has not solicited and is not soliciting your adoption and approval of the Merger Agreement.

Under Delaware law, if you comply with certain requirements of Delaware law described in the accompanying Information Statement, you will have the right to seek an appraisal and to be paid the fair value of your shares of NewPage common stock as determined in accordance with Delaware law (exclusive of any element of value arising from the accomplishment or expectation of the Merger) instead of the Merger Consideration. Your appraisal rights under Delaware law are more fully described in the accompanying Information Statement under The Merger NewPage Stockholder Appraisal Rights beginning on page 253.

The Information Statement includes important information about NewPage, Verso and the Merger, including the existence of several conditions to NewPage s obligations and those of Verso s to complete the Merger, all of which must be either satisfied or waived prior to the completion of the Merger, and should be read carefully and in its entirety. Neither the Information Statement, nor any other information you receive from NewPage in respect of the Merger, is intended to be legal, tax or investment advice. Accordingly, you should consult your own legal counsel, accountants and investment advisors as to legal, tax and other matters concerning the Merger.

This notice and the accompanying Information Statement shall constitute notice to you of the action by written consent contemplated by Section 228 of the Delaware General Corporation Law.

Sincerely,

Mark A. Angelson  
Chairman of the Board

NewPage Holdings Inc.

**Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Merger, passed upon the merits or fairness of the Merger Agreement or the transactions contemplated thereby, including the proposed Merger, or passed upon the adequacy or accuracy of the information contained in this document or the accompanying Information Statement. Any representation to the contrary is a criminal offense.**

The accompanying Information Statement is dated \_\_\_\_\_, 2014 and is first being mailed to NewPage's stockholders on or about \_\_\_\_\_, 2014.

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**VERSO PAPER CORP.**

**6775 Lenox Center Court, Suite 400**

**Memphis, TN 38115-4436**

**NOTICE OF**

**SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON \_\_\_\_\_, 2014**

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of Verso Paper Corp., or Verso, will be held at 10:00 a.m., Central Time, on \_\_\_\_\_, 2014, at Verso's office located at 6775 Lenox Center Court, Memphis, Tennessee. Holders of record of Verso common stock at the close of business on July 2, 2014 (such date and time, the record date) will be asked to consider and vote on the following proposals:

- Proposal 1. approve the issuance of shares of Verso common stock to the stockholders of NewPage Holdings Inc., or NewPage, as part of the Merger Consideration pursuant to the Agreement and Plan of Merger dated as of January 3, 2014, among NewPage, Verso and Verso Merger Sub Inc., or Merger Sub, pursuant to which Merger Sub will merge with and into NewPage and NewPage will continue as the surviving corporation and an indirect, wholly owned subsidiary of Verso, which transaction is referred to as the Merger;
- Proposal 2. approve the issuance of Verso Warrants to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration, as each such term is defined in this joint proxy and information statement/prospectus;
- Proposal 3. approve the issuance of Verso Warrants to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration, as each such term is defined in this joint proxy and information statement/prospectus;
- Proposal 4. approve Verso's Amended and Restated 2008 Incentive Award Plan;
- Proposal 5. approve and adopt the amendment of Verso's Amended and Restated Certificate of Incorporation to change its corporate name to Verso Corporation effective upon the consummation of the Merger; and
- Proposal 6. approve any adjournment of the Verso special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve Proposal 1 at the time of the Verso special meeting.

Please refer to the attached joint proxy and information statement/prospectus and the attached materials for further information with respect to the business to be transacted at the Verso special meeting. Verso expects to transact no other business at the meeting. Holders of record of Verso common stock as of the record date will be entitled to receive notice of and to vote at the Verso special meeting.

**The Verso board of directors unanimously recommends that you vote FOR each of Proposals 1-6 as described in the accompanying joint proxy and information statement/prospectus.**

**Your vote is important, regardless of the number of shares that you own.** Whether or not you plan on attending the Verso special meeting, we urge you to read the joint proxy and information statement/prospectus carefully and to please vote your shares as promptly as possible. You may vote your shares by proxy electronically via the Internet, by telephone, by completing and sending in the appropriate paper proxy card or in person at the Verso special meeting.

All Verso stockholders as of the record date are cordially invited to attend the Verso special meeting.

By Order of the Board of Directors,

Peter H. Kesser  
Secretary

, 2014



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**REFERENCES TO ADDITIONAL INFORMATION**

This joint proxy and information statement/prospectus incorporates by reference important business and financial information about Verso from documents that Verso has filed or will file with the Securities and Exchange Commission, or the SEC, but that are not being included in or delivered with this joint proxy and information statement/prospectus. This information is available to you without charge upon your written or oral request. You may read and copy documents and other information about Verso that is filed with the SEC under the Securities and Exchange Act of 1934, or the Exchange Act, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You can also obtain such documents free of charge through the SEC's website, [www.sec.gov](http://www.sec.gov), or by requesting them in writing or by telephone at the following address and telephone number:

By Mail: Verso Paper Corp.  
6775 Lenox Center Court  
Suite 400  
Memphis, Tennessee 38115-4436  
Attention: Investor Relations

By Telephone: (901) 369-4100

In order to obtain timely delivery, you must request such documents and other information no later than five business days before \_\_\_\_\_, 2014.

For additional information, please see **Where You Can Find More Information** beginning on page 415. Please note that information contained on the website of Verso is not incorporated by reference in, nor considered to be part of, this joint proxy and information statement/prospectus.

**ABOUT THIS JOINT PROXY AND INFORMATION STATEMENT/PROSPECTUS**

Verso has supplied all information contained in this joint proxy and information statement/prospectus relating to Verso and the combined company, including combined company synergies or synergy assumptions or restructuring costs. NewPage has supplied all information contained in this joint proxy and information statement/prospectus relating to NewPage. Verso and NewPage have both contributed to information relating to the Merger.

You should rely only on the information contained in this joint proxy and information statement/prospectus provided by Verso and on the information contained in this joint proxy and information statement/prospectus provided by NewPage. No one has been authorized to provide you with information that is different from that contained in this joint proxy and information statement/prospectus provided by Verso and information contained in this joint proxy and information statement/prospectus provided by NewPage. This joint proxy and information statement/prospectus is dated \_\_\_\_\_, 2014, and is based on information as of such date or such other date as may be noted. You should not assume that the information contained in this joint proxy and information statement/prospectus provided by Verso or contained in this joint proxy and information statement/prospectus provided by NewPage is accurate as of any other date. Neither the mailing of this joint proxy and information statement/prospectus to the stockholders of NewPage nor the taking of any actions contemplated hereby by Verso or NewPage at any time will create any implication to the contrary.

**This joint proxy and information statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in any jurisdiction in which or from any person to whom it is unlawful to make any**

**such offer or solicitation in such jurisdiction.**

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**DEFINED TERMS**

This joint proxy and information statement/prospectus generally avoids the use of technical defined terms, but a few frequently used terms may be helpful for you to have in mind at the outset. Unless otherwise specified or if the context so requires, this joint proxy and information statement/prospectus uses the following defined terms:

**Apollo** means Apollo Global Management, LLC;

**Chapter 11 Proceedings** means the voluntary cases under Chapter 11 of the United States Bankruptcy Code, as amended, commenced by NewPage and certain of its U.S. subsidiaries on September 7, 2011;

**Consent Solicitations** means the process of Verso trying to obtain consent to amend, eliminate or waive certain sections of the applicable indentures governing the Old Second Lien Notes and Old Subordinated Notes;

**Credit Agreement Amendments** means the amendments to the Existing ABL Facility and the Existing Cash Flow Facility that Verso entered into in connection with its entry into the Merger Agreement;

**Debt Commitment Letters** means the debt commitment letters pursuant to which the lenders named therein agreed, subject to the terms and conditions thereof, to provide the NewPage Term Loan Facility and NewPage ABL Facility;

**DGCL** means the General Corporation Law of the State of Delaware;

**Early Tender Time** means the period prior to 12:00 midnight, New York City time, at the end of July 16, 2014 (as it may be extended);

**Eligible Holders** means holders of Old Second Lien Notes who are qualified institutional buyers (as defined in Rule 144A under the Securities Act) and holders of Old Second Lien Notes who are not U.S. persons in reliance upon Regulation S under the Securities Act;

**End Date** means 5:00 p.m. (New York City time) on December 31, 2014;

**Exchange Offer Transactions** means (i) the consummation of the Second Lien Notes Exchange Offer, assuming that all outstanding Old Second Lien Notes are tendered into the Second Lien Notes Exchange Offer by the Early Tender Time (as defined herein) and accepted by us, and (ii) the consummation of the Subordinated Notes Exchange Offer, assuming that all outstanding Old Subordinated Notes are tendered into

the Subordinated Notes Exchange Offer by the Early Tender Time (as defined herein) and accepted by us;

Exchange Offers means the Second Lien Notes Exchange Offer and Subordinated Notes Exchange Offer;

Existing ABL Facility means Verso's existing \$150 million asset-based revolving facility;

Existing Cash Flow Facility means Verso's existing \$50 million cash flow facility;

Existing First Lien Notes means the Verso Issuers' 11.75% Senior Secured Notes due 2019;

FERC means the Federal Energy Regulatory Commission;

GAAP means generally accepted accounting principles in the United States;

HSR Act means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

Merger means the transaction pursuant to which Verso's indirect, wholly owned subsidiary, Verso Merger Sub Inc., will merge with and into NewPage, and NewPage will become an indirect, wholly

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owned subsidiary of Verso, and the conversion of shares of NewPage common stock into rights to receive cash, shares of Verso common stock and the New First Lien Notes;

Merger Sub means Verso Merger Sub Inc.;

Merger Agreement means the Agreement and Plan of Merger dated as of January 3, 2014, among Verso, Merger Sub and NewPage, providing for the Merger of Merger Sub and NewPage, with NewPage surviving as an indirect subsidiary of Verso;

Merger Consideration means (i) the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger, (ii) \$650 million in principal amount of New First Lien Notes (subject to downward adjustment in certain circumstances in an amount not to exceed \$27 million in value), (iii) shares of Verso common stock representing 20% (subject to upward adjustment to no greater than 25% in certain circumstances) of the sum of (x) the number of outstanding shares of Verso common stock as of immediately prior to closing plus (y) the number of shares, if any, underlying vested, in-the-money Verso stock options as of the signing of the Merger Agreement and (iv) the remainder of the approximately \$7 million paid into an escrow account for the benefit of holders of NewPage restricted stock units upon vesting and NewPage stock options upon consummation of the Merger (see The Merger Agreement Transaction Consideration for more details);

New First Lien Notes means the Verso Issuers 11.75% Senior Secured Notes due 2019 to be offered in connection with the Merger with terms as described in Description of New First Lien Notes ;

New Second Lien Notes means the new Second Priority Adjustable Senior Secured Notes to be issued by the Verso Issuers in the Second Lien Notes Exchange Offer;

New Subordinated Notes means the new Adjustable Senior Subordinated Notes to be issued by the Verso Issuers in the Subordinated Notes Exchange Offer;

NewPage means NewPage Holdings Inc., a Delaware corporation;

NewPage ABL Facility means NewPage Corporation's new asset-based loan facility of up to \$350 million entered into by NewPage Corporation on February 11, 2014. The issuers and guarantors of Verso's debt securities (including the New First Lien Notes) and the borrower and guarantors of Verso's credit facilities do not guarantee the obligations under the NewPage ABL Facility, and the borrower and guarantors under the NewPage ABL Facility will not guarantee the obligations under Verso's debt securities and credit facilities. As a result, following the consummation of the Merger, the holders of Verso's debt securities (including the New First Lien Notes) will be structurally subordinated to the obligations under the NewPage ABL Facility to the extent of the value of the assets of the NewPage Subsidiaries;

NewPage board of directors means the board of directors of NewPage;

NewPage By-laws means the by-laws of NewPage;

NewPage Charter means the certificate of incorporation of NewPage;

NewPage common stock means the common stock, par value \$0.001 per share, of NewPage;

NewPage Stockholders Agreement means the Stockholders Agreement, dated as of December 21, 2012, as amended, among NewPage and each of the stockholders party thereto;

NewPage Subsidiaries means subsidiaries of NewPage Holdings Inc.;

NewPage Term Loan Facility means NewPage Corporation's new term loan facility of \$750 million entered into by NewPage Corporation on February 11, 2014. The issuers and guarantors of Verso's debt securities (including the New First Lien Notes) and the borrower and guarantors of Verso's credit

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facilities do not guarantee the obligations under the NewPage Term Loan Facility, and the borrower and guarantors under the NewPage Term Loan Facility will not guarantee the obligations under Verso's debt securities and credit facilities. As a result, following the consummation of the Merger, the holders of Verso's debt securities (including the New First Lien Notes) will be structurally subordinated to the obligations under the NewPage Term Loan Facility to the extent of the value of the assets of the NewPage Subsidiaries;

Old Floating Rate Notes means the Verso Issuers' Second Priority Senior Secured Floating Rate Notes due 2014;

Old Second Lien Notes means the Verso Issuers' 8.75% Second Priority Senior Secured Notes due 2019;

Old Subordinated Notes means the Verso Issuers' ~~3/8%~~ Senior Subordinated Notes due 2016;

Predecessor Period means the period prior to December 31, 2012;

Pro Forma Statements means the unaudited pro forma condensed combined financial statements of Verso, Verso Holdings, and NewPage;

PSCW means the Public Service Commission of Wisconsin;

Recapitalization Dividend means the approximately \$243 million which was paid to NewPage's stockholders as a dividend prior to the date of this joint proxy and information statement/prospectus;

record date means July 2, 2014;

Second Lien Notes Exchange Offer means the exchange offer commenced on July 2, 2014 by the Verso Issuers for any and all of their outstanding Old Second Lien Notes in exchange for new Second Priority Adjustable Senior Secured Notes and Verso Warrants to be issued and the simultaneous solicitation of consents with respect to certain amendments to the indenture governing the Old Second Lien Notes;

Subordinated Notes Exchange Offer means the exchange offer commenced on July 2, 2014 by the Verso Issuers for any and all of their outstanding Old Subordinated Notes in exchange for new Adjustable Senior Subordinated Notes and Verso Warrants to be issued and the simultaneous solicitation of consents with respect to certain amendments to the indenture governing the Old Subordinated Notes;

Support Agreements means agreements between Verso and certain NewPage stockholders that collectively owned approximately 61% of NewPage's outstanding shares of common stock on January 3, 2014, entered



into as of the date of the Merger Agreement, by which such stockholders have agreed to provide their written consents for the adoption of the Merger Agreement;

Successor Period means the period on or after December 31, 2012;

Surviving Corporation means NewPage after the Merger is consummated, as the surviving corporation of the Merger;

Transaction Consideration means the Merger Consideration together with the Recapitalization Dividend and any portion of cash from the escrow account paid in respect of restricted stock units upon vesting prior to closing;

Verso means Verso Paper Corp., a Delaware corporation;

Verso board of directors means the board of directors of Verso;

Verso Bylaws means the amended and restated bylaws, as amended, of Verso dated as of October 28, 2013;

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Verso Charter means the amended and restated certificate of incorporation of Verso, as filed on May 12, 2008;

Verso common stock means the common stock, par value \$0.01 per share, of Verso;

Verso Finance means Verso Paper Finance Holdings LLC;

Verso Holdings means Verso Paper Holdings LLC;

Verso Issuers means Verso Paper Holdings LLC and Verso Paper Inc.;

Verso Junior Noteholder Consent means the written consent or affirmative vote of (i) at least a majority of the holders of the Old Second Lien Notes and (ii) at least a majority of the holders of the Old Subordinated Notes, in each case in favor of the amendments necessary for the adoption of the Merger Agreement, the transactions contemplated by the Merger Agreement and the Exchange Offer Transactions;

Verso Junior Notes means the Old Second Lien Notes, the Old Floating Rate Notes and the Old Subordinated Notes;

Verso Stockholder means Verso Paper Management LP, which owns a majority of the outstanding shares of Verso common stock;

Verso Warrants means warrants that will be issued by Verso to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer and the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and that will be mandatorily convertible immediately prior to the closing of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration, into shares of Verso common stock representing, as of immediately after the consummation of the Merger, each participating holder's pro rata portion (based on such holder's pro rata portion of the Old Second Lien Notes and Old Subordinated Notes, respectively) of 15% (with respect to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer) and 4.774% (with respect to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer), of the total number of outstanding shares of Verso common stock, determined on a fully diluted basis;

VPI means Verso Paper Investments LP, the parent entity of the Verso Stockholder;

Warrant Agreement means the warrant agreement for the issuance of the Verso Warrants between Verso and the warrant agent named therein; and

Wholly Owned Subsidiary of any Person means a Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors qualifying shares or shares required to be held by Foreign Subsidiaries) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

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**QUESTIONS AND ANSWERS FOR VERSO STOCKHOLDERS**

The questions and answers below highlight only selected information from this joint proxy and information statement/prospectus. They do not contain all of the information that may be important to you. The Verso board of directors is soliciting proxies from its stockholders to vote at a special meeting of Verso stockholders, to be held at 10:00 a.m., Central Time, on July 2, 2014 at Verso's office located at 6775 Lenox Center Court, Memphis, Tennessee, and any adjournment or postponement of that meeting. You should read carefully this entire joint proxy and information statement/prospectus to fully understand the matters to be acted upon and the voting procedures for the Verso special meeting.

**Q: Why have I received this joint proxy and information statement/prospectus?**

A: You are receiving this document because you were a stockholder of record of Verso on the record date for the Verso special meeting. The boards of directors of Verso and NewPage approved the Merger on December 28, 2013 and January 1, 2014, respectively, providing for NewPage to be acquired by Verso. A copy of the Merger Agreement is attached to this joint proxy and information statement/prospectus as Annex A, which we encourage you to review.

In order to complete the Merger, Verso stockholders must vote to approve the issuance of shares of Verso common stock to the NewPage stockholders as part of the Merger Consideration pursuant to the Merger Agreement. Verso stockholders must also vote to approve the issuance of Verso Warrants in connection with the Second Lien Notes Exchange Offer and the Subordinated Notes Exchange Offer. The number of shares of Verso common stock to be issued to the NewPage stockholders as part of the Merger Consideration will be based on the number of shares of Verso common stock outstanding after the conversion of the Verso Warrants to be issued to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer and holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer.

This document serves as both a proxy statement of Verso and a prospectus of Verso. It is a proxy statement because the Verso board of directors is soliciting proxies for use at a special meeting of its stockholders to vote on a proposal to approve the issuance of shares of Verso common stock as well as the other proposals set forth in the notice of the meeting and described in this joint proxy and information statement/prospectus, and your proxy will be used at the meeting or at any adjournment or postponement of the meeting. It is a prospectus because Verso will issue Verso common stock and New First Lien Notes to NewPage stockholders in the Merger. On or about July 11, 2014, Verso intends to begin to deliver to its stockholders of record as of the close of business on July 2, 2014, printed versions of these materials.

Your vote is important.

We are not soliciting a vote of NewPage stockholders. NewPage stockholders that collectively owned approximately 61% of NewPage's outstanding shares of common stock on January 3, 2014 have agreed to execute a written consent approving the Merger. This joint proxy and information statement/prospectus is being provided to NewPage stockholders for informational purposes, including to alert NewPage stockholders of their appraisal rights under the DGCL in connection with the Merger, as described in the section entitled Summary Appraisal Rights in Connection with the Merger.

**Q: What matters are to be voted on at the Verso special meeting?**

A: At the Verso special meeting, the holders of Verso common stock as of the close of business on July 2, 2014, or the record date, will be asked to consider and vote on the following proposals:

Proposal 1. approve the issuance of shares of Verso common stock to the NewPage stockholders as part of the Merger Consideration pursuant to the Merger Agreement;

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- Proposal 2. approve the issuance of Verso Warrants to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration;
- Proposal 3. approve the issuance of Verso Warrants to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration;
- Proposal 4. approve Verso's Amended and Restated 2008 Incentive Award Plan;
- Proposal 5. approve and adopt the amendment of Verso's Amended and Restated Certificate of Incorporation to change its corporate name to Verso Corporation effective upon the consummation of the Merger; and
- Proposal 6. approve any adjournment of the Verso special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve Proposal 1 at the time of the Verso special meeting.

**Q: How does the Verso board of directors recommend that the Verso stockholders vote?**

A: The Verso board of directors recommends that the Verso stockholders vote **FOR** each of Proposals 1-6.

**Q: When is the Merger expected to be completed?**

A: The parties anticipate that the Merger will be completed during the second half of 2014.

**Q: Are there risks associated with the Merger that I should consider in deciding how to vote?**

A: Yes. There are a number of risks related to the Merger and the other transactions contemplated by the Merger Agreement that are discussed in this joint proxy and information statement/prospectus. Please read with particular care the detailed description of the risks described in the section of this joint proxy and information statement/prospectus entitled "Risk Factors" beginning on page 47.

**Q: Why does Verso need to amend the incentive award plan?**

A: Verso has granted incentive equity awards, and plans to grant additional incentive equity awards in the future, to its employees so as to encourage strong performance by the recipients of such awards by enabling them to participate in the future growth of the business. The number of shares of Verso common stock authorized for

issuance under the incentive plan must be increased based on the incentive equity awards Verso has granted to its directors, officers and employees to date and the incentive equity awards Verso plans to grant to certain executives upon the closing of the Merger and to its directors, officers and employees as it customarily would over the next few years. The Amended and Restated 2008 Incentive Award Plan would increase the number of shares of Verso common stock that may be issued pursuant to incentive equity awards from 6,250,000 shares to 11,000,000 shares of Verso common stock.

**Q: When and where is the Verso special meeting?**

A. The Verso special meeting will be held at 10:00 a.m., Central Time, on July , 2014, at Verso s office located at 6775 Lenox Center Court, Memphis, Tennessee.

**Q: What is a quorum?**

A: In order for business to be conducted at the Verso special meeting, a quorum must be present. The quorum requirement for holding the Verso special meeting and transacting business at the Verso special meeting is

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the presence, in person or by proxy, of a majority of the issued and outstanding shares of Verso common stock as of the record date entitled to vote at the Verso special meeting.

**Q: What is the effect of broker non-votes?**

A: Under the rules of the New York Stock Exchange, brokers, banks and other nominees are not permitted to exercise voting discretion on any of the proposals to be voted upon at the Verso special meeting. Therefore, if a beneficial holder of shares of Verso common stock does not give the broker, bank or other nominee specific voting instructions on Proposals 1, 2, 3, 4, 5 or 6, the holder's shares of Verso common stock will not be entitled to vote, and will not be voted, on those proposals. Broker non-votes (if any) will have no effect on the voting results of Proposals 1, 2, 3, 4, 5 or 6.

**Q: Who can vote at the Verso special meeting?**

A: Holders of record at the close of business as of the record date of Verso common stock will be entitled to notice of and to vote at the Verso special meeting. Each of the shares of Verso common stock issued and outstanding on the record date is entitled to one vote at the Verso special meeting with regard to each of the proposals described above.

**Q: What stockholder approvals are needed?**

A: Proposals 1, 2, 3, 4, 5 and 6 require the affirmative vote of a majority of the votes cast in person or represented by proxy at the Verso special meeting.

As of July 2, 2014, the record date for determining stockholders of Verso entitled to vote at the Verso special meeting, there were 53,327,441 shares of Verso common stock outstanding and entitled to vote at the Verso special meeting, held by 31 holders of record.

**Q: Are NewPage stockholders voting on the Merger?**

A: No. NewPage stockholders which collectively owned approximately 61% of NewPage's outstanding shares of common stock on January 3, 2014 have agreed to execute a written consent approving the Merger. Therefore, we are not soliciting a vote of NewPage stockholders.

**Q: If I beneficially own restricted shares of Verso common stock as of the record date issued pursuant to any of Verso's equity incentive plans, will I be able to vote on the matters to be voted upon at the Verso special meeting?**



A: Yes. Holders who beneficially own restricted shares of Verso common stock as of the record date issued pursuant to any of Verso's equity incentive plans may vote on each proposal to be voted on at the Verso special meeting.

**Q: Will any other matters be presented for a vote at the Verso special meeting?**

A: Verso is not aware of any other matters that will be presented for a vote at the Verso special meeting. However, if any other matters properly come before the Verso special meeting, the proxies will have the discretion to vote upon such matters in their discretion.

**Q: Who can attend the Verso special meeting?**

A: You are entitled to attend the Verso special meeting only if you are a Verso stockholder of record or a beneficial owner as of the record date, or you hold a valid proxy for the Verso special meeting.

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If you are a Verso stockholder of record and wish to attend the Verso special meeting, please so indicate on the appropriate proxy card or as prompted by the telephone or Internet voting system. Your name will be verified against the list of Verso stockholders of record prior to your being admitted to the Verso special meeting.

If a broker, bank or other nominee is the record owner of your shares of Verso common stock, you will need to have proof that you are the beneficial owner to be admitted to the Verso special meeting. A recent statement or letter from your bank or broker confirming your ownership as of the record date, or presentation of a valid proxy from a broker, bank or other nominee that is the record owner of your shares of Verso common stock, would be acceptable proof of your beneficial ownership.

You should be prepared to present photo identification for admittance. If you do not provide photo identification or comply with the other procedures outlined above upon request, you may not be admitted to the Verso special meeting.

Regardless of whether you intend to attend the Verso special meeting, you are encouraged to vote your shares of Verso common stock as promptly as possible. Voting your shares will not impact your ability to attend the Verso special meeting.

### **Q: How do I vote my shares?**

A: You may vote your shares of Verso common stock by proxy electronically via the Internet, by telephone, by completing and sending in the appropriate paper proxy card or in person at the Verso special meeting.

### **Q: How do I vote if my shares of Verso common stock are held in street name by a broker, bank or other nominee?**

A: If you hold your shares of Verso common stock in street name, you have the right to direct your broker, bank or other nominee how to vote the shares. You should complete a voting instruction card provided to you by your broker, bank or other nominee or provide your voting instructions electronically via the Internet or by telephone, if made available by your broker, bank or other nominee. If you wish to vote in person at the meeting, you must first obtain from your broker, bank or other nominee a proxy issued in your name.

### **Q: If my shares of Verso common stock are held in street name, will my broker, bank or other nominee vote my shares for me?**

A: If you hold your shares of Verso common stock in street name and do not provide voting instructions to your broker, bank or other nominee, your shares will not be voted on the proposals described above because your broker, bank or other nominee does not have discretionary authority to vote on these proposals. You should follow the directions your broker, bank or other nominee provides.

### **Q: Can I change my vote after I have delivered my proxy?**

- A: You may revoke a proxy or change your voting instructions at any time prior to the vote at the Verso special meeting. You may enter a new vote electronically via the Internet or by telephone or by mailing a new proxy card or new voting instruction card bearing a later date (which will automatically revoke your earlier voting instructions) or by attending the Verso special meeting and voting in person. Your attendance at the Verso special meeting in person will not cause your previously granted proxy to be revoked unless you specifically so request. You may deliver written notice of revocation of a proxy to Verso's Secretary at any time before the Verso special meeting by sending such revocation to the Secretary, 6775 Lenox Center Court, Suite 400, Memphis, Tennessee 38115-4436, in time for the Secretary to receive it before the Verso special meeting.

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**Q: What if I receive more than one proxy card?**

A: If you receive more than one proxy card, your shares of Verso common stock are registered in more than one name or are registered in different accounts. Please complete, date, sign and return each appropriate proxy card to ensure that all your shares are voted.

**Q: What do I need to do now?**

A: After carefully reading and considering the information contained in this joint proxy and information statement/prospectus, please respond by completing, signing and dating the appropriate proxy card or voting instruction card and returning in the enclosed postage-paid envelope, or, if available, by submitting your voting instruction electronically via the Internet or by telephone, as soon as possible so that your shares of Verso common stock may be represented and voted at the Verso special meeting. In addition, you may also vote your shares in person at the Verso special meeting. If you hold shares registered in the name of a broker, bank or other nominee, that broker, bank or other nominee has enclosed, or will provide, instructions for directing your broker, bank or other nominee how to vote those shares.

**Q: Should I send in my stock certificates (or evidence of shares in book-entry form) with my proxy card?**

A: No. Please do NOT send your Verso stock certificates (or evidence of shares in book-entry form) with your proxy card.

**Q: Who can help answer my questions?**

A: If you have any questions about the Verso special meeting, the matters to be voted upon, including the Merger, or questions about how to submit your proxy, or if you need additional copies of this joint proxy and information statement/prospectus or the enclosed proxy card or voting instruction card, you should contact Peter H. Kesser at [peter.kesser@versopaper.com](mailto:peter.kesser@versopaper.com) (e-mail) or call (901) 369-4105.

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**QUESTIONS AND ANSWERS TO NEWPAGE STOCKHOLDERS ABOUT THE MERGER**

The following questions and answers are intended to address briefly some commonly asked questions regarding the Merger and the Merger Agreement. These questions and answers may not address all questions that may be important to you as a NewPage stockholder. Please refer to the Summary and the more detailed information contained elsewhere in this joint proxy and information statement/prospectus, the annexes to this joint proxy and information statement/prospectus and the documents referred to in this joint proxy and information statement/prospectus, each of which you should read carefully. For additional information about NewPage and its subsidiaries, please see

Information About NewPage beginning on page 391. You may also obtain additional information about NewPage and its subsidiaries without charge by following the instructions set forth in the section entitled Where You Can Find More Information beginning on page 415.

**Q: What is the proposed transaction and what effects will it have on NewPage?**

A: The proposed transaction is the acquisition of NewPage by Verso pursuant to the Merger Agreement. The acquisition is structured as a reverse triangular merger. If the closing conditions under the Merger Agreement have been satisfied or waived and the Merger Agreement is not otherwise terminated, Merger Sub, an indirect, wholly owned subsidiary of Verso, will merge with and into NewPage, with NewPage as the surviving entity. As a result of the Merger, NewPage will become an indirect, wholly-owned subsidiary of Verso, will no longer be a 1934 Act reporting company and will no longer file any reports with the SEC on account of NewPage's common stock. In addition, the NewPage Stockholders Agreement will terminate in accordance with its terms.

**Q: What will I be entitled to receive pursuant to the Merger Agreement?**

A: Pursuant to the Merger Agreement, (a) approximately \$243 million in cash was paid to holders of NewPage common stock as a dividend prior to the date of this joint proxy and information statement/prospectus, which is referred to as the Recapitalization Dividend, with the remaining approximately \$7 million of the \$250 million total cash consideration contemplated by the Merger Agreement paid into an escrow account for the benefit of holders of NewPage restricted stock units upon vesting and holders of NewPage stock options upon consummation of the Merger, and (b) each share of common stock of NewPage outstanding immediately prior to the effective time of the Merger (other than treasury shares of NewPage and any shares of NewPage common stock owned by Verso or any subsidiary of Verso or NewPage, and other than shares of common stock as to which dissenters' rights have been properly exercised pursuant to the General Corporation Law of the State of Delaware) will be converted into the right to receive its pro rata portion of (i) the remainder, if any, of the approximately \$7 million in cash paid into the escrow account, plus the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger; (ii) \$650 million in principal amount of New First Lien Notes (subject to downward adjustment in certain circumstances in an amount not to exceed \$27 million in value); and (iii) shares of Verso common stock representing 20% (subject to upward adjustment in certain circumstances to no greater than 25%) of the sum of (x) the number of outstanding Verso shares as of immediately prior to closing of the Merger plus (y) the number of shares, if any, underlying vested, in-the-money Verso stock options as of the signing of the Merger Agreement. The number of shares of Verso common stock to be issued to the NewPage stockholders as part of the Merger

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Consideration will be based on the number of shares of Verso common stock outstanding after the conversion of the Verso Warrants to be issued to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer and holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer. Upon completion of the Merger, you will not own any shares of the capital stock in the Surviving Corporation but will own shares of Verso common stock to be issued to NewPage stockholders as part of the Merger Consideration.

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**Q: When do you expect the Merger to be completed?**

A: We are working to complete the Merger as soon as practicable. The parties anticipate that the Merger will be completed during the second half of 2014. However, because the Merger is subject to a number of conditions, some of which are beyond the control of NewPage and Verso, the precise timing for completion of the Merger cannot be predicted with certainty, and we cannot assure you that the Merger will be completed at all. See the section entitled "The Merger Agreement - Conditions to the Merger" beginning on page 280.

**Q: When can I expect to receive the Transaction Consideration for my shares?**

A: NewPage stockholders received approximately \$243 million of the cash portion of the Transaction Consideration through the Recapitalization Dividend when the proceeds of the NewPage Term Loan Facility were funded. After the Merger is completed, you will be sent a stockholder consent and release, a cooperation agreement and detailed written instructions for exchanging your NewPage common stock for the Merger Consideration. When you properly complete and return the required documentation described in the written instructions, you will receive from the paying agent your pro rata portion of the note consideration, share consideration and remaining portion of the cash consideration for your shares.

**Q: Where will the Verso common stock and the notes that I receive in the Merger be publicly traded?**

A: Verso common stock is listed on the New York Stock Exchange under the trading symbol VRS. We intend to apply to the New York Stock Exchange to list the shares of Verso common stock offered hereby prior to the consummation of the Merger. The notes are not listed on a public stock exchange, and Verso does not intend to have the New First Lien Notes listed on a national securities exchange.

**Q: What are the material U.S. federal income tax consequences of the Merger?**

A: The receipt of Merger Consideration for NewPage common stock pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, a stockholder subject to U.S. federal income taxation who receives Merger Consideration in exchange for NewPage common stock will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the fair market value of the Merger Consideration, paid to such stockholder and the adjusted basis of the NewPage common stock exchanged by such stockholder in the Merger. In addition, the Recapitalization Dividend will be treated as a taxable dividend to the extent of NewPage's current and accumulated earnings and profits (as determined for U.S. tax purposes). See "Certain Material U.S. Federal Income Tax Consequences." Tax matters can be complicated, and the tax consequences of the Merger to you will depend on your particular tax situation. You should consult your tax advisor to determine the tax consequences of the Merger to you.

**Q: Did the NewPage board of directors approve and recommend the Merger Agreement?**

A: Yes. At a meeting on January 1, 2014 and subsequently by unanimous written consent dated January 3, 2014, the NewPage board of directors approved the Merger Agreement.

**Q: Has NewPage stockholder approval and adoption of the Merger Agreement been obtained?**

A: Not yet as of the date of this joint proxy and information statement/prospectus. As of the date of this joint proxy and information statement/prospectus, NewPage has 7,092,477 shares of common stock issued and outstanding. Each of such shares is entitled to one vote on the Merger. The adoption of the Merger Agreement requires the affirmative vote or written consent of the holders of a majority of NewPage's issued and outstanding common stock. In connection with the execution of the Merger Agreement, NewPage, Verso and certain NewPage stockholders which collectively owned 4,299,808 shares, representing



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approximately 61% of NewPage's outstanding shares of common stock and voting power on January 3, 2014, entered into support agreements, dated as of the date of the Merger Agreement (each, a Support Agreement). The stockholders that are party to Support Agreements have agreed to provide their written consents for the adoption of the Merger Agreement immediately after receiving the request of NewPage and/or Verso following the effectiveness of this joint proxy and information statement/prospectus and to waive their appraisal rights.

**Q: What happens if the Merger is not completed?**

A: If the Merger is not completed for any reason, NewPage will continue as an independent entity, your NewPage common stock will not be cancelled and will remain outstanding, and you will not receive the Merger Consideration.

**Q: Why am I not being asked to vote on the Merger?**

A: This document is entitled joint proxy and information statement/prospectus because it is a joint document combining a proxy for Verso stockholders and an information statement for NewPage stockholders. We are not asking for a proxy from NewPage stockholders and you are not being requested to send us a proxy. Consummation of the Merger requires the adoption of the Merger Agreement by the holders of a majority of the outstanding shares of NewPage common stock voting or consenting as a single class. NewPage expects to obtain the requisite written consents necessary to approve and adopt the Merger Agreement from NewPage stockholders which collectively owned approximately 61% of NewPage's outstanding shares of common stock and voting power on January 3, 2014 pursuant to the support agreements. Assuming NewPage receives such written consents, no further approval of the stockholders of NewPage will be required to adopt the Merger Agreement and approve the Merger and the transactions and agreements contemplated by the Merger Agreement.

**Q: Why am I receiving this joint proxy and information statement/prospectus?**

A: You may be receiving this joint proxy and information statement/prospectus because you owned shares of NewPage common stock on the close of business on . As a result of entering into the Merger Agreement, applicable laws and regulations require us to provide you with an information statement.

**Q: What happens if I transfer my shares before the completion of the Merger?**

A: If you transfer your shares before the completion of the Merger, you will have transferred the right to receive the Merger Consideration to be received by NewPage stockholders pursuant to the Merger. In order to receive the Merger Consideration, you must hold your shares through completion of the Merger.

**Q. Am I entitled to exercise appraisal rights under the DGCL instead of receiving the Merger Consideration for my shares of NewPage common stock?**

- A. Yes, provided that you comply with all applicable requirements and procedures of the DGCL. As a holder of NewPage common stock, you are entitled to appraisal rights under the DGCL in connection with the Merger if you take certain actions and meet certain conditions. See the section entitled **The Merger NewPage Stockholder Appraisal Rights** beginning on page 253.

**Q: Who can help answer my questions?**

- A: If you have any questions about the Merger or the Merger Agreement, or if you need additional copies of this joint proxy and information statement/prospectus, you should contact Barbara Telek at [barbara.telek@newpagecorp.com](mailto:barbara.telek@newpagecorp.com) (e-mail) or call (937) 242-9629.

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**SUMMARY**

This summary highlights selected information described in more detail elsewhere in this joint proxy and information statement/prospectus and may not contain all of the information that is important to you. To understand the Merger and to obtain a more complete description of the terms of the Merger Agreement, you should carefully read this entire joint proxy and information statement/prospectus, including the annexes hereto, and the documents to which Verso and NewPage refer you. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary. Within the organization, Verso Paper Corp. is the ultimate parent entity and the sole member of Verso Paper Finance Holdings One LLC, which is the sole member of Verso Paper Finance Holdings LLC, which is the sole member of Verso Paper Holdings LLC. Unless otherwise indicated herein or the context requires otherwise, references in this Summary to *Verso*, refers collectively to Verso Paper Corp. and its subsidiaries; the term *Verso Finance* refers to Verso Paper Finance Holdings LLC; the term *Verso Holdings* refers to Verso Paper Holdings LLC. Unless otherwise noted, the information provided pertains to both Verso and Verso Holdings. References to *NewPage* refer collectively to NewPage Holdings Inc. and its subsidiaries. References to *we*, *us* or *our* refer collectively to Verso and NewPage; however, in the case of Management's Discussion and Analysis of Financial Condition and Results of Operations and Business, the terms *we*, *us* or *our* refer only to Verso and Verso Holdings.

**The Companies**

*Verso* (See page 390)

Verso Paper Corp.

6775 Lenox Center Court, Suite 400

Memphis, Tennessee 38115-4436

(901) 369-4100

Verso is a leading North American supplier of coated papers to catalog and magazine publishers. The coating process adds a smooth uniform layer in the paper, which results in superior color and print definition. As a result, coated paper is used primarily in media and marketing applications, including catalogs, magazines, and commercial printing applications, such as high-end advertising brochures, annual reports, and direct mail advertising.

Verso is one of North America's largest producers of coated groundwood paper, which is used primarily for catalogs and magazines. Verso is also a low cost producer of coated freesheet paper, which is used primarily for annual reports, brochures, and magazine covers. Verso also produces and sells market kraft pulp, which is used to manufacture printing and writing paper grades and tissue products. Verso's net sales by product line for the year ended December 31, 2013 were approximately \$619 million, \$444 million, \$156 million and \$170 million for coated groundwood paper, coated freesheet paper, pulp and other, respectively.

Verso operates eight paper machines at three mills located in Maine and Michigan. Verso believes its coated paper mills are among the most efficient and lowest cost coated paper mills based on the cash cost of delivery to Chicago, Illinois. Verso attributes its manufacturing efficiency, in part, to the significant historical investments made in its mills. Verso's mills have a combined annual production capacity of 1,305,000 tons of coated paper, 160,000 tons of ultra-lightweight specialty and uncoated papers, and 930,000 tons of kraft pulp. Of the pulp that Verso produces, Verso consumes approximately 635,000 tons internally and sells the rest. Verso's facilities are well located near major

publication printing customers, which affords it the ability to more quickly and cost-effectively deliver its products. The facilities also benefit from convenient and cost-effective access to northern softwood fiber, which is required for the production of lightweight and ultra-lightweight coated papers.

Verso sells and markets its products to approximately 130 customers, which comprise approximately 700 end-user accounts. Verso has long-standing relationships with many leading magazine and catalog publishers,

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commercial printers, specialty retail merchandisers and paper merchants. Verso's relationships with its ten largest coated paper customers average more than 20 years. Verso reaches its end-users through several distribution channels, including direct sales, commercial printers, paper merchants, and brokers. Many of Verso's customers provide Verso with forecasts of their paper needs, which allows Verso to plan its production runs in advance, optimizing production over its integrated mill system and thereby reducing costs and increasing overall efficiency. Verso's key customers include leading magazine publishers such as Condé Nast Publications, Hearst Enterprises, and National Geographic Society; leading catalog producers such as Avon Products, Inc., Restoration Hardware, Inc. and Cornerstone Brands, Inc.; leading commercial printers such as Quad/Graphics, Inc. and RR Donnelley & Sons Company and leading paper merchants and brokers, such as A.T. Clayton & Co., xpedx, and Clifford Paper, Inc.

As of June 30, 2014, Verso had approximately 2,100 employees. For the fiscal years ended December 31, 2013, 2012, and 2011, Verso had net sales of approximately \$1,388.9 million, \$1,474.6 million and \$1,722.5 million, respectively. For the three months ended March 31, 2014 and 2013, Verso had net sales of approximately \$299.1 million and \$333.2 million, respectively. Verso had net losses of \$111.2 million, \$173.8 million and \$137.1 million in fiscal years 2013, 2012, and 2011, respectively, and net losses of \$90.6 million and \$38.4 million for the three months ended March 31, 2014 and 2013, respectively. Verso Holdings had net losses of \$111.2 million, \$166.2 million and \$122.5 million in fiscal years 2013, 2012, and 2011, respectively, and net losses of \$90.6 million and \$37.7 million for the three months ended March 31, 2014 and 2013, respectively.

***Verso Merger Sub Inc.***

Verso Merger Sub Inc.

6775 Lenox Center Court, Suite 400

Memphis, TN 38115-4436

(901) 369-4100

Verso Merger Sub Inc., a Delaware corporation, referred to as Merger Sub, is an indirect, wholly owned subsidiary of Verso and a direct subsidiary of Verso Holdings. Merger Sub was formed solely for the purpose of engaging in the transactions contemplated by the Merger Agreement and, prior to the Merger, will not have engaged in any other business activities other than those relating to the transactions contemplated by the Merger Agreement. In the Merger, Merger Sub will merge with and into NewPage, and Merger Sub will cease to exist.

***Verso Paper Holdings LLC***

Verso Paper Holdings LLC

6775 Lenox Center Court, Suite 400

Memphis, TN 38115-4436

(901) 369-4100

Within our organization, Verso Paper Corp. is the ultimate parent entity and the sole member of Verso Paper Finance Holdings One LLC, which is the sole member of Verso Paper Finance Holdings LLC, which is the sole member of Verso Paper Holdings LLC.

*NewPage* (See page 391)

NewPage Holdings Inc.

8540 Gander Creek Drive

Miamisburg, Ohio 45342

(937) 242-9629

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NewPage competes in the global printing and writing paper business, producing coated papers, supercalendered papers, and other uncoated and specialty products. NewPage also sells its excess market pulp. Most of NewPage's sales represent coated paper shipments to North American customers. Coated paper is used primarily in media and marketing applications, such as high-end advertising brochures, direct mail advertising, coated labels, magazines, magazine covers and inserts, catalogs and textbooks.

NewPage operates paper mills located in Kentucky, Maine, Maryland, Michigan, Minnesota and Wisconsin. All of NewPage's paper mills are at least partially-integrated, meaning that they produce paper, pulp and energy. Most of the energy produced at these mills is for internal use. As of December 31, 2013, NewPage's mills had total annual production capacity of approximately 3.5 million short tons of paper, including approximately 2.9 million short tons of coated paper, approximately 400,000 short tons of uncoated paper and approximately 200,000 short tons of specialty paper. All of NewPage's long-lived assets are located within the United States. NewPage's mills and distribution centers, are strategically located near major print markets, such as New York, Chicago and Minneapolis.

NewPage has long-standing relationships with many leading publishers, commercial printers, specialty retail merchandisers and paper merchants. NewPage's ten largest customers accounted for approximately half of its net sales for 2013. NewPage's key customers include Condé Nast Publications, The McGraw-Hill Companies, Meredith Corporation, Hearst Corporation, Rodale Inc. and Time Inc. in publishing; Quad/Graphics and R.R. Donnelley & Sons Company in commercial printing; Sears Holdings Corporation, Target Corporation and Williams-Sonoma, Inc. in retailing; and paper merchants Lindenmeyr, a division of Central National-Gottesman Inc., Unisource Worldwide, Inc. and xpedx, a division of International Paper Company. Key customers for specialty paper products include Avery Dennison Corporation and Fort Dearborn Company. During 2013, xpedx and Unisource accounted for 13% and 12% of net sales. No other customer accounted for more than 10% of NewPage's 2013 net sales.

As of June 30, 2014, NewPage had approximately 5,500 employees. For the fiscal years ended December 31, 2013, 2012, and 2011, NewPage had net sales of \$3,054 million, \$3,131 million and \$3,502 million, respectively. For the three months ended March 31, 2014 and 2013, NewPage had net sales of \$757 million and \$756 million, respectively. NewPage had net losses of \$2 million in 2013, net income of \$1,258 million in 2012 and net losses of \$498 million in 2011 and net losses of \$71 million and \$11 million in the three months ended March 31, 2014 and 2013.

As a result of the Creditor Protection Proceedings described elsewhere in this joint proxy and information statement/prospectus, the implementation of the Chapter 11 plan and the application of fresh start accounting materially changed the carrying amounts and classifications reported in NewPage's consolidated financial statements and resulted in NewPage becoming a new entity for financial reporting purposes. Accordingly, NewPage's consolidated financial statements for periods prior to December 31, 2012 will not be comparable to NewPage's consolidated financial statements as of December 31, 2012 or for periods subsequent to December 31, 2012. References to Successor or Successor Company refer to NewPage Holdings Inc. on or after December 31, 2012, after giving effect to the implementation of the Chapter 11 plan and the application of fresh start accounting. References to Predecessor or Predecessor Company refer to NewPage Corporation prior to December 31, 2012.

For additional information about NewPage and its subsidiaries, see Information About NewPage beginning on page 391 and Where You Can Find More Information beginning on page 415.

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**Vote Required**

Proposals 1, 2, 3, 4, 5 and 6 require the affirmative vote of a majority of the votes cast in person or represented by proxy at the Verso special meeting. As the record date, Verso directors, executive officers and their affiliates are entitled to vote \_\_\_\_\_ shares of Verso common stock, or approximately \_\_\_\_\_ of the total outstanding shares of Verso common stock.

The adoption and approval of the Merger Agreement requires the affirmative vote or written consent of the holders of a majority of NewPage \_\_\_\_\_ shares issued and outstanding common stock. As of the date of this joint proxy and information statement/prospectus, NewPage directors, executive officers and their affiliates are entitled to vote \_\_\_\_\_ shares of NewPage common stock, or approximately \_\_\_\_\_ of the total issued and outstanding shares of NewPage common stock.

**Merger and Merger Agreement** (See pages 213 and 266)

On January 3, 2014, Verso, Merger Sub and NewPage entered into the Merger Agreement, providing for the merger of Merger Sub and NewPage, with NewPage surviving as an indirect subsidiary of Verso.

The terms and conditions of the Merger are contained in the Merger Agreement, a copy of which is attached as Annex A to this joint proxy and information statement/prospectus. We encourage you to read the Merger Agreement carefully, as it is the legal document that governs the Merger.

**Transaction Consideration** (See page 266)

Pursuant to the Merger Agreement, (a) approximately \$243 million in cash was paid to holders of NewPage common stock as a dividend prior to the date of this joint proxy and information statement/prospectus, which is referred to as the Recapitalization Dividend, with the remaining approximately \$7 million of the \$250 million total cash consideration contemplated by the Merger Agreement paid into an escrow account for the benefit of holders of NewPage restricted stock units upon vesting and holders of NewPage stock options upon consummation of the Merger, and (b) each share of common stock of NewPage outstanding immediately prior to the effective time of the Merger (other than treasury shares of NewPage and any shares of NewPage common stock owned by Verso or any subsidiary of Verso or NewPage, and other than shares of common stock as to which dissenters' rights have been properly exercised pursuant to the General Corporation Law of the State of Delaware) will be converted into the right to receive its pro rata portion of:

the remainder, if any, of the approximately \$7 million in cash paid into the escrow account, plus the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger;

\$650 million in principal amount of New First Lien Notes (subject to downward adjustment in certain circumstances in an amount not to exceed \$27 million in value); and

shares of Verso common stock representing 20% (subject to upward adjustment in certain circumstances to no greater than 25%) of the sum of (x) the number of outstanding Verso shares as of immediately prior to



closing of the Merger plus (y) the number of shares, if any, underlying vested, in-the-money Verso stock options as of the signing of the Merger Agreement.

As of the date of the filing of this joint proxy and information statement/prospectus, the number of shares of Verso common stock to be issued to NewPage stockholders would be approximately 14.0 million in the aggregate, assuming a 100% participation of aggregate principal amount of Old Second Lien Notes in the Second Lien Notes Exchange Offer and a 100% participation of aggregate principal amount of Old Subordinated Notes in the Subordinated Notes Exchange Offer, and that the number of shares of Verso common stock issued as part of the Merger Consideration is not further adjusted upwards.

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Upon the closing of the Merger, each share of NewPage common stock outstanding immediately prior to the closing (other than shares owned directly or indirectly by Verso or Merger Sub or any of their respective subsidiaries, and NewPage stockholders, if any, who effectively exercise appraisal rights under Delaware law) will be canceled and extinguished and be converted automatically into the right to receive a portion of the Merger Consideration. See The Merger Agreement Transaction Consideration.

### **Ancillary Agreements** (See page 286)

Concurrently with the execution of the Merger Agreement, NewPage, Merger Sub, Verso and certain of NewPage's stockholders and Verso's affiliates entered into ancillary agreements relating to:

support of the Merger by certain NewPage stockholders, and support of the issuance of shares of Verso common stock as part of the Merger Consideration by Verso's majority stockholder;

the lock-up of debt and equity securities of Verso held by Apollo Global Management LLC ( Apollo ) and its affiliates, and agreement by certain affiliates of Verso to take specified actions with respect to regulatory filings required in connection with the Merger;

the appointment of a current director of NewPage to the board of Verso;

Verso's efforts to enter into a financing in connection with certain non-core energy assets;

the form of a release agreement whereby NewPage stockholders and holders of NewPage restricted stock units and in-the-money NewPage stock options will release claims against NewPage and its successors and assigns as consideration for their receipt of the Merger Consideration; and

the form of a cooperation agreement whereby Verso will be subject to a cooperation agreement which will require Verso to assist with marketing the New First Lien Notes.

The foregoing summaries of such ancillary agreements executed or to be executed at the closing of the Merger are qualified in their entirety by reference to the descriptions of such agreements set forth on Form 8-K as filed with the SEC on January 6, 2014 by Verso and NewPage, respectively.

### **Verso Board of Directors Reasons for the Merger** (See page 232)

Verso believes that the acquisition of NewPage will, among other things, enable the combined company to be better positioned to compete on a global scale, to effectively leverage NewPage's existing customer base and geographical reach to withstand competition from electronic substitution for print and international producers and result in at least \$175 million of pre-tax total cost synergies, which are expected to be achieved during the first 18 months after completion of the Merger (based on an analysis developed by Verso's management).

In the course of reaching its decision to approve the Merger Agreement, the Verso board of directors considered a number of factors in its deliberations. Those factors are described in The Merger Recommendation of the Verso Board of Directors and Verso's Reasons for the Merger beginning on page 232.

**NewPage Board of Directors Reasons for the Merger** (See page 222)

At a meeting on January 1, 2014, NewPage's board of directors determined by unanimous vote of all directors present and subsequently by unanimous written consent, dated January 3, 2014, that the Merger is in the best interests of NewPage and its stockholders. In reaching its decision to approve the Merger Agreement and declare it advisable, NewPage's board of directors received advice from NewPage's management and legal, financial, tax and accounting advisors and considered a number of factors.

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NewPage's board of directors determined that the Merger represents the most certain and best prospect for maximizing stockholder value and creating an opportunity for NewPage stockholders to monetize that value. Importantly, the Merger is expected to enable the realization of at least \$175 million of pre-tax total cost synergies during the first 18 months after the closing of the Merger. These synergies will benefit the value of the New First Lien Notes and Verso common stock issued in the Merger. See *The Merger Recommendation of the NewPage Board of Directors and NewPage's Reasons for the Merger* beginning on page 222.

### **Fairness Opinion of Financial Advisor to NewPage** (See page 226)

Goldman Sachs rendered its oral opinion on January 1, 2014, which was subsequently confirmed by a written opinion to NewPage's board of directors that based upon and subject to the factors and assumptions set forth therein, the Per Share Closing Cash Consideration, the Per Share Closing Note Consideration and the Per Share Closing Share Consideration, each as defined in the Merger Agreement, taken in the aggregate, to be paid to holders (other than Verso and its affiliates) of shares of NewPage common stock pursuant to the Merger Agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated January 3, 2014, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of NewPage's board of directors in connection with its consideration of the Merger. The Goldman Sachs opinion is not a recommendation as to how any holder of NewPage common stock should vote or act by written consent with respect to the Merger or any other matter. Pursuant to an engagement letter between NewPage and Goldman Sachs, NewPage has agreed to pay Goldman Sachs a transaction fee of approximately \$12 million, all of which will become payable upon consummation of the Merger.

### **Fairness Opinion of Financial Advisor to Verso** (See page 234)

Evercore has provided Verso's board of directors with an opinion that concludes that the Merger is fair, from a financial point of view, to Verso's stockholders. A copy of Evercore's fairness opinion is attached as Annex D.

### **Solvency Opinion of Financial Advisor to Verso** (See page 242)

Murray Devine has provided Verso's board of directors with an opinion that, after giving effect to the Merger and the other transactions contemplated by the Merger Agreement, Verso and its subsidiaries will be solvent. Prior to the closing of the Merger, Murray Devine will deliver a bring down of its solvency opinion. A copy of Murray Devine's solvency opinion is attached as Annex E.

### **Treatment of NewPage Stock Options and Other Stock-Based Awards** (See page 268)

#### ***NewPage Stock Options***

When NewPage paid the Recapitalization Dividend to its stockholders, as described in *The Merger Agreement Transaction Consideration Form of Transaction Consideration*, NewPage adjusted the exercise price of each outstanding option by reducing it by the amount payable in respect of one share of NewPage common stock. As of the effective time of the Merger, each outstanding option that is an in-the-money option (which are all outstanding options immediately prior to the effective time that had an exercise price of \$108.72 as of the date of the Merger Agreement) will become fully vested and, as of the closing of the Merger, will be automatically cancelled and converted into the right of the optionholder to receive consideration equal to the difference between (i) the per share aggregate

Transaction Consideration and (ii) the exercise price of such in-the-money option (determined without regard to any adjustment in respect of the Recapitalization Dividend

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described in the preceding sentence). In the event an optionholder executes an optionholder acknowledgement, the form of consideration such holder will be entitled to receive will be a combination of cash consideration, note consideration and share consideration as determined by the board of directors of NewPage based on the proportionate amount of each form of consideration payable in respect of one share of NewPage's common stock, taking into account the cash paid in connection with the Recapitalization Dividend. In the event an optionholder does not execute the optionholder acknowledgement, the form of consideration such holder will be entitled to receive will be a combination of cash consideration, note consideration and share consideration as determined by the board of directors of NewPage based on the proportionate amount of each form of consideration payable in respect of one share of NewPage's common stock at closing. Each form of consideration payable to optionholders will be reduced on a pro rata basis by amounts that are required to be withheld under any applicable tax laws. The Surviving Corporation or its subsidiaries will be required to issue the consideration payable to the former optionholders as soon as reasonably practicable following the closing date, subject to their execution of a stockholder consent and release. All options that are not in-the-money options will be automatically cancelled and terminated without payment as of the effective time of the Merger.

***NewPage Restricted Stock Unit Awards***

Each holder of NewPage restricted stock units (each, an RSU) that were outstanding on the date that the Recapitalization Dividend was paid to NewPage stockholders is entitled to receive a dividend equivalent equal to the amount payable in respect of one share of NewPage common stock in connection with the Recapitalization Dividend. Such dividend equivalent payable in respect of each RSU will be paid to its holder, less any amounts that are required to be withheld under applicable tax laws, on the date on which NewPage's common stock underlying the RSU is distributed to the holder in accordance with the applicable RSU award agreement. Upon the closing of the Merger, each holder of RSUs will be entitled to receive payment of any outstanding and unpaid dividend equivalents in respect of the RSUs held by such individual.

As of the effective time of the Merger, each RSU, whether vested or unvested, will become fully vested. At the closing of the Merger, each RSU will be cancelled and automatically converted into the right of the holder of each RSU outstanding immediately prior to the effective time of the merger to receive, promptly following the closing of the Merger, the cash consideration, note consideration and share consideration to which one share of NewPage common stock is entitled at closing, reduced on a pro rata basis by the amounts that are required to be withheld or deducted under any applicable tax laws. The Surviving Corporation or its subsidiaries will be required to issue such consideration to the former RSU holders subject to their execution of a stockholder consent and release.

Because certain NewPage stock options and RSUs had not vested at the time the Recapitalization Dividend was paid to NewPage stockholders, NewPage deposited an amount into escrow that is sufficient to satisfy NewPage's obligation to the holders of such options and RSUs. In this regard, the Merger Agreement provides that in connection with the payment of the Recapitalization Dividend to NewPage stockholders, an amount reasonably determined by the NewPage board of directors which is not less than (a) the product of (i) the number of RSUs outstanding as of the record date of the Recapitalization Dividend, multiplied by (ii) the amount of the per share Recapitalization Dividend, plus (b) \$3 million plus (c) the cash actually received by NewPage in respect of any exercises of NewPage stock options between the signing of the Merger Agreement and the closing of the Merger, was funded into escrow and paid to holders of in-the-money options and RSUs in connection with the closing of the Merger or, with respect to RSUs, upon the earlier settlement of the underlying RSUs.

**Interests of NewPage Directors and Executive Officers in the Merger (See page 245)**

Certain of NewPage's directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of NewPage's stockholders. The board of directors of NewPage was aware of these interests and considered them when it adopted the Merger Agreement and approved the Merger. These interests

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are described in more detail in the section of this document entitled See The Merger Interests of NewPage Directors and Executive Officers in the Merger beginning on page 245.

**Interests of Verso Directors and Executive Officers in the Merger** (See page 249)

Verso has previously committed to granting stock options to purchase a total of 200,000 shares of Verso common stock to its chief executive officer immediately after the consummation of the Merger.

**Conditions to the Completion of the Merger** (See page 280)

Verso and NewPage currently expect to complete the Merger in the second half of 2014, subject to receipt of required stockholder and regulatory approvals and the satisfaction or waiver of the other conditions to the Merger. As more fully described in this joint proxy and information statement/prospectus and in the Merger Agreement, each party's obligation to complete the Merger depends on a number of conditions being satisfied or, where legally permissible, waived, including the following:

receipt of the NewPage stockholder approval through execution of written consents or otherwise;

no law or order having been enacted or entered by any governmental authority that restrains, makes illegal or otherwise prohibits the consummation of the Merger;

the waiting period under the HSR Act will have expired or been earlier terminated without Verso or Merger Sub being required to take any action to resolve an antitrust challenge that would materially affect the business;

approvals of FERC and the PSCW will have been obtained without Verso or Merger Sub being required to take any action to resolve a challenge by such governmental entities that would materially affect the business;

the Exchange Offer Transactions and the Consent Solicitations will have been consummated;

NewPage Corporation's existing asset based loan facility will have been replaced with the NewPage ABL Facility as contemplated by the Debt Commitment Letters;

there will not have been any default or event of default under any existing Verso notes as a result of the Merger or the transactions contemplated by the Merger Agreement;

the number of shares of NewPage stock whose holders will have exercised dissenter's rights will not be greater than 7%;



the registration statement on Form S-4 will have become effective and not be the subject of any continuing stop order;

prior to the payment of the Recapitalization Dividend to NewPage stockholders, Houlihan Lokey Financial Advisors, Inc. will have delivered an opinion related to solvency matters to the NewPage board of directors, and NewPage will have provided Verso with a copy of such opinion for the board of directors of Verso;

a nationally recognized accounting firm will have delivered to NewPage and Verso the certificate with the calculations of certain NewPage restricted payments that occurred during the pre-closing period;

NewPage will have received the proceeds contemplated by the Debt Commitment Letters;

on or before January 17, 2014, Murray Devine will have delivered an opinion to the NewPage board of directors and the Verso board of directors that Verso (together with its subsidiaries) will be solvent as of the closing of the Merger after giving pro forma effect to the transactions contemplated by the Merger Agreement. At the closing of the Merger, Murray Devine will deliver a bring down of its solvency opinion; and

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Verso will have received the requisite approval of its stockholders for the issuance of Verso common stock as share consideration.

The obligation of NewPage to complete the Merger is subject to the satisfaction or waiver of the following additional conditions:

certain of Verso's representations and warranties will be true and correct in all respects and the other representations and warranties of Verso will be true and correct except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect;

the performance, in all material respects, by Verso and Merger Sub of their covenants and agreements required to be performed or complied with prior to the closing of the Merger;

since September 30, 2013, there will not have occurred a material adverse effect with respect to Verso;

Verso will have delivered to NewPage a certification that the conditions in the previous three bullets have been satisfied; and

the shares of Verso common stock to be issued as share consideration will have been approved for listing on the New York Stock Exchange.

The obligation of Verso to complete the Merger is subject to the satisfaction or waiver of the following additional conditions:

certain of NewPage's representations and warranties will be true and correct in all respects and the other representations and warranties of NewPage will be true and correct except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect;

the performance, in all material respects, by NewPage of its covenants and agreements required to be performed or complied with prior to the closing of the Merger;

since September 30, 2013, there will not have occurred a material adverse effect with respect to NewPage;

NewPage will have delivered to Verso a certification that the conditions in the previous three bullets have been satisfied;

NewPage will have delivered to Verso an affidavit stating that NewPage is not and has not been a United States real property holding corporation; and

NewPage will have used the proceeds of the NewPage Term Loan Facility only in accordance with the terms of the Merger Agreement related to the payment of the Recapitalization Dividend to NewPage stockholders.

**Regulatory Approvals Required to Complete the Merger** (See page 251)

Verso and NewPage have agreed to cooperate and use reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the Merger Agreement. For an acquisition transaction meeting certain size thresholds, such as the Merger, the HSR Act requires the parties to file notification and report forms with the Antitrust Division of the United States Department of Justice (the DOJ) and the Federal Trade Commission (FTC) and to observe specified waiting period requirements before completing the Merger.

On February 28, 2014, Verso and NewPage filed Notification and Report Forms with the DOJ and FTC. On March 31, 2014, the parties received a Request for Additional Information and Documentary Materials, referred

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to as a second request, from the DOJ regarding the Merger. The effect of the second request was to extend the waiting period imposed by the HSR Act until 30 days after each party has substantially complied with the second request, unless that period is terminated sooner by the DOJ or is extended by the agreement of the parties and the DOJ. The parties have responded to the second request and will continue to work cooperatively with the DOJ in connection with this review. In addition, receipt of certain energy regulatory approvals is a condition to each of Verso's and NewPage's obligation to close the Merger. Approvals of the Merger by FERC and the PSCW are conditions to each party's obligation to consummate the Merger. As of the date of this joint proxy and information statement/prospectus, the parties have received the required approvals from the FERC and PSCW.

**Financing** (See page 214)

On January 3, 2014, in connection with the entry into the Merger Agreement, Verso entered into amendments (the Credit Agreement Amendments) to its Existing ABL Facility and its Existing Cash Flow Facility. Under the Credit Agreement Amendments, (a) the lenders under each of Verso's Existing ABL Facility and Existing Cash Flow Facility consented to the Merger and the other transactions contemplated by the Merger Agreement, including the incurrence of certain indebtedness in connection therewith, (b) the lenders consented to amendments to allow the sale and/or financing of certain non-core assets, and (c) the parties agreed to amend Verso's Existing ABL Facility and Verso's Existing Cash Flow Facility to allow for certain other transactions upon the consummation of the Merger and the other transactions contemplated by the Merger Agreement. The pricing terms, maturities and commitments under Verso's Existing ABL Facility and Verso's Existing Cash Flow Facility remain unchanged.

Prior to the closing of the Merger, NewPage borrowed \$750 million under the NewPage Term Loan Facility and replaced its former \$350 million asset-based loan facility with the NewPage ABL Facility.

At the time of the closing, Verso expects to issue \$650 million in aggregate principal amount of New First Lien Notes to the current shareholders of NewPage as part of the Merger Consideration.

The issuers and guarantors of Verso's debt securities (including the New First Lien Notes) and the borrower and guarantors of Verso's credit facilities do not guarantee the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility, and the borrower and guarantors under the NewPage Term Loan Facility and the NewPage ABL Facility will not guarantee the obligations under Verso's debt securities and credit facilities. As a result, following the consummation of the Merger, the holders of Verso's debt securities (including the New First Lien Notes) will be structurally subordinated to the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility to the extent of the value of the assets of NewPage Subsidiaries. Upon the consummation of the Merger, NewPage Holdings Inc. (but not the NewPage Subsidiaries) will guarantee Verso's debt securities (other than any remaining Old Second Lien Notes and Old Subordinated Notes) and Verso's credit facilities. NewPage Holdings Inc. is a holding company without any assets or operations other than interests in its subsidiaries.

**Use of Proceeds of NewPage Term Loan Facility**

Proceeds of the NewPage Term Loan Facility were used to repay NewPage's former \$500 million term loan facility and to pay the Recapitalization Dividend to NewPage's stockholders. Prior to payment of the Recapitalization Dividend, the NewPage board of directors received an opinion related to solvency matters from Houlihan Lokey Financial Advisors, Inc. The opinion addressed matters only relating to NewPage after giving effect to the Recapitalization Dividend and the financing therefor, and not with respect to the combined company. Although the receipt of this opinion prior to payment of the Recapitalization Dividend is a condition to the completion of the Merger, the opinion has already been delivered and the Recapitalization Dividend has already been paid. Accordingly, the opinion is not materially related to either the Merger or the decisions to be made by the shareholders of either

NewPage or Verso with respect to the Merger.

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**Table of Contents****Exchange Offer Transactions**

On July 2, 2014, the Verso Issuers launched offers to exchange (a) new New Second Lien Notes and Verso Warrants that will be mandatorily convertible, immediately prior to the closing of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration, into shares of Verso common stock representing, as of immediately after the consummation of the Merger, each participating holder's pro rata portion (based on such holder's pro rata portion of the Old Second Lien Notes) of 15% of the total number of outstanding shares of Verso common stock, determined on a fully diluted basis, for any and all outstanding Old Second Lien Notes, and (b) New Subordinated Notes and Verso Warrants that will be mandatorily convertible, immediately prior to the closing of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration, into shares of Verso common stock representing, as of immediately after the consummation of the Merger, each participating holder's pro rata portion (based on such holder's pro rata portion of the Old Subordinated Notes) of 4.774% of the total number of outstanding shares of Verso common stock, determined on a fully diluted basis, for any and all outstanding Old Subordinated Notes. Each Verso Warrant will be convertible into one share of Verso common stock. No fractional shares of Verso common stock will be issued upon conversion of the Verso Warrants. If, upon conversion of the Verso Warrants, a holder would be entitled to receive a fractional interest in a share, such fractional interest will be rounded up to the nearest whole number of shares of Verso common stock to be issued to the Verso Warrant holder.

In connection with the Exchange Offers, the Verso Issuers are also soliciting consents to amend the Old Second Lien Notes, the Old Subordinated Notes and the indentures governing the Old Second Lien Notes and the Old Subordinated Notes. The proposed amendments, which require the consent of a majority in outstanding aggregate principal amount of the Old Second Lien Notes and Old Subordinated Notes, respectively, will eliminate or waive substantially all of the restrictive covenants, eliminate certain events of default, modify covenants regarding mergers and transfer of assets, and modify or eliminate certain other provisions. In addition, the consents with respect to the Old Second Lien Notes will authorize a release of the liens and security interests in the collateral securing the Old Second Lien Notes. In order to be effected, the collateral release must be consented to by the holders of at least two-thirds in outstanding aggregate principal amount of the Old Second Lien Notes.

Prior to the consummation of the Merger, (i) the New Second Lien Notes will have substantially the same terms as the Old Second Lien Notes in that the New Second Lien Notes will have their original principal amount, will bear interest at a rate of 8.75% per annum, will mature on February 1, 2019 and will be governed by covenants that are substantially the same as the covenants currently governing the Old Second Lien Notes, and (ii) the New Subordinated Notes will have substantially the same terms as the Old Subordinated Notes in that the New Subordinated Notes will have their original principal amount, will bear interest at a rate of 11  $\frac{3}{8}$ % per annum, will mature on August 1, 2016 and will be governed by covenants that are substantially the same as the covenants currently governing the Old Subordinated Notes. If the Merger does not occur, the New Second Lien Notes and the New Subordinated Notes will retain their original principal amount and these same terms.

Upon the consummation of the Merger, (i) the principal amount of the outstanding New Second Lien Notes will be adjusted such that a holder of \$1,000 principal amount of New Second Lien Notes immediately prior to the Merger will hold \$668.75 principal amount of New Second Lien Notes immediately following the Merger, subject to adjustment based on participation in the Second Lien Notes Exchange Offer (as described below), and the principal amount of the outstanding New Subordinated Notes will be adjusted such that a holder of \$1,000 principal amount of New Subordinated Notes immediately prior to the Merger will hold \$681.875 principal amount of New Subordinated Notes immediately following the Merger, subject to adjustment based on participation in the Subordinated Notes Exchange Offer (as described below), (ii) the maturity date of the New Second Lien Notes will be extended to August 1, 2020 and the maturity date of the New Subordinated Notes will be extended to August 1, 2021, (iii) the New Second Lien Notes interest rate will be adjusted such that the New Second Lien Notes will bear interest from and after

the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus 3% per annum ( Second Lien Notes PIK Interest ) payable entirely by increasing

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the principal amount of the outstanding New Second Lien Notes or by issuing additional New Second Lien Notes ( Second Lien PIK Notes ), (iv) the New Subordinated Notes interest rate will be adjusted such that the New Subordinated Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus 3% per annum ( Subordinated Notes PIK Interest ) payable entirely by increasing the principal amount of the outstanding New Subordinated Notes or by issuing additional New Subordinated Notes ( Subordinated PIK Notes ), (v) certain other amendments to the terms of the New Second Lien Notes and New Subordinated Notes will be effected and (vi) the Verso Warrants will have been mandatorily converted into shares of Verso common stock.

The principal amount of New Second Lien Notes following the Merger per \$1,000 principal amount of New Second Lien Notes prior to the Merger will be adjusted based on participation in the Second Lien Notes Exchange Offer as follows:

Percentage of Aggregate Principal Amount of Old Second Lien Notes Participating in the Second Lien Notes	Principal Amount of New Second Lien Notes Following the Merger per \$1,000 Principal Amount of New Second Lien
Exchange Offer	Notes Prior to the Merger
75%	593.75
80%	608.75
85%	623.75
90%	638.75
95%	653.75
100%	668.75

If holders in the aggregate tender a percentage of Old Second Lien Notes that is not set forth in the table above, holders will receive the principal amount corresponding to the closest lower percentage (e.g., if 87.5% of the Old Second Lien Notes are tendered, holders will receive the principal amount corresponding to 85%).

The principal amount of New Subordinated Notes following the Merger per \$1,000 principal amount of New Subordinated Notes prior to the Merger will be adjusted based on participation in the Subordinated Notes Exchange Offer as follows:

Percentage of Aggregate Principal Amount of Old Subordinated Notes Participating in the Subordinated Notes	Principal Amount of New Subordinated Notes Following the Merger per \$1,000 Principal Amount of New Subordinated
Exchange Offer	Notes Prior to the Merger
75%	606.875
80%	621.875
85%	636.875



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90%	651.875
95%	666.875
100%	681.875

If holders in the aggregate tender a percentage of Old Subordinated Notes that is not set forth in the table above, holders will receive the principal amount corresponding to the closest lower percentage (e.g., if 87.5% of the Old Subordinated Notes are tendered, holders will receive the principal amount corresponding to 85%).

The Verso Warrants will be issued pursuant to a warrant agreement to be dated as of the date of the consummation of the Second Lien Notes Exchange Offer and the Subordinated Notes Exchange Offer (the Warrant Agreement), between Verso and the warrant agent named therein. The Verso Warrants will entitle an eligible holder to acquire shares of Verso common stock representing, as of immediately after the consummation of the Merger, such holder's pro rata portion (based on such holder's pro rata portion of the Old Second Lien Notes or Old Subordinated Notes) of 15% or 4.774%, respectively, of the total number of outstanding shares of

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Verso common stock, determined on a fully diluted basis. Each Verso Warrant will be convertible into one share of Verso common stock. The Verso Warrants will be mandatorily convertible into shares of Verso common stock without payment of consideration (and will not otherwise be convertible) immediately prior to the closing of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration. No fractional shares of Verso common stock will be issued upon conversion of the Verso Warrants. If, upon conversion of the Verso Warrants, a holder would be entitled to receive a fractional interest in a share, such fractional interest will be rounded up to the nearest whole number of shares of Verso common stock to be issued to the Verso Warrant holder. If the Merger is terminated, the Verso Warrants will be void and of no value and will cease to be convertible into shares of Verso common stock.

Neither the Verso Warrants nor the shares of Verso common stock issuable in respect of such Verso Warrants have been registered under the Securities Act or any other securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The consummation of the Second Lien Notes Exchange Offer is conditioned upon, among other things, the valid tender, and not withdrawal, of at least 75% in aggregate principal amount of outstanding Old Second Lien Notes.

The consummation of the Subordinated Notes Exchange Offer is conditioned upon, among other things, the valid tender, and not withdrawal, of at least 75% in aggregate principal amount of outstanding Old Subordinated Notes.

It is not a condition of the Second Lien Notes Exchange Offer that the Subordinated Notes Exchange Offer is consummated, and it is not a condition of the Subordinated Notes Exchange Offer that the Second Lien Notes Exchange Offer is consummated.

Additionally, the New Second Lien Notes and the New Subordinated Notes will be subject to registration rights agreements.

Unless otherwise specified in this joint proxy and information statement/prospectus, we have assumed that all outstanding Old Second Lien Notes and all outstanding Old Subordinated Notes will be exchanged, that \$396.0 million aggregate principal amount of New Second Lien Notes and \$142.5 million aggregate principal amount of New Subordinated Notes will be issued in the Exchange Offer Transactions, and that approximately 16.6 million shares of Verso common stock will be issued upon the mandatory conversion of the Verso Warrants immediately prior to the closing of the Merger.

As of the date of this joint proxy and information statement/prospectus, Verso has not obtained the Verso Junior Noteholder Consent or consummated the Exchange Offer Transactions, and Verso may not be able to obtain the Verso Junior Noteholder Consent or consummate the Exchange Offer Transactions on the current terms or at all, in which case the Merger may not close.

## **Shared Services Agreement**

In connection with the consummation of the Merger, Verso and NewPage will enter into a shared services agreement (the Shared Services Agreement). Under the Shared Services Agreement, Verso may provide or cause to be provided to NewPage certain services from and after the closing of the Merger. The Shared Services Agreement provides for the treatment of services costs, costs to implement expected synergies and the benefits anticipated therefrom. Payment under the Shared Services Agreement will be monthly with quarterly true-ups.



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The Shared Services Agreement provides for a broad array of potential services, including operating and back office or corporate-type services. For all services provided to NewPage, NewPage will pay Verso an amount equal to the all-in cost incurred or paid by NewPage for such service on an average basis over the twelve month period prior to the closing of the transaction.

Any costs incurred in the implementation of the expected synergies from the transaction will be allocated one-third to Verso and two-thirds to NewPage. Additionally, 100% of all realized synergies and cost savings resulting from the transaction will be for the benefit of Verso. If either Verso or NewPage suffers a reduction in production capacity of greater than 10% of such party's production capacity measured prior to the closing of the Merger, such party will be entitled to a specified make-whole payment (equal to the lesser of \$75.00 per ton and pre-reduction EBITDA per ton) if the party that did not experience such reduction realizes an increase of at least 10% in tons sold in any of the four subsequent quarters. The make-whole will be paid quarterly.

We currently anticipate that payments from NewPage to Verso under the Shared Services Agreement will be significant. However, such payments are not expected to increase NewPage's costs relative to its standalone position immediately prior to the Merger. See Risk Factors Risks Relating to the Merger The combined company may not realize the anticipated benefits of the Merger and Risk Factors Risks Relating to the Merger The combined company's operating results after the Merger may materially differ from the pro forma information presented in this joint proxy and information statement/prospectus.

In order to monitor, coordinate and facilitate the implementation of the terms and conditions of the Shared Services Agreement, Verso and NewPage will establish a Steering Committee on which each of Verso and NewPage will be equally represented. The Steering Committee will meet at least quarterly to monitor and determine the services to be provided and their cost. The Steering Committee will also serve as the first forum for the resolution of any disputes arising under the Shared Services Agreement. The Shared Services Agreement will have an initial term of three years and will automatically renew for successive one-year terms thereafter unless either Verso or NewPage provides 90 days' prior written notice. NewPage will indemnify Verso in connection with its or its affiliates provision of services to NewPage.

**Termination of the Merger Agreement** (See page 282)

The Merger Agreement may be terminated and the Merger may be abandoned at any time prior to the effective time of the Merger, whether before or after the NewPage stockholder approval has been obtained, as follows:

by mutual written consent of the parties;

by either NewPage or Verso if (i) the closing of the Merger has not occurred on or before 5:00 p.m. (New York City time) on December 31, 2014 (the End Date) and (ii) the party seeking to terminate the Merger Agreement has not breached in any material respect its obligations under the Merger Agreement in a manner that was a principal cause of the failure to consummate the Merger on or before the End Date; provided, that either party has the right to extend the End Date for up to two additional thirty (30) calendar day periods, if the only condition to closing that has not been satisfied or waived is the expiration of the waiting period under the HSR Act;

by either NewPage or Verso if any court of competent jurisdiction has issued or entered a permanent injunction or a similar order has been entered permanently enjoining or otherwise prohibiting the consummation of the Merger;

by either NewPage or Verso if the NewPage stockholder approval is not obtained either by written consent or at a meeting of the NewPage stockholders;

by NewPage, if Verso or Merger Sub has breached or failed to perform any of their representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach or failure

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to perform would result in the failure of the condition relating to the accuracy of Verso's representation and warranties and performance of its covenants;

by Verso, in the event (A) of a change of recommendation by the NewPage board of directors or (B) certain tender or exchange offers for NewPage common stock if NewPage does not thereafter issue a public statement reaffirming the NewPage board of directors' recommendation of the Merger, if NewPage has breached its obligations with respect to the non-solicitation of transactions covenant in any material respect and failed to cease such breach within two business days of being notified by Verso of such breach, or if NewPage will have breached or failed to perform any of its representations, warranties, covenants or other agreements contained in the Merger Agreement (other than with respect to non-solicitation), which breach or failure to perform would result in a failure of the conditions relating to the accuracy of NewPage's representations and warranties and performance of its covenants; or

by NewPage, at any time prior to the NewPage stockholder approval having been obtained after NewPage will have received a Superior Proposal (as defined in the The Merger Agreement Exclusivity; Alternative Transactions on page 275) in order for NewPage to enter into a definitive agreement with respect to such Superior Proposal, so long as NewPage has complied with its obligations with respect to alternative transactions and prior to or concurrently with such termination, NewPage will have paid a termination fee to Verso; after March 4, 2014 and on or prior to March 19, 2014, in the event that the Verso Junior Noteholder Consent has not been obtained, or the Exchange Offer Condition (as defined in the Merger Agreement) has not been satisfied, in each case by March 4, 2014; and between January 18, 2014 and 5:00 pm (New York City) time on January 21, 2014 if Murray Devine has not delivered its initial solvency opinion as to Verso and its subsidiaries.

**Non-Solicitation of Alternative Proposals** (See page 275)

Between signing of the Merger Agreement and the closing of the Merger (or the earlier termination of the Merger Agreement), NewPage has agreed not to take, and will not permit its subsidiaries and their respective officers, directors and employees to take, and will use reasonable best efforts to cause its other representatives not to take, any action to solicit, encourage, initiate or engage in discussions or negotiations with or provide any information to or enter into any agreement with any person or entity or facilitate any inquiries or submission of proposals for any acquisition transaction involving 25% or more of NewPage's assets or capital stock (other than with Verso or its affiliates).

This restriction includes ceasing any existing activities, discussions or negotiations conducted prior to the date of the Merger Agreement with respect to any alternative transaction. NewPage is required to promptly (and in no event later than 48 hours after receipt) notify Verso of the receipt of any proposal for an alternative transaction (or any request for information that could reasonably be expected to result in an alternative transaction), and keep Verso informed on a prompt basis (and in any event within 48 hours of NewPage's or its representatives' knowledge) of any material developments with respect to such proposal for an alternative transaction.

At any time prior to receipt of the NewPage stockholder approval, if NewPage receives an unsolicited proposal for an alternative acquisition transaction involving 100% of NewPage's assets or capital stock, the NewPage board of directors may take the following actions if it determines in good faith after consulting with NewPage's financial advisors and legal counsel that (i) such proposal constitutes or is reasonably likely to constitute a Superior Proposal and (ii) failure to take such action would be inconsistent with the directors' fiduciary duties under applicable law:

provide information to the third party making a proposal, so long as such third party has entered into a confidentiality agreement with NewPage; and

engage in discussions or negotiations with such third party with respect to the proposal for an alternative transaction.

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At any time prior to the receipt of the NewPage stockholder approval, the NewPage board of directors may change its recommendation of the Merger to its stockholders that they adopt the Merger Agreement and approve the Merger if the following occurs:

the NewPage board of directors determines in good faith after consulting with NewPage's financial advisors and legal counsel that (A) the failure to effect a change of recommendation would be inconsistent with the directors' fiduciary duties under applicable law and (B) that a proposal for an alternative transaction constitutes a Superior Proposal, and NewPage enters into an agreement with respect to such Superior Proposal and concurrently terminates the Merger Agreement and pays Verso a termination fee;

NewPage gives at least five business days' notice to Verso prior to the NewPage board of directors changing its recommendation, and thereafter, the NewPage board of directors and NewPage's representatives negotiate with Verso in good faith to adjust the terms of the Merger Agreement so as to obviate the need for the change of recommendation; and

upon the expiration of the five business day notice period to Verso and after consultation with NewPage's financial and legal advisors and taking into account any proposed changes to the terms of the Merger Agreement by Verso, the NewPage board of directors will have determined that the failure of the NewPage board of directors to change its recommendation would be inconsistent with the directors' fiduciary duties under applicable law.

**Expenses and Termination Fees Relating to the Merger** (See page 283)

NewPage has agreed to pay to Verso a termination fee of \$27 million in cash if:

(i) after the signing of the Merger Agreement, any Qualifying Transaction (as defined in the Merger Agreement) is made known to the NewPage board of directors, or is publicly proposed or publicly disclosed prior to the NewPage stockholder approval having been obtained (or prior to a termination of the Merger Agreement as a result of the NewPage stockholder approval not being obtained), (ii) Verso or NewPage, as applicable, terminates the Merger Agreement as a result of reaching the End Date, the NewPage stockholder approval not being obtained or the failure of the closing condition related to the bring down of NewPage's representations and warranties and covenant compliance and (iii) concurrently with or within twelve (12) months after such termination, NewPage will have consummated a transaction whereby any person or entity would own 50% or more of NewPage following the consummation of such transaction (regardless of whether the transaction is the same one referred to in clause (i) above);

Verso terminates the Merger Agreement through an Alternative Transaction Termination (as defined in The Merger Agreement Termination on page 282); or

NewPage terminates the Merger Agreement as a result of reaching the End Date (only if the NewPage stockholder approval has not been obtained), the NewPage stockholder approval has not been obtained or



NewPage receives a Superior Proposal and enters into a definitive agreement with respect to such proposal; provided, that NewPage will be obligated to pay the termination fee as result of reaching the End Date or because it failed to obtain the NewPage stockholder approval only if, prior to such termination, the NewPage board of directors changed its recommendation that the NewPage stockholders adopt the Merger Agreement and approve the Merger.

Verso has agreed to pay to NewPage a termination fee of \$27 million (half in cash and half in New First Lien Notes) if (i) the Verso Junior Noteholder Consent was not obtained, or the closing condition related to the Exchange Offer Transactions is not satisfied or waived by NewPage, in each case prior to March 4, 2014, (ii) NewPage does not terminate the Merger Agreement as a result, (iii) certain other closing conditions (e.g., stockholder approval and regulatory approvals) were satisfied, or were reasonably capable of being satisfied at

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the closing, (iv) the condition to closing the Merger that Murray Devine deliver a bring down of its solvency opinion is not reasonably capable of being satisfied at closing solely as a result of the failure of the closing condition related to the Exchange Offer Transactions, (v) the Merger fails to close due to the failure of Verso to consummate the Exchange Offer Transactions and (vi) Verso or NewPage subsequently terminates the Merger Agreement as a result of reaching the End Date.

**Accounting Treatment of the Merger** (See page 257)

The Merger will be accounted for by Verso as a business combination under the acquisition method of accounting.

**Certain Material U.S. Federal Income Tax Consequences of the Merger** (See page 257)

The receipt of Merger Consideration for NewPage common stock pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, a stockholder subject to U.S. federal income taxation who receives Merger Consideration in exchange for NewPage common stock will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the fair market value of the Merger Consideration, paid to such U.S. stockholder and the adjusted basis of the NewPage common stock exchanged by such U.S. stockholder in the Merger. In addition, the Recapitalization Dividend will be treated as a taxable dividend to the extent of NewPage's current and accumulated earnings and profits (as determined for U.S. tax purposes). See **The Merger Certain Material U.S. Federal Income Tax Consequences** beginning on page 257. Tax matters can be complicated, and the tax consequences of the Merger to you will depend on your particular tax situation. You should consult your tax advisor to determine the tax consequences of the Merger to you.

**Comparison of the Rights of Holders of Verso Common Stock and NewPage Common Stock** (See page 380)

As a result of the completion of the Merger, holders of NewPage common stock, in-the-money options to acquire NewPage common stock, and NewPage restricted stock units will become holders of Verso common stock. Each of Verso and NewPage is a Delaware corporation governed by the DGCL, but the rights of Verso stockholders currently are, and from and after the Merger will be, governed by the Verso Charter and the Verso Bylaws, while the rights of NewPage stockholders are currently governed by the NewPage Charter, the NewPage By-laws, and the NewPage Stockholders Agreement. This joint proxy and information statement/prospectus includes summaries of the material differences between the rights of NewPage stockholders and Verso stockholders arising because of differences between the Verso Charter and Verso Bylaws and the NewPage Charter, NewPage By-laws, and NewPage Stockholders Agreement.

**Appraisal Rights in Connection with the Merger** (See page 253)

Pursuant to Section 262 of the DGCL, holders of NewPage common stock who comply with the applicable requirements of Section 262 of the DGCL and do not otherwise withdraw or lose the right to appraisal under Delaware law have the right to seek appraisal of the fair value of their shares of NewPage common stock, as determined by the Delaware Court of Chancery, if the Merger is completed. The fair value of your shares of NewPage common stock as determined by the Delaware Court of Chancery may be more or less than, or the same as, the value of the Merger Consideration per share that you are otherwise entitled to receive under the terms of the Merger Agreement. Holders of NewPage common stock who wish to preserve any appraisal rights must so advise NewPage by submitting a demand for appraisal within the period prescribed by Section 262 of the DGCL, and must otherwise follow the procedures prescribed by Section 262 of the DGCL. A person having a beneficial interest in shares of NewPage common stock held of record in the name of another person, such as a broker, bank or other nominee, must act promptly to cause the record holder to follow the steps summarized in this joint proxy and information

statement/prospectus and in a timely manner to perfect appraisal rights. In view of the complexity of Section 262 of the DGCL, NewPage stockholders who may wish to pursue appraisal rights should consult their legal and financial advisors.

Table of Contents**SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA****Summary Historical Consolidated Financial Data of Verso**

The following table presents summary historical consolidated financial and operating data for Verso as of and for the fiscal years ended December 31, 2013, 2012 and 2011 and as of and for the three months ended March 31, 2014 and 2013. The summary historical financial information presented below for each of the three years ended December 31, 2013 has been derived from Verso's audited consolidated financial statements. The summary historical financial information presented below for the three months ended March 31, 2014 and 2013 has been derived from Verso's unaudited interim condensed consolidated financial statements. In the opinion of Verso's management, the unaudited interim financial data includes all adjustments, consisting of only normal non-recurring adjustments, considered necessary for a fair presentation of this information.

The information is only a summary and should be read in conjunction with Verso's consolidated financial statements and the related notes thereto and the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

	<b>Three Months Ended</b>		<b>Year Ended December 31,</b>		
	<b>March 31, 2014</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>(Dollars in millions except per share amounts)</b>					
<b>Statements of Operations Data:</b>					
<b>Net sales</b>	\$ 299.1	\$ 333.2	\$ 1,388.9	\$ 1,474.6	\$ 1,722.5
<b>Costs and expenses:</b>					
Cost of products sold (exclusive of depreciation, amortization and depletion)	302.3	291.8	1,179.1	1,272.6	1,460.3
Depreciation, amortization, and depletion	25.7	26.0	104.7	118.2	125.3
Selling, general, and administrative expenses	17.6	18.8	73.8	74.4	78.0
Goodwill impairment					18.7
Restructuring charges		1.0	1.4	102.4	24.5
<b>Total operating expenses</b>	<b>345.6</b>	<b>337.6</b>	<b>1,359.0</b>	<b>1,567.6</b>	<b>1,706.8</b>
Other operating income(1)		(3.3)	(4.0)	(60.6)	
<b>Operating (loss) income</b>	<b>(46.5)</b>	<b>(1.1)</b>	<b>33.9</b>	<b>(32.4)</b>	<b>15.7</b>
Interest income					(0.1)
Interest expense	34.5	34.7	137.8	135.4	126.6
Other loss, net	9.6	2.6	7.9	7.4	26.1
<b>Loss before income taxes</b>	<b>(90.6)</b>	<b>(38.4)</b>	<b>(111.8)</b>	<b>(175.2)</b>	<b>(136.9)</b>
Income tax (benefit) expense			(0.6)	(1.4)	0.2
<b>Net loss</b>	<b>\$ (90.6)</b>	<b>\$ (38.4)</b>	<b>\$ (111.2)</b>	<b>\$ (173.8)</b>	<b>\$ (137.1)</b>



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	Three Months Ended		Year Ended December 31,		
	March 31, 2014	2013	2013	2012	2011
<b>(Dollars in millions except per share amounts)</b>					
<b>Per Share Data:</b>					
(Loss) earnings per common share:					
Basic	\$ (1.70)	\$ (0.72)	\$ (2.09)	\$ (3.29)	\$ (2.61)
Diluted	(1.70)	(0.72)	(2.09)	(3.29)	(2.61)
Weighted average common shares outstanding (in thousands):					
Basic	53,188	52,976	53,124	52,850	52,595
Diluted	53,188	52,976	53,124	52,850	52,595
<b>Statement of Cash Flows Data:</b>					
Cash (used in) provided by operating activities	\$ (96.3)	\$ (83.2)	\$ (27.7)	\$ 12.0	\$ 14.5
Cash (used in) provided by investing activities	(8.8)	32.9	(13.8)	(7.1)	(66.2)
Cash provided by (used in) financing activities	98.0	1.5	(8.7)	(38.3)	(6.2)
<b>Other Financial and Operating Data:</b>					
EBITDA(2)	\$ (30.4)	\$ 22.3	\$ 130.7	\$ 78.4	\$ 114.9
Adjusted EBITDA(3)	(7.9)	20.1	129.5	140.1	202.5
Capital expenditures	(16.5)	(8.2)	(40.7)	(59.9)	(90.3)
Total tons sold (in thousands)(4)	371.7	406.2	1,689.8	1,799.0	2,023.4
<b>Balance Sheet Data (end of period):</b>					
Cash and cash equivalents	\$ 4.2	\$ 12.7	\$ 11.3	\$ 61.5	\$ 94.9
Working capital(5)	96.9	108.9	63.4	110.3	142.6
Property, plant, and equipment, net	722.1	761.8	742.9	793.0	934.7
Total assets	1,062.8	1,131.7	1,098.6	1,208.9	1,421.5
Total debt	1,346.2	1,259.4	1,248.5	1,257.0	1,262.5
Total (deficit) equity	(507.2)	(358.9)	(417.3)	(321.7)	(153.9)

- (1) Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of \$60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at the former Sartell mill.
- (2) EBITDA consists of earnings before interest, taxes, depreciation, and amortization. EBITDA is a measure commonly used in our industry, and we present EBITDA to enhance your understanding of our operating performance. We use EBITDA as a way of evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets among otherwise comparable companies. However, EBITDA is not a measurement of financial performance under U.S. GAAP, and our EBITDA may not be comparable to similarly titled measures of other companies. You should consider our EBITDA in addition to, and not as a substitute for, or superior to, our operating or net income or cash flows from operating activities determined in accordance with GAAP.

The following table reconciles net loss to EBITDA for the periods presented:

**Year Ended December 31,**

	<b>Three Months Ended</b>				
	<b>March 31,</b>				
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>(Dollars in millions)</b>					
<b>Reconciliation of net loss to EBITDA:</b>					
Netl loss	\$ (90.6)	\$ (38.4)	\$ (111.2)	\$ (173.8)	\$ (137.1)
Income tax (benefit) expense			(0.6)	(1.4)	0.2
Interest expense, net	34.5	34.7	137.8	135.4	126.5
Depreciation, amortization, and depletion	25.7	26.0	104.7	118.2	125.3
<b>EBITDA</b>	<b>\$ (30.4)</b>	<b>\$ 22.3</b>	<b>\$ 130.7</b>	<b>\$ 78.4</b>	<b>\$ 114.9</b>

(3) Adjusted EBITDA is EBITDA further adjusted to eliminate the impact of certain items that we do not consider to be indicative of the performance of our ongoing operations permitted in calculating covenant compliance under the indentures governing our debt securities. Adjusted EBITDA is modified to align the mark-to-market impact of derivative contracts used to economically hedge a portion of future natural gas purchases with the period in which the contracts settle. You are encouraged to evaluate each adjustment and to consider

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whether the adjustment is appropriate. In addition, in evaluating Adjusted EBITDA, you should be aware that in the future, we may incur expenses similar to the adjustments included in the presentation of Adjusted EBITDA. We believe that the supplemental adjustments applied in calculating Adjusted EBITDA are reasonable and appropriate to provide additional information to investors. We also believe that Adjusted EBITDA is a useful liquidity measurement tool for assessing our ability to meet our future debt service, capital expenditures, and working capital requirements. Adjusted EBITDA is not a measure of financial performance under GAAP, and you should consider Adjusted EBITDA in addition to and not as a substitute for, or superior to, our operating or net income or cash flows from operating activities determined in accordance with GAAP. Because Adjusted EBITDA is not a measurement determined in accordance with GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures presented by other companies. There may also be additional adjustments to Adjusted EBITDA under the agreements governing our material debt obligations.

The following table reconciles cash flows from operating activities to Adjusted EBITDA for the periods presented:

	<b>Three Months Ended</b>		<b>Year Ended December 31,</b>		
	<b>March 31,</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>(Dollars in millions)</b>					
<b>Reconciliation of cash flows to Adjusted EBITDA:</b>					
Cash flows (used in) provided by operating activities	\$ (96.3)	\$ (83.2)	\$ (27.7)	\$ 12.0	\$ 14.5
Income tax (benefit) expense			(0.6)	(1.4)	0.2
Amortization of debt issuance costs	(1.4)	(1.4)	(5.4)	(5.3)	(5.4)
Accretion of discount on long-term debt	(0.2)	(0.1)	(0.6)	(1.4)	(4.1)
Equity award expense	(0.4)	(0.4)	(1.8)	(2.7)	(2.4)
Interest income					(0.1)
Interest expense	34.5	34.7	137.8	135.5	126.6
(Loss) gain on disposal of fixed assets	(0.2)	3.3	4.0	45.7	(0.3)
Loss on early extinguishment of debt, net				(8.2)	(26.1)
Asset impairment				(77.4)	
Goodwill impairment					(18.7)
Other, net	(12.8)	3.2	(0.8)	5.0	(1.0)
Changes in assets and liabilities, net	46.4	66.2	25.8	(23.4)	31.7
<b>EBITDA</b>	<b>(30.4)</b>	<b>22.3</b>	<b>130.7</b>	<b>78.4</b>	<b>114.9</b>
Merger related costs (a)	9.6		5.2		
Hedge (gains) losses(b)	11.7	(3.8)	(14.3)	(3.7)	7.5
Equity award expense(c)	0.4	0.4	1.8	2.7	2.4
Restructuring charges(d)		1.0	1.4	102.4	24.5
Loss on extinguishment of debt, net(e)		2.6	2.8	8.2	26.1
Gain on insurance settlement(f)				(52.6)	
Goodwill impairment(g)					18.7
Other items, net(h)	0.8	(2.4)	1.9	4.7	8.4
<b>Adjusted EBITDA (i)</b>	<b>\$ (7.9)</b>	<b>\$ 20.1</b>	<b>\$ 129.5</b>	<b>\$ 140.1</b>	<b>\$ 202.5</b>



- (a) Represents costs incurred in connection with the Merger.
  - (b) Represents unrealized (gains) losses on energy-related derivative contracts.
  - (c) Represents amortization of non-cash incentive compensation.
  - (d) Represents costs associated with the closure of the former Sartell mill in 2012 and the shutdown of three paper machines in 2011.
  - (e) Represents net loss related to debt refinancing.
  - (f) Represents gain on insurance settlement resulting from the fire at the former Sartell mill.
  - (g) Represents impairment of goodwill allocated to the coated paper segment.
  - (h) Represents miscellaneous non-cash and other earnings adjustments, including the gains on sales of the former Sartell mill and Verso Fiber Farm LLC in 2013.
  - (i) Verso's historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.
- (4) See information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein for further discussion of this metric.
- (5) Working capital is defined as current assets net of current liabilities, excluding the current portion of long-term debt.

**Table of Contents****Summary Historical Consolidated Financial Data of Verso Holdings**

The following table presents summary historical consolidated financial and operating data for Verso Holdings as of and for the fiscal years ended December 31, 2013, 2012 and 2011 and as of and for the three months ended March 31, 2014 and 2013. The summary historical financial information presented below for each of the three years ended December 31, 2013 has been derived from Verso Holdings' audited consolidated financial statements. The summary historical financial information presented below for the three months ended March 31, 2014 and 2013 has been derived from Verso Holdings' unaudited interim condensed consolidated financial statements. In the opinion of Verso Holdings' management, the unaudited interim financial data includes all adjustments, consisting of only normal non-recurring adjustments, considered necessary for a fair presentation of this information.

The information is only a summary and should be read in conjunction with Verso Holdings' consolidated financial statements and the related notes thereto and the information under the heading Management's Discussion and Analysis of Financial Condition and Results of Operations included herein.

	<b>Three Months Ended</b>		<b>Year Ended December 31,</b>		
	<b>March 31,</b>		<b>2013</b>		
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>(Dollars in millions)</b>					
<b>Statements of Operations Data:</b>					
<b>Net sales</b>	\$ 299.1	\$ 333.2	\$ 1,388.9	\$ 1,474.6	\$ 1,722.5
<b>Costs and expenses:</b>					
Cost of products sold (exclusive of depreciation, amortization and depletion)	302.3	291.8	1,179.1	1,272.6	1,460.3
Depreciation, amortization, and depletion	25.7	26.0	104.7	118.2	125.3
Selling, general, and administrative expenses	17.6	18.8	73.8	74.4	78.0
Goodwill impairment					10.5
Restructuring charges		1.0	1.4	102.4	24.5
<b>Total operating expenses</b>	<b>345.6</b>	<b>337.6</b>	<b>1,359.0</b>	<b>1,567.6</b>	<b>1,698.6</b>
Other operating income(1)		(3.3)	(4.0)	(60.6)	
<b>Operating (loss) income</b>	<b>(46.5)</b>	<b>(1.1)</b>	<b>33.9</b>	<b>(32.4)</b>	<b>23.9</b>
Interest income	(0.4)	(0.4)	(1.5)	(1.5)	(1.6)
Interest expense	34.9	34.4	138.7	127.9	122.2
Other loss, net	9.6	2.6	7.9	7.4	25.8
<b>Net loss</b>	<b>\$ (90.6)</b>	<b>\$ (37.7)</b>	<b>\$ (111.2)</b>	<b>\$ (166.2)</b>	<b>\$ (122.5)</b>
<b>Statement of Cash Flows Data:</b>					
Cash (used in) provided by operating activities	\$ (96.3)	\$ (83.0)	\$ (27.5)	\$ 11.3	\$ 14.6
Cash (used in) provided by investing activities	(8.8)	32.9	(13.8)	(7.1)	(66.2)
Cash provided by (used in) financing activities	98.1	1.3	(9.0)	(37.6)	(6.3)
<b>Other Financial and Operating Data:</b>					
EBITDA(2)	\$ (30.4)	\$ 22.3	\$ 130.7	\$ 78.4	\$ 123.4
Adjusted EBITDA(3)	(7.9)	20.1	129.5	140.1	202.8

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Capital expenditures	(16.5)	(8.2)	(40.7)	(59.9)	(90.3)
Total tons sold (in thousands)(4)	371.7	406.2	1,689.8	1,799.0	2,023.4

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	Three Months Ended		Year Ended December 31,		
	March 31, 2014	2013	2013	2012	2011
<b>(Dollars in millions)</b>					
<b>Balance Sheet Data (end of period):</b>					
Cash and cash equivalents	\$ 4.2	\$ 12.6	\$ 11.2	\$ 61.5	\$ 94.8
Working capital(5)	97.0	109.0	63.4	111.4	142.9
Property, plant, and equipment, net	722.1	761.8	742.9	793.0	934.7
Total assets	1,086.2	1,155.1	1,121.9	1,232.3	1,444.4
Total debt	1,369.5	1,282.7	1,271.8	1,187.1	1,201.1
Total (deficit) equity	(501.0)	(352.1)	(411.1)	(220.6)	(61.2)

- (1) Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of \$60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at the former Sartell mill.
- (2) EBITDA consists of earnings before interest, taxes, depreciation, and amortization. EBITDA is a measure commonly used in our industry, and we present EBITDA to enhance your understanding of our operating performance. We use EBITDA as a way of evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets among otherwise comparable companies. However, EBITDA is not a measurement of financial performance under U.S. GAAP, and our EBITDA may not be comparable to similarly titled measures of other companies. You should consider our EBITDA in addition to, and not as a substitute for, or superior to, our operating or net income or cash flows from operating activities determined in accordance with GAAP.

The following table reconciles net loss to EBITDA for the periods presented:

	Three Months Ended		Year Ended December 31,		
	March 31, 2014	2013	2013	2012	2011
<b>(Dollars in millions)</b>					
<b>Reconciliation of net loss to EBITDA:</b>					
Net loss	\$ (90.6)	\$ (37.7)	\$ (111.2)	\$ (166.2)	\$ (122.5)
Interest expense, net	34.5	34.0	137.2	126.4	120.6
Depreciation, amortization, and depletion	25.7	26.0	104.7	118.2	125.3
<b>EBITDA</b>	<b>\$ (30.4)</b>	<b>\$ 22.3</b>	<b>\$ 130.7</b>	<b>\$ 78.4</b>	<b>\$ 123.4</b>

- (3) Adjusted EBITDA is EBITDA further adjusted to eliminate the impact of certain items that we do not consider to be indicative of the performance of our ongoing operations permitted in calculating covenant compliance under the indentures governing our debt securities. Adjusted EBITDA is modified to align the mark-to-market impact of derivative contracts used to economically hedge a portion of future natural gas purchases with the period in which

the contracts settle. You are encouraged to evaluate each adjustment and to consider whether the adjustment is appropriate. In addition, in evaluating Adjusted EBITDA, you should be aware that in the future, we may incur expenses similar to the adjustments included in the presentation of Adjusted EBITDA. We believe that the supplemental adjustments applied in calculating Adjusted EBITDA are reasonable and appropriate to provide additional information to investors. We also believe that Adjusted EBITDA is a useful liquidity measurement tool for assessing our ability to meet our future debt service, capital expenditures, and working capital requirements. Adjusted EBITDA is not a measure of financial performance under GAAP, and you should consider Adjusted EBITDA in addition to and not as a substitute for, or superior to, our operating or net income or cash flows from operating activities determined in accordance with GAAP. Because Adjusted EBITDA is not a measurement determined in accordance with GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures presented by other companies. There may also be additional adjustments to Adjusted EBITDA under the agreements governing our material debt obligations.

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The following table reconciles cash flows from operating activities to Adjusted EBITDA for the periods presented:

	Three Months Ended		Year Ended		
	March 31, 2014	2013	2013	2012	2011
<b>(Dollars in millions)</b>					
<b>Reconciliation of cash flows to Adjusted EBITDA:</b>					
Cash flows (used in) provided by operating activities	\$ (96.3)	\$ (83.0)	(27.5)	\$ 11.3	\$ 14.6
Amortization of debt issuance costs	(1.4)	(1.3)	(5.4)	(5.0)	(5.0)
Accretion of discount on long-term debt	(0.2)	(0.1)	(0.6)	(1.4)	(4.1)
Equity award expense	(0.4)	(0.4)	(1.8)	(2.7)	(2.4)
Interest income	(0.4)	(0.4)	(1.5)	(1.5)	(1.6)
Interest expense	34.9	34.4	138.6	127.9	122.2
(Loss) gain on disposal of fixed assets	(0.2)	3.3	4.0	45.7	(0.3)
Loss on early extinguishment of debt, net				(8.2)	(26.1)
Asset impairment				(77.4)	
Goodwill impairment					(10.5)
Other, net	(12.8)	3.2	(0.7)	5.0	(1.0)
Changes in assets and liabilities, net	46.4	66.6	25.6	(15.3)	37.6
<b>EBITDA</b>	<b>(30.4)</b>	<b>22.3</b>	<b>130.7</b>	<b>78.4</b>	<b>123.4</b>
Merger related costs (a)	9.6		5.2		
Hedge (gains) losses(b)	11.7	(3.8)	(14.3)	(3.7)	7.5
Equity award expense(c)	0.4	0.4	1.8	2.7	2.4
Restructuring charges(d)		1.0	1.4	102.4	24.5
Loss on extinguishment of debt, net(e)		2.6	2.8	8.2	26.1
Gain on insurance settlement(f)				(52.6)	
Goodwill impairment(g)					10.5
Other items, net(h)	0.8	(2.4)	1.9	4.7	8.4
<b>Adjusted EBITDA(i)</b>	<b>\$ (7.9)</b>	<b>\$ 20.1</b>	<b>\$ 129.5</b>	<b>\$ 140.1</b>	<b>\$ 202.8</b>

- (a) Represents costs incurred in connection with the Merger.  
(b) Represents unrealized (gains) losses on energy-related derivative contracts.  
(c) Represents amortization of non-cash incentive compensation.  
(d) Represents costs associated with the closure of the former Sartell mill in 2012 and the shutdown of three paper machines in 2011.  
(e) Represents net loss related to debt refinancing.  
(f) Represents gain on insurance settlement resulting from the fire at the former Sartell mill.  
(g) Represents impairment of goodwill allocated to the coated paper segment.  
(h) Represents miscellaneous non-cash and other earnings adjustments, including the gains on sales of the former Sartell mill and Verso Fiber Farm LLC in 2013.

- (i) Verso Holdings' historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.
  
- (4) See information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein for further discussion of this metric.
- (5) Working capital is defined as current assets net of current liabilities, excluding the current portion of long-term debt.

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**Summary Historical Consolidated Financial Data of NewPage and Predecessor**

The following table presents summary historical financial data for NewPage as of and for the periods presented. The following information is only a summary and should be read in conjunction with NewPage's historical consolidated financial statements and the other financial information included elsewhere in this joint proxy and information statement/prospectus.

The summary historical financial data for the years ended December 31, 2013, 2012 and 2011 have been prepared in accordance with GAAP and have been derived from, and should be read in conjunction with, NewPage's audited consolidated financial statements included elsewhere in this joint proxy and information statement/prospectus.

The summary historical financial data as of and for the three months ended March 31, 2014 and 2013 have been derived from NewPage's unaudited interim condensed consolidated financial statements and, in the opinion of NewPage's management, include all normal recurring adjustments necessary for a fair presentation of the information set forth herein in accordance with GAAP. Interim financial statements are not necessarily indicative of results that may be experienced for the fiscal year or any future reporting period.

On September 7, 2011, NewPage and certain of its U.S. subsidiaries commenced voluntary cases (the Chapter 11 Proceedings) under Chapter 11 of the United States Bankruptcy Code, as amended, in the United States Bankruptcy Court for the District of Delaware (Case Nos. 11-12804 through 11-12817). NewPage and its debtor subsidiaries successfully emerged from the Chapter 11 Proceedings on December 21, 2012.

References to periods on or after December 31, 2012 refer to that of the Successor (as defined below) (the Successor Period) and references to periods prior to December 31, 2012 refer to that of the Predecessor (as defined below) (the Predecessor Period). The results of the Successor Period are not comparable to the results of the Predecessor Period. During the Chapter 11 Proceedings and upon emergence from Chapter 11, NewPage applied the guidance in Financial Accounting Standards Board Accounting Standards Codification 852, Reorganizations (ASC 852), in preparing its consolidated financial statements. This guidance does not change the manner in which financial statements are prepared. However, it requires that the financial statements, for periods during the Chapter 11 Proceedings, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Furthermore, in accordance with ASC 852, fresh start accounting was required upon NewPage's emergence from the Chapter 11 Proceedings. NewPage elected to apply fresh start accounting effective December 31, 2012, to coincide with the timing of its normal December accounting period close.

The implementation of the Chapter 11 plan and the application of fresh start accounting materially changed the carrying amounts and classifications reported in the NewPage consolidated financial statements and resulted in it becoming a new entity for financial reporting purposes. Accordingly, the consolidated financial statements for periods prior to December 31, 2012 will not be comparable to NewPage's consolidated financial statements as of December 31, 2012 or for periods subsequent to December 31, 2012. References to Successor or Successor Company refer to NewPage Holdings Inc. on or after December 31, 2012, after giving effect to the implementation of the Chapter 11 plan and the application of fresh start accounting. References to Predecessor or Predecessor Company refer to NewPage Corporation prior to December 31, 2012.

Pursuant to fresh start accounting, all assets and liabilities reflected on the NewPage consolidated balance sheet as of December 31, 2012 were recorded at fair value except for deferred income taxes and pension and other postretirement projected benefit obligations. Except for the impact of the application of fresh start accounting on the carrying values of NewPage's assets and liabilities as of December 31, 2012 and the change in accounting policy for maintenance costs for planned major maintenance shutdowns, the accounting policies adopted by the Successor Company and applied to



the carrying values of its assets and liabilities reflected in its

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condensed consolidated balance sheet as of March 31, 2014 and consolidated balance sheet as of December 31, 2013 were consistent with the Predecessor Company's significant accounting policies.

The information should be read in conjunction with NewPage's consolidated financial statements and the related notes thereto and the information under the heading "Index to Financial Statements of NewPage" beginning on page L-1, and the unaudited interim condensed consolidated financial statements and the related notes thereto under the heading "Index to Financial Statements of NewPage Holdings Inc." beginning on page L-1. For additional information about NewPage and its subsidiaries, please see "Information About NewPage" beginning on page 391 and "Where You Can Find More Information" beginning on page 415.

(Dollars in millions)	Successor			Predecessor	
	Three Months Ended March 31, 2014	2013	2013	Year ended December 31, 2012	2011
<b>Statements of Operations Data:</b>					
Net Sales	\$ 757	\$ 756	\$ 3,054	\$ 3,131	\$ 3,502
Cost of Sales	755	715	2,865	3,015	3,375
Selling, general and administrative expenses	24	41	146	139	145
Interest expense	49	11	47	26	391
Other (income) expense, net					2
Income (loss) before reorganization items and income taxes	(71)	(11)	(4)	(49)	(411)
Reorganization items, net(1)				(1,288)	86
Income (loss) before income taxes	(71)	(11)	(4)	1,239	(497)
Income tax (benefit)			(2)	(19)	1
<b>Net income (loss)</b>	<b>\$ (71)</b>	<b>\$ (11)</b>	<b>\$ (2)</b>	<b>\$ 1,258</b>	<b>\$ (498)</b>

	Successor			
	Three Months Ended March 31, 2014	2013	Year ended December 31, 2013	2012
<b>Balance Sheet Data (at period end for Successor):</b>				
Cash and cash equivalents	\$ 9	\$ 9	\$ 83	\$ 43
Working capital(2)	450	480	487	441
Property, plant and equipment	1,177	1,284	1,208	1,314
Total assets(3)	2,125	2,195	2,175	2,214
Total debt	785	513	487	490
Total equity	720	802	1,035	813

Successor

Predecessor

(Dollars in millions)	Three Months Ended March 31,		Year ended December 31,		
	2014	2013	2013	2012	2011
<b>Statements of Cash Flow Data:</b>					
Cash provided by (used for)					
operating activities	\$ (77)	\$ (42)	\$ 116	\$ 3	\$ 87
Cash provided by (used for)					
investing activities	(20)	(14)	(70)	(145)	(94)
Cash provided by (used for)					
financing activities	23	22	(6)	43	139

- (1) Certain expenses, provisions for losses and other charges and credits directly associated with or resulting from the reorganization and restructuring of the business that were realized or incurred in the Chapter 11 Proceedings, including the impact of the implementation of the Chapter 11 plan and the application of fresh start accounting, were recorded in reorganization items, net in the NewPage's consolidated financial statements.

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- (2) Working capital is defined as current assets minus current liabilities.  
(3) As part of the application of fresh start accounting, all assets were adjusted to their fair values as of December 31, 2012.

The following table reconciles net income (loss) to EBITDA and Adjusted EBITDA for the years ended December 31, 2013, 2012 and 2011 and the three months ended March 31, 2014 and 2013:

(Dollars in millions)	Successor		Predecessor		
	Three Months Ended Mar. 31,		Year Ended December 31,		
	2014	2013	2013	2012	2011
Net income (loss)	\$ (71)	\$ (11)	\$ (2)	\$ 1,258	\$ (498)
Interest expense	49	11	47	26	391
Income tax (benefit)			(2)	(19)	1
Depreciation and amortization	46	46	184	242	243
EBITDA(a)	24	46	227	1,507	137
Equity awards	(3)	4	14	1	(1)
(Gain) loss on disposal of assets	1		2	6	11
Non-cash U.S. pension expense				6	12
Integration and related severance costs and other charges		6	14	8	23
Reorganization items, net				(1,288)	86
Post-emergence bankruptcy-related items		3	4		
Pre-petition professional fees					19
Port Hawkesbury operations					37
Merger related costs	2	2	8		
Other	1			(2)	
Adjusted EBITDA(a)(b)	\$ 25	\$ 61	\$ 269	\$ 238	\$ 324

- (a) EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA and Adjusted EBITDA (as described in the table below) are not measures of NewPage's performance under GAAP, are not intended to represent net income (loss), and should not be used as alternatives to net income (loss) as indicators of performance. EBITDA and Adjusted EBITDA are shown because they are bases upon which NewPage's management assesses performance and are primary components of certain covenants under NewPage's revolving credit facility. In addition, NewPage's management believes EBITDA and Adjusted EBITDA are useful to investors because they and similar measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies. The use of EBITDA and Adjusted EBITDA instead of net income (loss) has limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for analysis of NewPage's results as reported under GAAP. Some of these limitations are:

EBITDA and Adjusted EBITDA do not reflect NewPage's current cash expenditure requirements, or future requirements, for capital expenditures or contractual commitments;

EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, NewPage's working capital needs;

EBITDA and Adjusted EBITDA do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on NewPage's debt;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and

NewPage's measures of EBITDA and Adjusted EBITDA are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of NewPage's business.

- (b) Does not include pro forma effects of NewPage's project cost savings program used in certain covenants under the NewPage credit facilities.

**Table of Contents****Verso Summary Unaudited Pro Forma Condensed Combined Financial Information**

The following summary unaudited pro forma condensed combined financial information presents the combined historical consolidated statements of operations and consolidated balance sheet data of Verso and NewPage to reflect the Merger. The unaudited pro forma condensed combined balance sheet data gives effect to the Merger as if it had occurred as of the balance sheet date. The unaudited pro forma condensed combined statements of operations give effect to the Merger as if it had occurred as of January 1, 2013.

The summary unaudited pro forma condensed combined financial information should be read in conjunction with Unaudited Pro Forma Condensed Combined Financial Information and the notes thereto included elsewhere in this joint proxy and information statement/prospectus and NewPage's historical consolidated financial statements included elsewhere in this joint proxy and information statement/prospectus, as well as in conjunction with Verso's historical consolidated financial statements included elsewhere in this joint proxy and information statement/prospectus.

	<b>Verso</b>	
	<b>Pro Forma for the Merger Three Months Ended March 31, 2014</b>	<b>Year Ended December 31, 2013</b>
<b>(Dollars in millions)</b>		
<b>Statement of Operations Data:</b>		
<b>Net sales</b>	\$ 1,056.1	\$ 4,442.9
Costs and expenses:		
Cost of products sold (exclusive of depreciation, amortization, and depletion)	1,014.2	3,871.7
Depreciation, amortization, and depletion	71.4	288.7
Selling, general, and administrative expenses	36.9	200.4
Restructuring charges		1.4
Total operating expenses	1,122.5	4,362.2
Other operating income		(4.0)
<b>Operating (loss) income</b>	(66.4)	84.7
Interest income		
Interest expense	67.1	269.0
Other loss, net		2.8
<b>Loss before income taxes</b>	(133.5)	(187.1)
Income tax benefit		(2.6)
<b>Net loss</b>	\$ (133.5)	\$ (184.5)
<b>Balance Sheet Data (at period end):</b>		
Working capital(1)	\$ 584.1	
Property, plant, and equipment, net	1,959.1	
Total assets	3,125.7	
Total debt(3)	2,770.5	

Total equity (deficit)		(466.0)	
<b>Other Financial and Operating Data:</b>			
Pro Forma EBITDA(2)	\$	5.0	\$ 370.6
Pro Forma Adjusted EBITDA(2)		16.9	398.2

(1) Working capital is defined as current assets net of current liabilities, excluding the current portion of long-term debt.

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(2) Pro Forma EBITDA reflects historical EBITDA as reported by Verso and NewPage and the pro forma adjustments reflecting the Merger. Pro Forma Adjusted EBITDA reflects historical Adjusted EBITDA as reported by Verso and NewPage and the pro forma adjustments reflecting the Merger.

Pro Forma EBITDA and Pro Forma Adjusted EBITDA are not measurements of financial performance under GAAP. Verso's definitions of EBITDA and Adjusted EBITDA, and the reasons Verso uses these measures, are described in footnotes 2 and 3 under Summary Historical Consolidated Financial Data of Verso and NewPage's definitions of EBITDA and Adjusted EBITDA, and the reasons NewPage uses these measures, are described in footnote (a) under Summary Historical Consolidated Financial Data of NewPage and Predecessor.

The following table reconciles Pro Forma net income (loss) to Pro Forma EBITDA and to Pro Forma Adjusted EBITDA for the periods presented on a pro forma basis giving effect to the Merger:

(Dollars in millions)	Pro Forma for the Merger	
	Three Months Ended March 31, 2014	Year Ended December 31, 2013
<b>Net loss</b>	\$ (133.5)	\$ (184.5)
Interest expense, net	67.1	269.0
Income tax benefit		(2.6)
Depreciation, amortization, and depletion	71.4	288.7
<b>Pro Forma EBITDA</b>	\$ 5.0	\$ 370.6
Pro Forma EBITDA adjustments	11.9	27.6
<b>Pro Forma Adjusted EBITDA</b>	\$ 16.9	\$ 398.2

The following tables reflect the historical EBITDA adjustments as reported by Verso and NewPage and the pro forma adjustments reflecting the Merger:

	Historical		Pro Forma for the Merger
	Verso Three Months Ended March 31, 2014	NewPage Three Months Ended March 31, 2014	Three Months Ended March 31, 2014
EBITDA	\$ (30.4)	\$ 24.0	\$ 5.0
Merger related costs (a)	9.6	2.0	
Hedge (gains) losses	11.7		11.7
Equity award expense	0.4	(3.0)	(2.6)
Other	0.8	1.0	1.8



(Gain) loss on disposal of assets			1.0	1.0
Total EBITDA adjustments	22.5		1.0	11.9
Adjusted EBITDA (b)	\$ (7.9)	\$	25.0	\$ 16.9

- (a) The Pro Forma EBITDA adjustments exclude Merger Related Cost incurred during the three months ended March 31, 2014 as such costs were removed from the Pro Forma Statement of Operations for the three months ended March 31, 2014. See notes to Pro Forma Statement of Operations for the Pro Forma Adjustment attributable to Merger Related Costs.
- (b) Verso's historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.

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	<b>Verso Year Ended December 31, 2013</b>	<b>Historical NewPage Year Ended December 31, 2013</b>	<b>Pro Forma for the Merger  Year Ended December 31, 2013</b>
<b>(Dollars in millions)</b>			
EBITDA	\$ 130.7	\$ 227.0	\$ 370.6
Restructuring charges	1.4		1.4
Loss on extinguishment of debt, net	2.8		2.8
Hedge gains	(14.3)		(14.3)
Equity award expense	1.8	14.0	15.8
Other items, net	1.9		1.9
Loss on disposal of assets.		2.0	2.0
Integration and related severance costs and other charges		14.0	14.0
Post-emergence bankruptcy-related items		4.0	4.0
Merger related costs(a)	5.2	8.0	
<b>Total EBITDA adjustments</b>	<b>(1.2)</b>	<b>42.0</b>	<b>27.6</b>
Adjusted EBITDA(b)	\$ 129.5	\$ 269.0	\$ 398.2

- (a) The Pro Forma EBITDA Adjustments exclude Merger Related Costs incurred as of December 31, 2013 as such costs were removed from the Pro Forma Statement of Operations as of December 31, 2013. See notes to Pro Forma Statement of Operations for the Pro Forma Adjustment attributable to Merger Related Costs incurred as of December 31, 2013.
- (b) Verso's historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.
- (3) Pursuant to the Exchange Offers, the principal amount of debt will be reduced, but under GAAP no reduction will be reflected on our balance sheet. Instead, the reduction will accrue over time as a reduction to interest expense.

**Table of Contents****Verso Holdings Summary Unaudited Pro Forma Condensed Combined Financial Information**

The following summary unaudited pro forma condensed combined financial information presents the combined historical consolidated statements of operations and consolidated balance sheet data of Verso Holdings and NewPage to reflect the Merger. The unaudited pro forma condensed combined balance sheet data gives effect to the Merger as if it had occurred as of the balance sheet date. The unaudited pro forma condensed combined statements of operations give effect to the Merger as if it had occurred as of January 1, 2013.

The summary unaudited pro forma condensed combined financial information should be read in conjunction with Unaudited Pro Forma Condensed Combined Financial Information and the notes thereto included elsewhere in this joint proxy and information statement/prospectus and NewPage's historical consolidated financial statements included elsewhere in this joint proxy and information statement/prospectus, as well as in conjunction with Verso Holdings historical consolidated financial statements included in this joint proxy and information statement/prospectus, and the other financial information included elsewhere in this joint proxy and information statement/prospectus.

	<b>Verso Holdings Pro Forma for the Merger</b>	
	<b>Three Months Ended March 31, 2014</b>	<b>Year Ended December 31, 2013</b>
<b>(Dollars in millions)</b>		
<b>Statement of Operations Data:</b>		
<b>Net sales</b>	\$ 1,056.1	\$ 4,442.9
Costs and expenses:		
Cost of products sold (exclusive of depreciation, amortization, and depletion)	1,014.2	3,871.7
Depreciation, amortization, and depletion	71.4	288.7
Selling, general, and administrative expenses	36.9	200.4
Restructuring charges		1.4
Total operating expenses	1,122.5	4,362.2
Other operating income		(4.0)
<b>Operating (loss) income</b>	(66.4)	84.7
Interest income	(0.4)	(1.5)
Interest expense	67.5	269.8
Other loss, net		2.8
<b>Loss before income taxes</b>	(133.5)	(186.4)
Income tax benefit		(2.0)
<b>Net loss</b>	\$ (133.5)	\$ (184.4)
<b>Balance Sheet Data (at period end):</b>		
Working capital(1)	\$ 584.1	
Property, plant, and equipment, net	1,959.1	
Total assets	3,149.1	

Total debt(3)	2,793.8		
Total equity (deficit)	(459.8)		
<b>Other Financial and Operating Data:</b>			
Pro Forma EBITDA(2)	\$ 5.0	\$	370.6
Pro Forma Adjusted EBITDA(2)	16.9		398.2

(1) Working capital is defined as current assets net of current liabilities, excluding the current portion of long-term debt.

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- (2) Pro Forma EBITDA reflects historical EBITDA as reported by Verso Holdings and NewPage and the pro forma adjustments reflecting the Merger. Pro Forma Adjusted EBITDA reflects historical Adjusted EBITDA as reported by Verso Holdings and NewPage and the pro forma adjustments reflecting the Merger. Verso Holdings Pro Forma Adjusted EBITDA is shown before the pro forma effects of our profitability program.

Pro Forma EBITDA and Pro Forma Adjusted EBITDA are not measurements of financial performance under GAAP. Verso Holdings' definitions of EBITDA and Adjusted EBITDA, and the reasons Verso Holdings uses these measures, are described in footnotes 2 and 3 under Summary Historical Consolidated Financial Data of Verso Holdings and NewPage's definitions of EBITDA and Adjusted EBITDA, and the reasons NewPage uses these measures, are described in footnote (a) under Summary Historical Consolidated Financial Data of NewPage and Predecessor.

The following table reconciles Pro Forma net income (loss) to Pro Forma EBITDA and to Pro Forma Adjusted EBITDA for the periods presented on a pro forma basis giving effect to the Merger:

(Dollars in millions)	Pro Forma for the Merger	
	Three Months Ended March 31, 2014	Year Ended December 31, 2013
<b>Net loss</b>	\$ (133.5)	\$ (184.4)
Interest expense, net	67.1	268.3
Income tax benefit		(2.0)
Depreciation, amortization, and depletion	71.4	288.7
<b>Pro Forma EBITDA</b>	\$ 5.0	\$ 370.6
Pro Forma EBITDA adjustments	11.9	27.6
<b>Pro Forma Adjusted EBITDA</b>	\$ 16.9	\$ 398.2

The following tables reflect the historical EBITDA adjustments as reported by Verso Holdings and NewPage and the pro forma adjustments reflecting the Merger:

	Historical		Pro Forma for the Merger Three Months Ended March 31, 2014
	Verso Holdings Three Months Ended March 31, 2014	NewPage Three Months Ended March 31, 2014	
EBITDA	\$ (30.4)	\$ 24.0	\$ 5.0
Merger related costs(a)	9.6	2.0	

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Hedge (gains) losses	11.7		11.7
Equity award expense	0.4	(3.0)	(2.6)
Other	0.8	1.0	1.8
(Gain) loss on disposal of assets.		1.0	1.0
<b>Total EBITDA adjustments</b>	<b>22.5</b>	<b>1.0</b>	<b>11.9</b>
Adjusted EBITDA(b)	\$ (7.9)	\$ 25.0	\$ 16.9

- (a) The Pro Forma EBITDA adjustments exclude Merger Related Cost incurred during the three months ended March 31, 2014 as such costs were removed from the Pro Forma Statement of Operations for the three months ended March 31, 2014. See notes to Pro Forma Statement of Operations for the Pro Forma Adjustment attributable to Merger Related Costs.
- (b) Verso Holdings historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.

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	Historical		Pro Forma for the Merger
	Verso Holdings Year Ended December 31, 2013	NewPage Year Ended December 31, 2013	
<b>(Dollars in millions)</b>			
EBITDA	\$ 130.7	\$ 227.0	\$ 370.6
Restructuring charges	1.4		1.4
Loss on extinguishment of debt, net	2.8		2.8
Hedge gains	(14.3)		(14.3)
Equity award expense	1.8	14.0	15.8
Other items, net	1.9		1.9
Loss on disposal of assets.		2.0	2.0
Integration and related severance costs and other charges		14.0	14.0
Post-emergence bankruptcy-related items		4.0	4.0
Merger related costs(a)	5.2	8.0	
<b>Total EBITDA adjustments</b>	<b>(1.2)</b>	<b>42.0</b>	<b>27.6</b>
Adjusted EBITDA(b)	\$ 129.5	\$ 269.0	\$ 398.2

- (a) The Pro Forma EBITDA Adjustments exclude Merger Related Costs incurred as of December 31, 2013 as such costs were removed from the Pro Forma Statement of Operations as of December 31, 2013. See notes to Pro Forma Statement of Operations for the Pro Forma Adjustment attributable to Merger Related Costs incurred as of December 31, 2013.
- (b) Verso Holdings historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.
- (3) Pursuant to the Exchange Offers, the principal amount of debt will be reduced, but under GAAP no reduction will be reflected on our balance sheet. Instead, the reduction will accrue over time as a reduction to interest expense.

**Table of Contents****COMPARATIVE PER SHARE DATA**

The following table shows, for the year ended December 31, 2013, and the three months ended March 31, 2014, historical and pro forma equivalent per share data for NewPage common stock and historical and pro forma combined per share data for Verso common stock. The information in the table is derived from Verso's historical consolidated financial statements included herein and NewPage's historical consolidated financial information included herein, as well as the unaudited pro forma condensed combined financial information included elsewhere herein.

The pro forma equivalent information shows the effect of the Merger from the perspective of an owner of NewPage common stock. The information was computed by multiplying the pro forma combined net loss per share for the three months ended March 31, 2014, and the year ended December 31, 2013 and the pro forma combined book value per share as of March 31, 2014 by the ratio (1.97) of the total number of shares of Verso common stock to be issued as part of the merger consideration, which we have assumed to be 13,983,670 shares, to the number of outstanding NewPage shares as of March 31, 2014, and December 31, 2013 (7,092,477 and 7,087,239 shares, respectively). The actual number of shares of Verso common stock to be issued as part of the Merger Consideration depends on the number of outstanding shares of Verso common stock at the closing of the offering and is subject to certain adjustments. See Merger Agreement Merger Consideration. These computations exclude any potential benefit to NewPage's stockholders from receiving any amount of cash or New First Lien Notes as components of the Transaction Consideration.

The pro forma combined data below is presented for illustrative purposes only. The pro forma adjustments to the statement of income data are based on the assumption that the Merger was completed on January 1, 2013, and the pro forma adjustments to the balance sheet data are based on the assumption that the Merger was completed on March 31, 2014.

Either company's actual historical financial condition and results of operations may have been different had the companies always been combined. You should not rely on this information as being indicative of the historical financial condition and results of operations that would have actually been achieved or of the future results of Verso after the completion of the Merger.

You should read the information below together with the historical consolidated financial statements and related notes of each of Verso and NewPage, which are included elsewhere in this joint proxy and information statement/prospectus, and with the information under the heading Unaudited Pro Forma Condensed Combined Financial Information beginning on page 101.

	NewPage Common Stock		Verso Common Stock	
	Historical	Pro Forma Equivalent	Historical	Pro Forma Combined
<b>Net Income (Loss) Per Share</b>				
Basic:				
Three Months Ended March 31, 2014	\$ (10.01)	\$ (3.14)	\$ (1.70)	\$ (1.59)
Year Ended December 31, 2013	\$ (0.27)	\$ (4.35)	\$ (2.09)	\$ (2.20)
Diluted:				
Three Months Ended March 31, 2014	\$ (10.01)	\$ (3.14)	\$ (1.70)	\$ (1.59)
Year Ended December 31, 2013	\$ (0.27)	\$ (4.35)	\$ (2.09)	\$ (2.20)



**Book Value Per Share**

March 31, 2014	\$ 101.52	\$ (10.95)	\$ (9.51)	\$ (5.55)
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**Cash Dividends**

Three Months Ended March 31, 2014	\$ 34.35	\$	\$	\$
Year Ended December 31, 2013	\$	\$	\$	\$

**Table of Contents****MARKET PRICE AND DIVIDEND INFORMATION**

Verso's common stock is listed for trading on the New York Stock Exchange under the trading symbol VRS. The following table sets forth, for the periods indicated, the high and low sales prices per share of Verso's common stock on the New York Stock Exchange Composite Transactions Tape. For current price information, you are urged to consult publicly available sources.

	<b>Verso Common Stock</b>	
	<b>High</b>	<b>Low</b>
<b>YEAR ENDED DECEMBER 31, 2011</b>		
Quarter ended March 31, 2011	\$ 6.37	\$ 3.43
Quarter ended June 30, 2011	5.44	2.51
Quarter ended September 30, 2011	3.16	1.65
Quarter ended December 31, 2011	1.95	0.85
<b>YEAR ENDED DECEMBER 31, 2012</b>		
Quarter ended March 31, 2012	3.36	0.91
Quarter ended June 30, 2012	2.05	1.03
Quarter ended September 30, 2012	2.38	1.16
Quarter ended December 31, 2012	1.70	0.99
<b>YEAR ENDING DECEMBER 31, 2013</b>		
Quarter ended March 31, 2013	1.68	0.98
Quarter ended June 30, 2013	1.39	1.03
Quarter ended September 30, 2013	1.15	0.61
Quarter ended December 31, 2013	0.92	0.52
QUARTER ENDED MARCH 31, 2014	5.55	0.62
QUARTER ENDED JUNE 30, 2014	3.24	1.60

The closing sale price of Verso common stock as of July 7, 2014 was \$2.81 per share.

Because there is no established trading market for shares of any class of NewPage capital stock, information with respect to the market prices of NewPage stock has been omitted.

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**RISK FACTORS**

*In addition to the information included in this joint proxy and information statement/prospectus, you should carefully read and consider the following risk factors in evaluating the proposals to be voted on at the Verso special meeting. If the conditions to the completion of the Merger are satisfied or waived, and the Merger is completed, holders of NewPage common stock will become holders of Verso common stock and the New First Lien Notes and will be subject to the risks and uncertainties of holders thereof.*

**Risks Relating to the Merger**

***Because the New First Lien Notes are valued at face value upon issuance but could trade at, above, or below par value at the closing of the Merger, NewPage stockholders cannot be sure of the precise value of the Merger Consideration they will receive.***

Under the terms of the Merger Agreement, stockholders of NewPage will receive, among other forms of consideration, \$650 million aggregate principal amount of New First Lien Notes (valued at face value) to be issued at closing. The market value of the New First Lien Notes is subject to market conditions and fluctuations and could decrease post-closing if, among other reasons, Verso and its subsidiaries (including the Surviving Corporation) perform poorly, fail to achieve synergies from the Merger or become insolvent, or if Verso incurs incremental debt that ranks pari passu with the New First Lien Notes to the extent permitted under its debt instruments. Additionally, sales of Verso's Existing First Lien Notes after the closing of the Merger may cause the market price of Verso's Existing First Lien Notes and the New First Lien Notes to fall. Although Apollo and its affiliates will be subject to a lock-up agreement that will restrict them from buying or selling any existing debt or equity securities of Verso during the period between signing and closing, after the closing of the Merger, holders of Verso's debt and equity securities (including Apollo and its affiliates) will be able to trade such securities freely. In light of these uncertainties, NewPage stockholders will not be able to calculate the precise value of the consideration that they will receive in connection with the Merger. Many of these factors, moreover, are largely beyond the parties' control and could negatively impact the value of the consideration NewPage stockholders will receive.

***Because the Verso common stock is subject to market fluctuations, NewPage stockholders cannot be sure of the precise value of the Merger Consideration they will receive.***

Verso common stock is currently listed and traded on the NYSE and is subject to market price fluctuations common to all publicly-traded securities. The price of the Verso common stock may be volatile and subject to wide fluctuations, and the trading volume of Verso common stock may fluctuate and cause significant price variations to occur. In addition, the stock market in general can experience considerable price and volume fluctuations that may be unrelated to the combined company's operating performance. Some of the factors that could cause fluctuations in the stock price or trading volume of the Verso common stock include:

general market and economic conditions, including market conditions in the pulp, paper and packaging industry;

actual or expected variations in quarterly results of operations;

differences between actual results of operations and those expected by investors and securities analysts;

changes in recommendations by securities analysts;

operations and stock performance of industry participants;

changes in Verso's capital structure;

accounting charges, including charges relating to the impairment of long-lived assets, including goodwill;

significant acquisitions or strategic alliances by the combined company or by competitors;

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sales of Verso's common stock, including sales by Verso's directors and officers or significant investors;

historical light trading volume with respect to Verso common stock;

recruitment or departure of key personnel; and

early termination of client or supplier agreements or loss of clients or relationships with suppliers.

Additionally, a substantial number of shares, relative to the total shares of Verso common stock held by the public, of Verso common stock will be held by a small number of stockholders, including the Verso Stockholder (see Ancillary Agreements Entered Into In Connection With The Merger Agreement Verso Stockholder's Voting Agreement ). A decision by one or more of these stockholders to sell or potentially sell a substantial number of shares of Verso common stock in the public market could depress the market price of Verso common stock and could impair the ability of the combined company to raise capital through the sale of additional securities. Although Apollo and its affiliates will be subject to a lock-up agreement that will restrict them from buying or selling any existing debt or equity securities of Verso during the period between signing and closing, after the closing of the Merger, holders of Verso's debt and equity securities (including Apollo and its affiliates) will be able to trade such securities freely. In light of these uncertainties, NewPage stockholders will not be able to calculate the precise value of the consideration that they will receive in connection with the Merger.

***NewPage stockholders will have a reduced ownership and voting interest in Verso after the Merger relative to their current ownership and voting interest in NewPage and, as a result, will be able to exert less influence over management.***

Following the Merger, each NewPage stockholder will become a stockholder of Verso with a percentage ownership of Verso after the Merger that is smaller than the stockholder's percentage ownership of NewPage. It is expected that the former stockholders of NewPage as a group will own approximately 17% of the outstanding shares of Verso common stock immediately after the completion of the Merger. See The Merger Agreement Transaction Consideration for more details. Accordingly, NewPage stockholders will have substantially less influence on the management and policies of Verso after the Merger than they now have with respect to the management and policies of NewPage.

***Covenants in the Merger Agreement place certain restrictions on NewPage's conduct of its business prior to the closing of the Merger without Verso's consent. The announcement of the Merger Agreement and pendency of the Merger could have an adverse effect on NewPage's businesses, financial conditions, results of operations or business prospects.***

The Merger Agreement restricts NewPage from taking certain specified actions without Verso's consent while the Merger is pending, which could be for longer than one year given the End Date. These restrictions, combined with the additional \$250 million of debt that NewPage incurred in connection with the NewPage Term Loan Facility, may prevent NewPage from pursuing otherwise attractive business opportunities or other capital structure alternatives and making other changes to its business or executing certain of its business strategies prior to the closing of the Merger. In addition, the announcement of the Merger Agreement and pendency of the Merger could have an adverse effect on NewPage's ability to retain, recruit and motivate key personnel and could impact NewPage's relationships with its customers and suppliers.

Some of the directors and executive officers of NewPage have interests in the Merger that are different from, or are in addition to, the interests of NewPage's stockholders generally. These interests may create potential conflicts of interest. These interests may include positions as directors of the combined company, potential payment or accelerated vesting of or distribution of rights or benefits under certain of their respective compensation and benefit plans as a result of the Merger, potential severance and other benefit payments in the event of termination of employment in connection with the Merger, and the right to continued indemnification and insurance coverage by the combined company for acts or omissions occurring prior to the closing of the

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Merger. See The Merger Interests of NewPage Directors and Executive Officers in the Merger beginning on page 245 and The Merger Agreement Indemnification; Directors and Officers and Fiduciary Liability Insurance beginning on page 279 of this joint proxy and information statement/prospectus.

***The parties may be unable to satisfy the conditions to the completion of the Merger and the Merger may not be completed.***

The closing of the Merger is subject to the satisfaction or waiver of certain conditions, many of which are beyond the control of NewPage and some beyond the control of both Verso and NewPage. Completion of the Merger is conditioned on, among other conditions, the adoption of the Merger Agreement and approval of the Merger by NewPage stockholders and approval of the issuance of shares of Verso common stock as part of the Merger Consideration by the Verso stockholders, the expiration or termination of the applicable waiting period under the HSR Act and receipt of other regulatory approvals, the absence of any injunction or judgment that prohibits the completion of the Merger and the completion of the Exchange Offer Transactions. Each party's obligation to close the Merger is also subject to, among other conditions, the accuracy of the representations and warranties of the other party in the Merger Agreement (subject to certain specified standards of materiality), the compliance in all material respects with covenants of the other party in the Merger Agreement and the absence of a material adverse effect on the other party. These and other conditions to the completion of the Merger may fail to be satisfied, and satisfying the conditions to and completion of the Merger may take longer, and could cost more, than Verso and NewPage expect.

In addition, under certain circumstances, either NewPage or Verso may terminate the Merger Agreement if the Merger has not closed on or prior to December 31, 2014, unless extended pursuant to the Merger Agreement.

***The failure to obtain required regulatory approvals in a timely manner or any materially burdensome conditions contained in any regulatory approvals could delay or prevent completion of the Merger and diminish the anticipated benefits of the Merger.***

Completion of the Merger is conditional upon the receipt of certain regulatory approvals, including, but not limited to, the expiration or termination of the applicable waiting periods under the HSR Act.

Verso and NewPage have filed required antitrust documents relating to the Merger under the HSR Act with the Federal Trade Commission (the "FTC") and the Department of Justice (the "DOJ"). Although Verso and NewPage have agreed in the Merger Agreement to use their reasonable best efforts to obtain the requisite regulatory approvals, there can be no assurance that the expiration or termination of the applicable waiting period under the HSR Act will be obtained in a timely manner, or at all. The requirement to receive such expiration or termination before the closing of the Merger could delay the consummation of the Merger. In addition, at any time before or after completion of the Merger, the DOJ, the FTC or any state or other non-U.S. competition authority could take such action under applicable laws as it deems necessary or desirable in the public interest, including seeking to enjoin completion of the Merger, rescind the Merger or seek divestiture of particular assets of Verso or NewPage. Any delay in completing the Merger, or any additional conditions imposed in order to complete the Merger, may adversely affect the synergies and other benefits that Verso expects to achieve if the Merger and the integration of the companies' respective businesses are completed within the expected timeframe and could result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the Merger. Any uncertainty over the ability to complete the Merger could make it more difficult for Verso to retain key employees or to pursue business strategies. Similarly, the governmental authorities from which these approvals are required may impose conditions on the completion of the Merger or require changes to the terms of the Merger. Additionally, if Verso is required to take any action to resolve an antitrust challenge that would reasonably be expected to materially affect its business, it will not be obligated to close the Merger, or, if Verso remains required to close the Merger, its business and results of Verso's operations may be

adversely affected.



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***The closing of the Merger is subject to the completion of the Exchange Offer Transactions.***

If Verso is not able to obtain the Verso Junior Noteholder Consent or consummate the Exchange Offer Transactions, the Merger may not close. The willingness of the holders of the Old Second Lien Notes and Old Subordinated Notes to reduce the aggregate principal amount of the Old Second Lien Notes and Old Subordinated Notes in the Exchange Offers may depend in part on the holders' assessment of the impact of the completion of the Merger on the trading value of Old Second Lien Notes and Old Subordinated Notes.

As of the date of this joint proxy and information statement/prospectus, Verso has not obtained the Verso Junior Noteholder Consent or consummated the Exchange Offer Transactions, and Verso may not be able to obtain the Verso Junior Noteholder Consent or consummate the Exchange Offer Transactions, in which case the Merger may not close.

***The Merger is expected to result in an ownership change for NewPage under Section 382 of the Code, potentially limiting the use of NewPage's net operating loss carryforwards in future taxable years of the combined company.***

As of December 31, 2013, NewPage had approximately \$788 million of net operating loss carryforwards for U.S. federal income tax purposes. As of December 31, 2013, Verso had approximately \$1,112.2 million of net operating loss carryforwards for U.S. federal income tax purposes. Under Sections 382 and 383 of the Code, if a corporation undergoes an ownership change, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an ownership change generally occurs if there is a cumulative change in ownership by 5-percent shareholders that exceeds 50 percentage points over a rolling three-year period. The Merger is expected to result in an ownership change under Section 382 of the Code for NewPage, potentially limiting the use of NewPage's net operating loss carryforwards in future taxable years of the combined company. Although not free from doubt, the Merger is not expected to result in an ownership change under Section 382 of the Code for Verso, but an ownership change of Verso may occur in the future as a result of future transactions in Verso's stock, some of which may be outside its control. These limitations may affect the timing of when these net operating loss carryforwards can be used which, in turn, may impact the timing of when cash is used to pay the taxes of the combined company.

***Certain NewPage stockholders may exercise appraisal rights under Section 262 of the DGCL, and if appraisal rights are exercised with respect to more than 7% of shares of NewPage common equity, the Merger may not close. If there are NewPage stockholders that successfully exercise their appraisal rights, the Surviving Corporation will be responsible for the resulting cash payment obligation.***

Although NewPage stockholders who owned approximately 61% of the voting power of NewPage common stock on January 3, 2014 have entered into the Support Agreements with NewPage and Verso agreeing to waive their appraisal rights (see Ancillary Agreements Entered Into In Connection With The Merger Agreement NewPage Stockholders Support Agreements ), under the Merger Agreement, the closing of the Merger is subject to the condition that NewPage stockholders who have not voted in favor of the Merger, have properly exercised their appraisal rights under Delaware law and who have not withdrawn their request for appraisal rights, shall not hold more than 7% of NewPage's then issued and outstanding common stock.

Additionally, if there are NewPage stockholders who exercise their appraisal rights and complete the process required by the DGCL, the Surviving Corporation will be obligated to pay such stockholders the pre-Merger cash value of their NewPage stock as determined by the Delaware Court of Chancery.

***NewPage must obtain approval of its stockholders to consummate the Merger, which, if delayed or not obtained, may jeopardize or delay the consummation of the Merger.***

If NewPage does not obtain the approval of at least a majority of the outstanding shares of NewPage common stock entitled to vote on the Merger, neither party is obligated to close. Although NewPage s

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stockholders who owned approximately 61% of the voting power of NewPage common stock on January 3, 2014 have entered into the Support Agreements with NewPage and Verso agreeing to vote their shares of NewPage common stock or execute a written consent in favor of the adoption and approval of the Merger Agreement, there is no assurance that all of the NewPage stockholders who have signed the Support Agreements will perform the undertakings agreed therein. If one or more of such stockholders breach their Support Agreements, there is no assurance that litigation will result in a grant of specific performance of the undertakings under the Support Agreements, and such breach or litigation could also jeopardize or delay the consummation of the Merger for a significant period of time or prevent it from occurring.

***Failure to complete the Merger could negatively impact the future business and financial results of NewPage and its value as a standalone company.***

If the Merger is not completed for any reason, the ongoing business of NewPage may be adversely affected and, without realizing any of the benefits of having completed the Merger, NewPage will be subject to a number of risks, including, but not limited to, the following:

the additional \$250 million of debt that NewPage incurred in connection with the NewPage Term Loan Facility may prevent NewPage from pursuing otherwise attractive business opportunities or other capital structure alternatives and making other changes to its business prior to the closing or the termination of the Merger Agreement;

NewPage may be required to pay Verso a termination fee of \$27 million if the Merger Agreement is terminated under certain circumstances (See, The Merger Agreement Termination Fees beginning on page 283 of this joint proxy and information statement/prospectus);

NewPage may be required to pay certain costs relating to the Merger, even if the Merger is not completed, such as legal, accounting, financial advisor, consultant and printing fees; and

matters relating to the Merger (including integration planning) may require substantial commitments of time and resources by NewPage management, whether or not the Merger is completed, which could otherwise have been devoted to other opportunities that may have been beneficial to NewPage as an independent company.

These factors could affect the prospects of NewPage as a standalone entity, demand for NewPage common stock and the valuation of NewPage as a standalone entity.

***The Merger Agreement contains provisions that limit NewPage's ability to pursue alternatives to the Merger, which could discourage a potential acquirer of NewPage from making an alternative transaction proposal or could result in a competing proposal being at a lower price than it might otherwise be and, in certain circumstances, could require NewPage to pay Verso a significant termination fee.***

The Merger Agreement contains provisions that make it more difficult for NewPage to sell its business to a party other than Verso. These provisions include the general prohibition on NewPage taking certain actions that might lead to or otherwise facilitate a proposal by a third party for an alternative transaction and the requirement that NewPage pay

Verso a termination fee of \$27 million if the Merger Agreement is terminated in specified circumstances, including if the Merger Agreement is terminated as a result of NewPage entering into an agreement for an alternative transaction. See, The Merger Agreement Termination Fees beginning on page 283 of this joint proxy and information statement/prospectus.

These provisions might discourage a third party that might have an interest in acquiring all or a significant part of the stock, properties or assets of NewPage from considering or proposing that acquisition, even if that party were prepared to pay consideration to NewPage's stockholders with a higher per share value than the Merger Consideration.

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***If the Merger Agreement is terminated, the failure of the Merger could have an adverse effect on NewPage's ability to conduct a successful initial public offering.***

Pursuant to Section 7.1(a) of the Stockholders Agreement, NewPage is required to file, and thereafter to use its best efforts to cause to be declared effective as promptly as practicable, a registration statement on Form S-1 (the Registration Statement) with a view towards completing an initial public offering of its common stock prior to or on December 21, 2014. During the pendency of the Merger, NewPage's board of directors and management will not devote significant resources or attention to evaluating the alternative of operating NewPage on a stand-alone basis, both with and without a dividend recapitalization, with the view towards consummating an initial public offering of NewPage's common stock in the near future. Pendency of the Merger could significantly distract management and employees from operating NewPage's business and could adversely affect business performance and the ability to identify and pursue other opportunities that may have been beneficial to NewPage as an independent company. Additionally, a failed merger could adversely affect both prospects of an initial public offering and subsequent trading value of the shares of NewPage common stock.

***NewPage has replaced its former credit facilities with the new facilities contemplated by the Merger Agreement, which may remain in effect even if the Merger does not close.***

The terms and conditions of the NewPage Term Loan Facility and NewPage ABL Facility are less favorable to NewPage than its prior facilities and could be less favorable to NewPage than other facilities that NewPage may have been able to obtain if NewPage were seeking replacement facilities in the absence of the Merger, and it may not be possible for NewPage to replace the NewPage Term Loan Facility or NewPage ABL Facility in a cost effective manner if the Merger does not close. As a result of the replacement of NewPage's former \$500 million term loan with the NewPage Term Loan Facility, NewPage has an increased debt level, which could make it more difficult or expensive to obtain any necessary future financing for capital expenditures or other purposes. Although the definitive documentation with respect to the NewPage Term Loan Facility permits NewPage to refinance the NewPage Term Loan Facility under certain circumstances with (a) one or more new term facilities or (b) one or more additional series of senior unsecured notes or loans or senior secured notes, in the event that NewPage wishes to refinance the NewPage Term Loan Facility, it might not be able to obtain refinancing indebtedness on favorable terms or at all, and NewPage will have already paid the fees associated with the incurrence of the NewPage Term Loan Facility. Additionally, any such refinancing occurring more than 30 calendar days after the termination of the Merger Agreement in accordance with its terms and prior to the three year anniversary of the NewPage Term Loan Facility may be subject to a prepayment premium if the refinancing results in a lower yield than under the NewPage Term Loan Facility.

***If the Merger Agreement is terminated, the ability of each of NewPage and Verso to seek money damages from the other party is limited to \$27 million.***

NewPage and Verso can seek money damages from each other only up to an aggregate amount of \$27 million (which may not be paid in addition to a termination fee) under the Merger Agreement and the ancillary agreements and only if (a) the Merger Agreement has been terminated and (b) the other party's breach of the Merger Agreement was willful and material. Therefore, if either party willfully and materially breaches the Merger Agreement or any of the ancillary agreements in a way that causes the other party to incur more than \$27 million of losses (including potentially by refusing to consummate the Merger when such party would otherwise be required to do so), the other party will not be able to recover the full amount of its losses (though such party may have the ability to obtain a court order for specific performance, forcing the breaching party to comply with its obligations). Additionally, neither party may seek money damages if the other party's breach was not willful and material, even if the non-breaching party incurs substantial losses as a result of the breach, although this requirement that a breach be willful and material does not apply for

Verso or NewPage, as applicable, to recover the termination fee.

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***Any delay in completing the Merger may substantially reduce the benefits that Verso and NewPage expect to obtain from the Merger.***

In addition to obtaining the approval of the stockholders of each of NewPage and Verso for the consummation of the Merger and issuance of shares of Verso common stock, respectively, the Merger is subject to a number of other conditions beyond the control of NewPage and Verso that may prevent, delay, or otherwise materially and adversely affect its completion. Verso and NewPage cannot predict whether or when certain of the conditions required to complete the Merger will be satisfied, and satisfying the conditions to the Merger could take longer than (and cost more than) Verso and NewPage expect and delay the effective time of the Merger for a significant period of time or prevent it from occurring. Any delay in completing the Merger, or any additional conditions imposed in order to complete the Merger, may materially and adversely affect the synergies and other benefits that Verso and NewPage expect to achieve if the Merger and the integration of the companies' respective businesses are not completed within the expected timeframe and could result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the Merger.

***Verso and NewPage will incur significant costs in connection with the Merger and the integration of Verso and NewPage into a combined company, including legal, accounting, financial advisory and other costs.***

Verso and NewPage have incurred, and expect to continue to incur, significant costs in connection with the Merger, including the fees of their respective professional advisors. Verso also will incur integration and restructuring costs following the completion of the Merger as its operations are integrated with NewPage's operations. While Verso's management believes that the synergies are achievable, the synergies anticipated to arise from the Merger may not be achieved within the time frame expected or at all, and if achieved, may not be sufficient to offset the costs associated with the Merger. Unanticipated costs, or the failure to achieve expected synergies, may have an adverse impact on the results of operations of the combined company following the completion of the Merger.

The integration process will be complex, costly and time-consuming, and there can be no assurance that the integration efforts will be successful. The difficulties of integrating the businesses may include:

employee redeployment, relocation or severance;

failure to retain key employees, which might adversely affect operations and the ability to retain other employees;

integration of manufacturing, logistics, information, communications, and other systems;

combination of research and development teams and processes;

failure to retain customers or arrangements with suppliers; and

other unanticipated issues, expenses and liabilities.

***Integrating Verso's business with that of NewPage may divert the attention of management away from operations.***

The integration of Verso's and NewPage's operations, products and personnel may place a significant burden on management and other internal resources. Matters related to the Merger may require commitments of time and resources that could otherwise have been devoted to other opportunities that might have been beneficial to Verso or NewPage. The diversion of management's attention, and any difficulties encountered in the transition and integration process, could harm the combined company's business, financial conditions and operating results.

***As a result of the Merger, the combined company may not be able to retain key personnel or recruit additional qualified personnel, which could materially affect its business and require the incurrence of substantial additional costs to recruit replacement personnel.***

Verso and NewPage are highly dependent on the continuing efforts of their senior management team and other key personnel. As a result of the Merger, current and prospective employees could experience uncertainty



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about their future roles. This uncertainty may adversely affect the combined company's ability to attract and retain key management, sales, marketing and technical personnel. Any failure to attract and retain key personnel could have a material adverse effect on the combined company's business after consummation of the Merger.

***If Verso or NewPage fails to obtain all required consents and waivers, third parties may terminate or alter existing contracts.***

Certain agreements with suppliers, customers, licensors or other business partners require Verso or NewPage to obtain the approval or waiver of these other parties in connection with the Merger. Verso and NewPage have agreed to use reasonable best efforts to secure the necessary approvals and waivers. However, there is no assurance that Verso and/or NewPage will be able to obtain all of the necessary approvals and waivers, and failure to do so could have a material adverse effect on the combined company's business after the Merger.

Additionally, under certain of NewPage's servicing contracts, leases and debt obligations, the Merger will constitute a change in control, and, therefore, the counterparty may exercise certain rights under the applicable agreement upon the closing of the Merger. Any such counterparty may request modifications of the applicable agreements as a condition to granting a waiver or consent under such agreement. There is no assurance that such counterparties will not exercise their rights under the agreements, including termination rights where available, that the exercise of any such rights will not result in a material adverse effect or that any modifications of such agreements will not result in a material adverse effect.

***General customer uncertainty related to the Merger could harm Verso.***

Verso's and NewPage's customers may, in response to the consummation of the Merger, delay or defer purchasing decisions. If customers delay or defer purchasing decisions, the combined company's revenues could materially decline or any anticipated increases in revenue could be lower than expected.

***The combined company may not realize the anticipated benefits of the Merger.***

The rationale for the Merger is, in large part, predicated on the ability to realize cost savings through the combination of the two companies. Achieving these cost savings is dependent upon a number of factors, many of which are beyond the combined company's control. An inability to realize the full extent of, or any of, the anticipated benefits of the Merger, as well as any delays encountered in the transition process, could have an adverse effect upon the revenues, level of expenses, operating results and financial condition of the combined company.

The Merger involves the integration of two companies that have previously operated independently. The success of the Merger will depend, in large part, on the ability to realize the synergies expected to be produced from integrating NewPage's businesses with Verso's existing business. Although Verso has identified approximately \$175 million of pre-tax annualized synergies that are expected to be realized during the first 18 months after the consummation of the Merger, there can be no assurance as to when or the extent to which the combined company will be able to realize these increased revenues, cost savings or other benefits. Integration may also be difficult, unpredictable, and subject to delay because of possible company culture conflicts and different opinions on technical decisions and product roadmaps. The combined company must integrate or, in some cases, replace, numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll and regulatory compliance, many of which are dissimilar. In some instances, Verso and NewPage have served the same customers, and some customers may decide that it is desirable to have additional or different suppliers. Such difficulties associated with integration, among others, could have a material adverse effect on the combined company's business.



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***The combined company's operating results after the Merger may materially differ from the pro forma information presented in this joint proxy and information statement/prospectus.***

The combined company's operating results after the Merger may be materially different from those shown in the pro forma information, which represents only a combination of Verso's historical results with those of NewPage. The assumptions contained herein are based on Verso's current estimates, but they involve risks, uncertainties, projections and other factors that may cause actual results, performance or achievements after the Merger to be materially different from any future results, performance or achievements expressed or implied. Any of the assumptions could be inaccurate and, therefore, there can be no assurance that the pro forma financial results or estimated synergies or cost savings herein will prove to be accurate or that the objectives and plans expressed will be achieved. Any synergies or cost savings that are realized from the Merger may differ materially from the estimates contained herein. Verso and NewPage cannot provide any assurances that synergies will be achieved or cost-savings will be completed as anticipated or at all. Furthermore, the Merger, financing, integration, restructuring and transaction costs related to the Merger could be higher or lower than currently estimated, depending on how difficult it is to integrate Verso's business with that of NewPage.

***Certain financial forecasts may not be realized, which may adversely affect the market price of Verso New First Lien Notes and common stock following the consummation of the Merger.***

In arriving at their respective fairness opinions regarding the consideration to be paid under Merger Agreement, each of Evercore and Goldman Sachs relied upon, without independent verification, the accuracy and completeness of the information that was made available to Evercore and Goldman Sachs by Verso and NewPage. These financial forecasts were prepared by, or as directed by, the managements of Verso and NewPage and were also considered by NewPage's and Verso's boards of directors. None of these financial forecasts were prepared with a view towards public disclosure or compliance with the published guidelines of the SEC or the American Institute of Certified Public Accountants regarding projections and forecasts. The financial forecasts are inherently based on various estimates and assumptions that are subject to the judgment of those preparing them and are also subject to significant economic, competitive, industry and other uncertainties and contingencies, all of which are difficult or impossible to predict and many of which are beyond the control of Verso and NewPage. Accordingly, there can be no assurance that Verso's or NewPage's financial condition or results of operations will not be significantly worse than those set forth in such forecasts. Significantly worse financial results could have a material adverse effect on the market price of the New First Lien Notes, Verso common stock and/or the liquidity position of Verso and its subsidiaries following the consummation of the Merger.

***The opinion delivered by Goldman Sachs will not reflect changes in circumstances between the signing of the Merger Agreement and the completion of the Merger.***

Goldman Sachs's opinion regarding the fairness from a financial point of view of the Per Share Closing Cash Consideration, the Per Share Closing Note Consideration and the Per Share Closing Share Consideration, each as defined in the Merger Agreement, taken in the aggregate, to be paid to the holders (other than Verso and its affiliates) of NewPage common stock pursuant to the Merger Agreement is based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date of such opinion. Goldman Sachs has no obligation to update, revise or affirm its opinion to give effect to changes in circumstances between the date of its opinion and the completion of the Merger. Changes in the operations and prospects of NewPage, general market and economic conditions and other factors that may be beyond the control of NewPage, and on which the opinion of Goldman Sachs was based, may significantly alter the value of NewPage or the price of NewPage's common stock by the time the Merger is completed. The opinion does not speak as of the time the Merger will be completed or as of any date other than the date of the opinion.



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**Risks Relating to Verso's Indebtedness**

*Verso's substantial indebtedness could adversely affect Verso's ability to raise additional capital to fund Verso's operations, limit Verso's ability to react to changes in the economy or Verso's industry, expose Verso to interest rate risk to the extent of Verso's variable rate debt, and prevent Verso from meeting Verso's obligations under Verso's indebtedness.*

Verso is a highly leveraged company and will continue to be highly leveraged after giving effect to the Exchange Offer Transactions and the Merger. As of March 31, 2014, the principal amount of Verso's total indebtedness was \$1,339.3 million and the principal amount of Verso Holdings' total indebtedness was \$1,362.6 million (including a \$23.3 million loan from Verso Finance Holdings to Chase NMTC Verso Investment Fund). Verso's high degree of leverage could have important consequences, including:

making it more difficult for Verso to satisfy its obligations with respect to the New First Lien Notes;

increasing Verso's vulnerability to general adverse economic and industry conditions;

requiring Verso to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures, research and development efforts, and other general corporate purposes;

increasing Verso's vulnerability to and limiting its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;

exposing Verso to the risk of increased interest rates as borrowings under the Existing ABL Facility and the Existing Cash Flow Facility and the Old Floating Rate Notes are subject to variable rates of interest;

placing Verso at a competitive disadvantage compared to its competitors that have less debt; and

limiting Verso's ability to borrow additional funds.

The indenture governing the New First Lien Notes, the indenture governing Verso's existing notes, the Existing Cash Flow Facility and the Existing ABL Facility contain financial and other restrictive covenants that limit Verso's ability to engage in activities that may be in its long-term best interests. Verso's failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of its debts.

Verso's ability to generate net income will depend upon various factors that may be beyond its control. A portion of Verso's debt bears variable rates of interest so its interest expense could increase further in the future. Verso may not generate sufficient cash flow from operations to pay cash interest on its debt or be permitted by the terms of its debt instruments to pay dividends.

***Verso will require a significant amount of cash to service its indebtedness and make planned capital expenditures. Verso's ability to generate cash or refinance its indebtedness depends on many factors beyond its control, including general economic conditions.***

Verso's ability to make payments on and to refinance its indebtedness and to fund planned capital expenditures and research and development efforts will depend on its ability to generate cash flow in the future and Verso's ability to borrow under the Existing ABL Facility and the Existing Cash Flow Facility, to the extent of available borrowings. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond Verso's control. If adverse regional and national economic conditions persist, worsen, or fail to improve significantly, Verso could experience decreased revenues from its operations attributable to decreases in wholesale and consumer spending levels and could fail to generate sufficient cash to fund its liquidity needs or fail to satisfy the restrictive covenants and borrowing limitations that it is subject to under its indebtedness.

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Based on Verso's current and expected level of operations, Verso believes its cash flow from operations, available cash, and available borrowings under the Existing ABL Facility and the Existing Cash Flow Facility will be adequate to meet its future liquidity needs for at least the next year.

Verso cannot assure you, however, that its business will generate sufficient cash flow from operations or those future borrowings will be available to it under the Existing ABL Facility and the Existing Cash Flow Facility, or otherwise in an amount sufficient to enable it to pay its indebtedness or to fund its other liquidity needs.

***Restrictive covenants in the instruments governing Verso's debt securities and credit agreements may restrict its ability to pursue its business strategies.***

The indenture governing the New First Lien Notes and certain of Verso's existing notes, the Existing ABL Facility and the Existing Cash Flow Facility limit Verso's ability, among other things, to:

incur additional indebtedness;

pay dividends or make other distributions or repurchase or redeem Verso's stock;

prepay, redeem or repurchase certain of Verso's indebtedness;

make investments;

sell assets, including capital stock of restricted subsidiaries;

enter into agreements restricting Verso's subsidiaries' ability to pay dividends;

consolidate, merge, sell or otherwise dispose of all or substantially all of Verso's assets;

enter into transactions with affiliates; and

incur liens.

The Existing Cash Flow Facility requires Verso to maintain a maximum total net first-lien leverage ratio of not more than 3.50 to 1.00 at any time that any portion of the facility is drawn (including outstanding letters of credit). In addition, the Existing ABL Facility requires Verso to maintain a minimum fixed charge coverage ratio at any time when the average availability (defined as the lesser of the availability under the Existing ABL Facility and the borrowing base at such time, net of any unrestricted cash) is less than the greater of (a) 10% of the lesser of (i) the borrowing base at such time and (ii) the aggregate amount of Existing ABL Facility commitments at such time, and (b) \$10.0 million. In that event, Verso must satisfy a minimum fixed charge coverage ratio of 1.0 to 1.0. The Existing

ABL Facility also contains certain other customary affirmative covenants and events of default. As of March 31, 2014, Verso was not subject to the above described financial maintenance covenants.

A breach of any of these restrictive covenants could result in a default under the instruments governing Verso's debt securities and credit agreements. If a default occurs, the holders of these instruments may elect to declare all borrowings thereunder outstanding, together with accrued interest and other fees, to be immediately due and payable. The lenders under Verso's Existing Cash Flow Facility and the Existing ABL Facility would also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If Verso is unable to repay its indebtedness when due or declared due, the lenders thereunder will also have the right to proceed against the collateral pledged to them to secure the indebtedness. If such indebtedness were to be accelerated, Verso's assets may not be sufficient to repay in full its secured indebtedness, including the New First Lien Notes, and it could be forced into bankruptcy or liquidation.

***Despite Verso's current indebtedness levels, Verso and its subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with its substantial leverage.***

Verso and its subsidiaries may be able to incur substantial additional indebtedness in the future because the terms of the instruments governing Verso's debt securities and credit agreements do not fully prohibit Verso or



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Verso's subsidiaries from doing so. In addition, as of March 31, 2014, the Existing ABL Facility and the Existing Cash Flow Facility permitted borrowing of up to approximately an additional \$44.4 million. If new indebtedness is added to Verso's and its subsidiaries' current debt levels, the related risks that Verso and they now face could intensify.

***A downgrade in Verso's debt ratings could result in increased interest and other financial expenses related to future borrowings, and could further restrict Verso's access to additional capital or trade credit.***

Standard and Poor's Ratings Services and Moody's Investors Service maintain credit ratings for Verso. Each of these ratings is currently below investment grade. Any decision by these or other ratings agencies to downgrade such ratings in the future could result in increased interest and other financial expenses relating to Verso's future borrowings, and could restrict Verso's ability to obtain financing on satisfactory terms. In addition, any further downgrade could restrict Verso's access to, and negatively impact the terms of, trade credit extended by Verso's suppliers of raw materials.

***Verso's indebtedness will increase substantially upon the consummation of the Merger***

If the Merger is consummated, Verso will incur substantial additional indebtedness to, among other things, fund the consideration paid to NewPage's existing equity holders in connection with the Merger. This new indebtedness includes up to \$650 million in aggregate principal amount of New First Lien Notes and \$750 million in borrowings under the NewPage Term Loan Facility, which was, or will be, used to pay the cash portion of the Transaction Consideration and to refinance NewPage's former \$500 million term loan prior to closing. Additionally, NewPage's former asset based loan facility was replaced by the NewPage ABL Facility. Approximately \$250 million total in cash consideration will be paid to NewPage stockholders, approximately \$243 million of which was paid as a dividend prior to the date of this joint proxy and information statement/prospectus, and will not be available to fund the combined company's business operations after the close of the Merger. The combined company may also incur additional indebtedness in the future for corporate purposes. Any borrowings will require the combined company to use a portion of its cash flow to service principal and interest payments and thus will limit the free cash flow available for other desirable business opportunities. Verso cannot guarantee sufficient cash flow from operations to pay its indebtedness and fund its additional liquidity needs. See Risks Relating to Verso's Indebtedness.

**Risks Relating to the Combined Company Following the Merger**

***The combined company is expected to operate in a highly competitive industry.***

The industry in which Verso and NewPage operate, and in which the combined company will operate, is highly competitive. Competition is based largely on price. Both Verso and NewPage compete with foreign producers, some of which are lower cost producers than Verso and NewPage are or are subsidized by certain foreign governments. Verso and NewPage also face competition from numerous North American coated paper manufacturers. Some of Verso's and NewPage's competitors have advantages over Verso and/or NewPage, including lower raw material and labor costs and are subject to fewer environmental and governmental regulations. Furthermore, some of these competitors have greater financial and other resources than the combined company will have or may be better positioned than is the combined company to compete for certain opportunities. The combined company is expected to face similar competitive forces to those that Verso and NewPage faced as standalone entities. There is no assurance that the combined company will be able to continue to compete effectively in the markets it serves.

Competition could cause the combined company to lower its prices or lose sales to competitors, either of which could have a material adverse effect on the combined company's business, financial condition, and results of operations. In addition, the following factors will affect the combined company's ability to compete:

product availability;

the quality of its products;

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the breadth of product offerings;

the ability to maintain plant efficiencies and to achieve high operating rates;

manufacturing costs per ton;

customer service and its ability to distribute its products on time; and

the availability and/or cost of wood fiber, market pulp, chemicals, energy and other raw materials and labor.

***The combined company will have limited ability to pass through increases in its costs to its customers. Increases in the combined company's costs or decreases in demand and prices for printing and writing paper could have a material adverse effect on its business, financial condition, and results of operations.***

Verso's and NewPage's earnings are sensitive to price changes in coated paper. The combined company's earnings are expected to have the same sensitivities. Fluctuations in paper prices (and coated paper prices in particular) historically have had a direct effect on Verso's and NewPage's net income (loss) and EBITDA for several reasons:

Market prices for paper products are a function of supply and demand, factors over which the combined company will have limited control. The combined company will therefore have limited ability to control the pricing of its products. Market prices of grade No. 3, 60 lb. basis weight paper, which is an industry benchmark for coated freesheet paper pricing, have fluctuated since 2000 from a high of \$1,100 per ton to a low of \$705 per ton. In addition, market prices of grade No. 5, 34 lb. basis weight paper, which is an industry benchmark for coated groundwood paper pricing, have fluctuated between a high of \$1,120 per ton to a low of \$795 per ton over the same period. Prices may not improve significantly in 2014, and neither Verso nor NewPage currently expects prices in 2014 to return to the levels they were at in 2008 before they declined. Because market conditions determine the price for the combined company's paper products, the price for its paper products could fall below its cash production costs.

Market prices for paper products typically are not directly affected by raw material costs or other costs of sales, and consequently Verso and NewPage have had limited ability to pass through increases in these raw material and/or other sales costs to their respective customers absent increases in the market price. The combined company is expected to face the same market dynamic. Thus, even though the combined company's costs may increase, it may not have the ability to increase the prices for its products, or the prices for its products may decline.

The manufacturing of coated paper is highly capital-intensive and a large portion of Verso's and NewPage's operating costs are fixed. Additionally, paper machines are large, complex machines that operate more efficiently when operated continuously. Consequently, while its competitors do the same, the combined company will typically continue run its machines whenever marginal sales exceed the marginal costs, adversely impacting prices at times of lower demand.

Therefore, the combined company's ability to achieve acceptable margins is principally dependent on (a) its cost structure, (b) changes in the prices of raw materials, electricity, energy and fuel, which will represent a large component of its operating costs and will fluctuate based upon factors beyond its control and (c) general conditions in the paper market including the demand for paper products, the amount of foreign imports, the amount spent on advertising, the circulation of magazines and catalogs, the use of electronic readers and other devices, and postal rates. Any one or more of these economic conditions could affect the combined company's sales and operating costs and could have a material adverse effect on its business, financial condition, and results of operations.

***Developments in alternative media could adversely affect the demand for the combined company's products.***

Trends in advertising, electronic data transmission and storage, and the internet have had and could have further adverse effects on traditional print media, including the use of and demand for the combined company's

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products and those of its customers, but neither the timing nor the extent of those trends can be predicted with certainty. The combined company's magazine and catalog publishing customers may increasingly use (both for content and advertising), and compete with businesses that use, other forms of media and advertising and electronic data transmission and storage, particularly the internet, instead of paper made by the combined company. As the use of these alternatives grows, demand for its paper products could decline.

### ***Litigation could be costly and harmful to the combined company's business.***

Verso and NewPage have been, from time to time, and may currently be involved in, claims and legal proceedings relating to contractual, employment, environmental, intellectual property and other matters incidental to the conduct of their businesses. Although Verso and NewPage do not believe that any currently pending claims or legal proceedings are likely to result in an unfavorable outcome that would have a material adverse effect on the combined company's financial condition or results of operations, it is possible that such claims and legal proceedings could result in unfavorable outcomes that could have a material adverse effect on the combined company's financial condition and results of operations.

### ***If the combined company is unable to obtain energy or raw materials, including petroleum-based chemicals at favorable prices, or at all, it could have a material adverse effect on the combined company's business, financial condition and results of operations.***

Both Verso and NewPage purchase energy, wood fiber, market pulp, chemicals and other raw materials from third parties. Going forward, the combined company may experience shortages of energy supplies or raw materials or be forced to seek alternative sources of supply. If the combined company is forced to seek alternative sources of supply, it may not be able to do so on terms as favorable as Verso and NewPage currently have or at all. The prices for energy and many of Verso's and NewPage's raw materials, especially petroleum-based chemicals, have recently been volatile and are expected to remain volatile for the foreseeable future. Chemical suppliers that use petroleum-based products in the manufacture of their chemicals may, due to a supply shortage and cost increase, ration the amount of chemicals available to the combined company and/or the combined company may not be able to obtain the chemicals it needs to operate its business at favorable prices, if at all. In addition, certain specialty chemicals that Verso and NewPage currently purchase are available only from a small number of suppliers. If any of these suppliers were to cease operations or cease doing business with the combined company in the future, it may be unable to obtain such chemicals at favorable prices, if at all.

The supply of energy or raw materials may be adversely affected by, among other things, natural disasters or an outbreak or escalation of hostilities between the United States and any foreign power, and, in particular, events in the Middle East or weather events such as hurricanes could result in a real or perceived shortage of oil or natural gas, which could result in an increase in energy or chemical prices. In addition, wood fiber is a commodity and prices historically have been cyclical. The primary source for wood fiber is timber. Environmental litigation and regulatory developments have caused, and may cause in the future, significant reductions in the amount of timber available for commercial harvest in Canada and the United States. In addition, future domestic or foreign legislation, litigation advanced by aboriginal groups, litigation concerning the use of timberlands, the protection of endangered species, the promotion of forest biodiversity, and the response to and prevention of wildfires and campaigns or other measures by environmental activists also could affect timber supplies. The availability of harvested timber may further be limited by factors such as fire and fire prevention, insect infestation, disease, ice and wind storms, droughts, floods, and other natural and man-made causes. Additionally, due to increased fuel costs, suppliers, distributors and freight carriers have charged fuel surcharges, which have increased both Verso's and NewPage's costs. Any significant shortage or significant increase in the combined company's energy or raw material costs in circumstances where it cannot raise the price of its products due to market conditions could have a material adverse effect on its business, financial condition,

and results of operations.

Any disruption in the supply of energy or raw materials also could affect the combined company's ability to meet customer demand in a timely manner and could harm its reputation. As the combined company is expected

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to have limited ability to pass through increases in its costs to its customers absent increases in market prices for its products, material increases in the cost of its raw materials could have a material adverse effect on the combined company's business, financial condition and results of operations. Furthermore, the combined company may be required to post letters of credit or other financial assurance obligations with certain of its energy and other suppliers, which could limit its financial flexibility.

***Verso and NewPage are involved in continuous manufacturing processes with a high degree of fixed costs. Any interruption in the operations of either Verso's or NewPage's manufacturing facilities may affect the combined company's operating performance.***

Verso and NewPage run their respective paper machines on a nearly continuous basis for maximum efficiency, and the combined company will run its machines on the same basis. Any downtime at any of the combined company's paper mills, including as a result of or in connection with planned maintenance and capital expenditure projects, results in unabsorbed fixed costs that could negatively affect its results of operations for the period in which it experiences the downtime. Due to the extreme operating conditions inherent in some of Verso's and NewPage's manufacturing processes, the combined company may incur unplanned business interruptions from time to time and, as a result, the combined company may not generate sufficient cash flow to satisfy its operational needs. In addition, the geographic areas where Verso's and NewPage's production is located and where the combined company will conduct its business may be affected by natural disasters, including snow storms, forest fires, and flooding. Such natural disasters could cause the combined company's mills to stop running, which could have a material adverse effect on its business, financial condition, and results of operations. Furthermore, during periods of weak demand for paper products, such as the current market, or periods of rising costs, Verso and NewPage have experienced and the combined company may in the future experience market-related downtime, which could have a material adverse effect on its financial condition and results of operations.

***Verso's and NewPage's operations require substantial ongoing capital expenditures, and the combined company may not have adequate capital resources to fund all of its required capital expenditures.***

Verso's and NewPage's businesses are capital intensive, and the combined company is expected to incur capital expenditures on an ongoing basis to maintain its equipment and comply with environmental laws, as well as to enhance the efficiency of its operations. For the three months ended March 31, 2014, Verso's capital expenditures were approximately \$16.5 million. For the three months ended March 31, 2014, NewPage's total capital expenditures were \$14.0 million. Verso anticipates that the combined company's available cash resources, including amounts under the combined company's credit facilities, and cash generated from operations will be sufficient to fund its operating needs and capital expenditures for at least the next year. The combined company may also dispose of certain of its non-core assets in order to obtain additional liquidity. However, if the combined company requires additional resources to fund its capital expenditures, it may not be able to obtain them on favorable terms, or at all. If the combined company cannot maintain or upgrade its facilities and equipment as it requires or as necessary to ensure environmental compliance, it could have a material adverse effect on its business, financial condition, and results of operations.

***Verso and NewPage depend on a small number of customers for a significant portion of their respective businesses. In some instances, Verso and NewPage have served the same significant customers. Furthermore, Verso and NewPage may have credit exposure to these customers through extension of trade credits.***

Verso's largest customers, Quad/Graphics, Inc. and Central National-Gottesman, Inc. accounted for approximately 12% and 10%, respectively of its net sales in 2013. In 2013, Verso's ten largest customers (including Quad/Graphics, Inc. and Central National-Gottesman, Inc.) accounted for approximately 62% of its net sales, while Verso's ten largest end-users accounted for approximately 27% of its net sales. The loss of, or reduction in orders from, any of these

customers or other customers could have a material adverse effect on Verso's business, financial condition, and results of operations, as could significant customer disputes regarding shipments, price, quality, or other matters.



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NewPage's two largest customers, xpedx, a division of International Paper Company, and Unisource Worldwide, Inc. accounted for 13% and 12% of 2013 net sales, respectively. NewPage's ten largest customers (including xpedx and Unisource) accounted for approximately half of NewPage's net sales for 2013. The loss of, or significant reduction in orders from, any of these customers could have a material adverse effect on NewPage's business, financial condition and results of operations, as could significant customer disputes regarding shipments, price, quality or other matters. On July 1, 2014, International Paper announced the completion of the xpedx spinoff and the subsequent merger between xpedx and Unisource. At this time it is unclear whether the merger of xpedx and Unisource will have any impact on NewPage's business.

The combined company is expected to depend on these significant customers going forward. In some instances, Verso and NewPage have served the same customers, and some of these customers may decide that it is desirable to have additional or different suppliers that could result in loss of business for the combined company.

Furthermore, Verso and NewPage extend trade credit to certain of these customers to facilitate the purchase of their respective products and rely on these customers' creditworthiness and ability to obtain credit from lenders. The combined company is expected to be subject to these sales practices. Accordingly, a bankruptcy or a significant deterioration in the financial condition of any of these significant customers could have a material adverse effect on the combined company's business, financial condition and results of operations, due to a reduction in purchases, a longer collection cycle or an inability to collect accounts receivable.

### ***The combined company may not realize certain synergies, productivity enhancements or improvements in costs.***

As part of Verso's business strategy, Verso has been in the process of identifying opportunities to improve profitability by reducing costs and enhancing productivity. For example, through Verso's continuous process improvement program, Verso has implemented focused programs to optimize material and energy sourcing and usage, reduce repair costs and control overhead. The combined company will continue to utilize the process improvement program to drive further cost reductions and operating improvements in the combined company's mill system, and Verso's management team has targeted synergy opportunities upon consummation of the Merger. Any synergies, cost savings or productivity enhancements that the combined company realizes from such efforts may differ materially from Verso's estimates as to such synergies, cost savings or productivity enhancements. In addition, any synergies, cost savings or productivity enhancements that the combined company expects to realize may be offset, in whole or in part, by reductions in pricing or volume, or through increases in other expenses, including raw material, energy or personnel. The combined company cannot assure you that these initiatives will be completed as anticipated or that the expected benefits expect will be achieved on a timely basis or at all.

### ***Rising postal costs could weaken demand for the combined company's paper products.***

A significant portion of paper is used in periodicals, magazines, catalogs, fliers and other promotional mailings. Many of these materials are distributed through the mail. Future increases in the cost of postage could reduce the frequency of mailings, reduce the number of pages in magazine and advertising materials, and/or cause advertisers, catalog and magazine publishers to use alternate methods to distribute their materials. The U.S. Postal Service has announced rate increases for 2014 that are significantly above the rate of inflation to offset prior losses. Any of the foregoing could decrease the demand for the combined company's products, which could have a material adverse effect on its business, financial condition, and results of operations.

### ***The combined company's business may suffer if it does not retain its senior management.***

The combined company's future success will depend on its senior management. As a result of the Merger, Verso's and NewPage's current and prospective employees could experience uncertainty about their future roles

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and the integration process. See Risk Factors Risks Relating to the Merger for more details. The loss of services of members of the combined company's senior management team could adversely affect its business until suitable replacements can be found. There may be a limited number of persons with the requisite skills to serve in these positions and the combined company may be unable to locate or employ qualified personnel on acceptable terms. In addition, the combined company's future success requires it to continue to attract and retain competent personnel.

***Both Verso and NewPage have a portion of employees who are unionized. Wage and benefit increases and work stoppages and slowdowns by unionized employees may have a material adverse effect on the combined company's business, financial condition and results of operations.***

A large percentage of Verso and NewPage employees are unionized. Verso has three collective bargaining agreements and NewPage has 14 collective bargaining agreements or other agreements with a labor union or similar organizations. During the pendency of the Merger, Verso or NewPage may become subject to material cost increases or additional work rules imposed by agreements with labor unions. This could increase expenses for Verso or NewPage in absolute terms and/or as a percentage of net sales. In addition, although Verso and NewPage believe they have good relations with their respective employees, work stoppages or other labor disturbances may occur in the future.

The combined company will continue to be subject to existing Verso's collective bargaining agreements and pursuant to the Merger Agreement, the combined company will also recognize the unions that are parties to the collective bargaining agreements with NewPage. As a result, the combined company will be subject to the risk factors described above and any of these factors could negatively affect its business, financial condition and results of operations.

***The failure of the combined company's information technology and other business support systems could have a material adverse effect on its business, financial condition and results of operations.***

The combined company's ability to effectively monitor and control its operations depends to a large extent on the proper functioning of its information technology and other business support systems. If the combined company's information technology and other business support systems were to fail, it could have a material adverse effect on its business, financial condition and results of operations.

***Verso and NewPage depend on third parties for certain transportation services.***

Verso and NewPage rely primarily on third parties for transportation of products to customers and transportation of raw materials to Verso and NewPage, in particular, by truck and train. The combined company is also expected to continue to depend on these relationships. If any third-party transportation provider fails to deliver the combined company's products in a timely manner, it may be unable to sell them at full value. Similarly, if any transportation provider fails to deliver raw materials to the combined company in a timely manner, it may be unable to manufacture its products on a timely basis. Shipments of products and raw materials may be delayed due to weather conditions, strikes or other events. Any failure of a third-party transportation provider to deliver raw materials or products in a timely manner could harm the combined company's reputation, negatively impact its customer relationships and have a material adverse effect on the combined company's business, financial condition, and results of operations. In addition, the combined company's ability to deliver its products on a timely basis could be adversely affected by the lack of adequate availability of transportation services, especially rail capacity, whether because of work stoppages or otherwise. Furthermore, the combined company may experience increases in the cost of its transportation services, including as a result of rising fuel costs and surcharges (primarily in diesel fuel). If the combined company is not able to pass these increased costs through to its customers, they could have a material adverse effect on its business, financial condition, and results of operations.



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***The combined company will be subject to various environmental, health and safety laws and regulations that could impose substantial costs or other liabilities upon it and may have a material adverse effect on its business, financial condition, and results of operations.***

Verso and NewPage are subject to a wide range of federal, state, regional, and local general and industry-specific environmental, health and safety laws and regulations, including those relating to air emissions (including greenhouse gases and hazardous air pollutants), wastewater discharges, solid and hazardous waste management and disposal, site remediation and natural resources. Compliance with these laws and regulations, and permits issued thereunder, is a significant factor in both Verso and NewPage's business and the combined company may be subject to the same or even increased scrutiny and enforcement actions by regulators. Verso and NewPage have made, and the combined company will continue to make, significant expenditures to comply with these requirements and the combined company's permits, which may impose increasingly more stringent standards over time as they are renewed or modified by the applicable governmental authorities. In addition, the combined company will handle and dispose of wastes arising from its mill operations and operate a number of on-site landfills to handle that waste. The combined company will be required to maintain financial assurance (in the form of letters of credit and other similar instruments) for the projected cost of closure and post-closure care for these landfill operations. The combined company could be subject to potentially significant fines, penalties, criminal sanctions, plant shutdowns, or interruptions in operations for any failure to comply with applicable environmental, health and safety laws, regulations and permits. Moreover, under certain environmental laws, a current or previous owner or operator of real property, and parties that generate or transport hazardous substances that are disposed of at real property, may be held liable for the full cost to investigate or clean up such real property and for related damages to natural resources. The combined company may be subject to liability, including liability for investigation and cleanup costs, if contamination is discovered at one of Verso's or NewPage's current or former paper mills, other properties or other locations where Verso or NewPage has disposed of, or arranged for the disposal of, wastes.

A 2007 decision of the United States Supreme Court held that greenhouse gases are subject to regulation under the Clean Air Act. The Environmental Protection Agency, or EPA, has subsequently issued regulations applicable to both Verso and NewPage that require monitoring of greenhouse gas emissions. The EPA has also issued regulations that require certain new and modified air emissions sources to control their greenhouse gas emissions, which may have a material effect on the combined company's operations. The United States Congress has in the past, and may in the future, consider legislation which would also regulate greenhouse gas emissions. It is possible that the combined company could become subject to federal, state, regional, local, or supranational legislation related to climate change, greenhouse gas emissions, cap-and-trade or other emissions.

On January 31, 2013, the EPA published its National Emissions Standards for Hazardous Air Pollutants for Major Sources: Industrial, Commercial and Institutional Boilers and Process Heaters. The standards, which are technology-based standards that require the use of Maximum Achievable Control Technology or MACT for major sources to comply and is referred to as the Boiler MACT rule, govern emissions of air toxics from boilers and process heaters at industrial facilities. Certain of Verso's and NewPage's boilers are subject to the new standards, and the combined company may be required to limit its emissions and/or install additional pollution controls. In addition, on September 11, 2012, the EPA amended its National Emissions Standards for Hazardous Air Pollutants from the Pulp and Paper Industry, which is likewise a MACT standard that specifically governs emissions of air toxics from pulp and paper facilities. Compliance costs related to recent EPA rule changes could be material and have an adverse effect on the combined company's business, financial condition and results of operations.

***Lenders under the combined company's credit facilities may not fund their commitments.***

Although the lenders under the combined company's revolving credit facilities are well-diversified, there can be no assurance that deterioration in the credit markets or overall economy will not affect the ability of the combined company's lenders to meet their funding commitments. If a lender fails to honor its commitment under the revolving credit facilities, that portion of the credit facilities will be unavailable to the extent that the lender's commitment is not replaced by a new commitment from an alternate lender.

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Additionally, the combined company's lenders have the ability to transfer their commitments to other institutions, and the risk that committed funds may not be available under distressed market conditions could be exacerbated if consolidation of the commitments under the combined company's revolving credit facilities or among its lenders were to occur.

### **Risks Relating to the Verso Common Stock**

***The issuance of Verso common stock in connection with the Merger, the Second Lien Notes Exchange Offer and the Subordinated Notes Exchange Offer could decrease the market price of Verso common stock.***

In connection with the Merger and as part of the Merger Consideration, Verso will issue shares of its common stock to NewPage stockholders (see "The Merger Agreement Transaction Consideration" for more details). In connection with the Second Lien Notes Exchange Offer and the Subordinated Notes Exchange Offer, Verso will issue Verso Warrants which are mandatorily convertible into shares of Verso common stock (see "Description of Other Indebtedness Exchange Offer Transactions" for more details). The issuance of Verso common stock in connection with the Merger, the Second Lien Notes Exchange Offer and the Subordinated Notes Exchange Offer may result in fluctuations in the market price of Verso common stock, including a stock price decline.

***Verso does not plan to pay dividends on its common stock for the foreseeable future.***

Verso intends to retain its earnings to support the development and expansion of its business, to repay debt and for other corporate purposes and, as a result, Verso does not plan to pay cash dividends on its common stock in the foreseeable future. Verso's payment of any future dividends will be at the discretion of its board of directors after taking into account various factors, including its financial condition, operating results, cash needs, growth plans and the terms of any credit facility or other restrictive debt agreements that Verso may be a party to at the time or senior securities it may have issued. Verso's credit facilities limit it from paying cash dividends or other payments or distributions with respect to its capital stock. In addition, the terms of any future facility or other restrictive debt credit agreement may contain similar restrictions on its ability to pay any dividends or make any distributions or payments with respect to its capital stock.

Furthermore, Verso's ability to pay dividends to its stockholders is subject to the restrictions set forth under Delaware law and, during the period between the signing of the Merger Agreement and the closing of the Merger, restrictions on the payment of dividends in the Merger Agreement. Verso cannot assure you that it will meet the criteria specified under Delaware law in the future, in which case it may not be able to pay dividends on its common stock even if it were to choose to do so.

***Verso's stock price has been volatile and an investment in Verso could lose value.***

All of the risk factors discussed in this section could affect Verso's stock price. The timing of announcements in the public market regarding new products, product enhancements or technological advances by Verso or its competitors, and any announcements by Verso or its competitors of acquisitions, major transactions, or management changes could also affect Verso's stock price. Verso's stock price is subject to speculation in the press and the analyst community, including with respect to the closing of the Merger or Apollo's strategic plans generally, changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for Verso's stock, Verso's credit ratings and market trends unrelated to Verso's performance. Stock sales by Apollo's or Verso's directors, officers, or other significant holders may also affect Verso's stock price. A significant drop in Verso's stock price could also expose Verso to the risk of securities class actions lawsuits, which could result in substantial costs and divert management's attention and resources, which could adversely affect Verso's business.





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*Verso may issue additional shares of its common stock or securities convertible into shares of its common stock. Sales or potential sales of Verso common stock by Verso or its significant stockholders may cause the market price of its common stock to decline.*

Following the completion of the Merger, Verso will not be restricted from issuing additional shares of common stock, including shares issuable pursuant to securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. Stock sales by Verso's directors, officers or other significant holders may affect Verso's stock price.

*Anti-takeover provisions in Delaware corporate law may make it difficult for Verso's stockholders to replace or remove Verso's current board of directors and could deter or delay third parties from acquiring Verso, which may adversely affect the marketability and market price of Verso common stock.*

Verso is subject to the anti-takeover provisions of Section 203 of the DGCL. Under these provisions, if anyone becomes an interested stockholder, Verso may not enter into a business combination with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203, interested stockholder means, generally, someone owning more than 15% or more of Verso's outstanding voting stock or an affiliate of Verso that owned 15% or more of Verso's outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203.

Under any change of control, as defined in Verso's credit agreement, the lenders under its credit facility would have the right to require Verso to repay all of its outstanding obligations under the facility.

**Risks Relating to the New First Lien Notes**

*The issuance of the New First Lien Notes and the granting of the liens in respect of the New First Lien Notes could be wholly or partially voided as a fraudulent transfer by a bankruptcy court.*

Under federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a court may avoid any transfer of an interest of a debtor in property, or any obligation incurred by a debtor, if among other things, the debtor conveyed the assets with an actual intent to hinder, delay or defraud its creditors, or the debtor received less than reasonably equivalent value in exchange for such transfer or obligation, and the debtor (a) was insolvent or rendered insolvent by reason of such incurrence, (b) was engaged in a business or transaction for which the debtor's remaining assets constituted unreasonably small capital, or (c) intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts mature. As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. The issuance of the New First Lien Notes may be subject to avoidance under state fraudulent transfer laws or if Verso becomes the subject of a bankruptcy proceeding if a court concludes that Verso issued the New First Lien Notes or granted the liens securing the New First Lien Notes in consideration for less than reasonably equivalent value received or fair consideration in NewPage's outstanding common stock, in-the-money stock options and vested restricted stock units in connection with the consummation of the Merger, other elements of the statutes are satisfied, and no applicable defense exists.

*Federal and state statutes allow courts, under specific circumstances, to void guarantees and require noteholders to return payments received or prevent the noteholders from receiving payments.*

If Verso or a guarantor becomes a debtor in a case under the Bankruptcy Code or encounters other financial difficulty, under federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee may be voided,

or claims in respect of a guarantee may be subordinated to all other debts of that guarantor. The guarantees may be voided as fraudulent transfers if the guarantor, at the time it incurred the indebtedness evidenced by its guarantee, received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee; and

was insolvent or rendered insolvent by reason of such incurrence; or

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was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature. The court might also avoid such guarantee, without regard to the above factors, if it found that the subsidiary entered into its guarantee with actual or deemed intent to hinder, delay, or defraud its creditors. A court would likely find that a guarantor did not receive reasonably equivalent value or fair consideration for its guaranty and security agreements if the guarantor did not substantially benefit directly or indirectly from the issuance of the New First Lien Notes. Because the guarantees are for Verso's benefit and only indirectly for the benefit of the guarantors, a court could conclude that the guarantors received less than fully equivalent value.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; or

if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

Each guaranty contains a provision intended to limit the guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guaranty to be a fraudulent transfer. This provision may not be effective to protect the guaranties from being voided under fraudulent transfer law, or may reduce or eliminate the guarantor's obligation to an amount that effectively makes the guaranty worthless. In a recent Florida bankruptcy case, a similar provision was found to be ineffective to protect the guarantees.

Verso cannot assure you as to what standard a court would apply in making these determinations or that a court would agree with Verso's conclusions in this regard. Sufficient funds to repay the New First Lien Notes may not be available from other sources, including the remaining issuers or guarantors, if any. If a court avoided such guarantee, holders of New First Lien Notes would no longer have a claim against such subsidiary or the collateral granted by such subsidiary to secure such holders' guarantee. In addition, the court might direct such holders to repay any amounts already received from such subsidiary. If the court were to avoid any guarantee, Verso cannot assure you that funds would be available to pay the related notes from another subsidiary or from any other source.

***If a bankruptcy petition were filed by or against Verso, holders of the New First Lien Notes may have their claims allowed in a lesser amount than the face amount of their claims under the New First Lien Notes Indenture.***

If a bankruptcy petition were filed by or against Verso under the U.S. Bankruptcy Code after the issuance of the New First Lien Notes, the allowed claim of any holder of the New First Lien Notes for the principal amount of such notes may be limited to an amount equal to the sum of:

the original issue price for the New First Lien Notes; and

that portion of the original issue discount that does not constitute unmatured interest for purposes of the U.S. Bankruptcy Code, if any.

The original issue price of the New First Lien Notes could be determined by referencing the face value stipulation in the Merger Agreement, by referencing the trading price of the Existing First Lien Notes at the time of issuance of the New First Lien Notes, and/or by other methods as determined by the bankruptcy court.

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**Table of Contents*****If Verso defaults on its obligations to pay its indebtedness, it may not be able to make payments on the New First Lien Notes.***

Any default under the agreements governing Verso's indebtedness or any future indebtedness (including indebtedness assumed by Verso as a result of the Merger), that is not waived by the holders of such indebtedness, and the remedies sought by the holders of such indebtedness, could make it difficult for Verso to pay principal, premium, if any, and interest on the New First Lien Notes and could substantially decrease the market value of the New First Lien Notes. If Verso is unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on its indebtedness, or if it otherwise fails to comply with the various covenants, including operating covenants, in the instruments governing its indebtedness, Verso could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Existing ABL Facility or the Existing Cash Flow Facility or such other indebtedness could elect to terminate their commitments, cease making further loans and initiate proceedings against Verso's assets, and Verso could be forced into bankruptcy or liquidation. If Verso breaches its covenants under the Existing ABL Facility or the Existing Cash Flow Facility or its other indebtedness and seeks a waiver, it may not be able to obtain a waiver from the required lenders or requisite holders. If this occurs, Verso would be in default under the instrument governing that indebtedness, the lenders or holders could exercise their rights, as described above, and Verso could be forced into bankruptcy, insolvency or liquidation.

***The holders of Verso's debt securities will be structurally subordinated to the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility.***

The issuers and guarantors of Verso's debt securities (including the New First Lien Notes) and the borrower and guarantors of Verso's credit facilities will not guarantee the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility, and the borrower and guarantors under the NewPage Term Loan Facility will not guarantee the obligations under Verso's debt securities and credit facilities. As a result, Verso's obligations under the New First Lien Notes will be structurally subordinated to the obligations under the NewPage Term Loan Facility.

***Verso may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the New First Lien Notes.***

Upon the occurrence of certain kinds of change of control events, Verso will be required to offer to repurchase all outstanding New First Lien Notes at 101% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, to the date of repurchase. Similar change of control offer requirements are applicable to Verso's notes issued under its other indentures. It is possible that Verso will not have sufficient funds at the time of the change of control to make the required repurchase of the New First Lien Notes or Verso's other notes. The occurrence of a change of control would also constitute an event of default under the Existing ABL Facility and the Existing Cash Flow Facility and could constitute an event of default under its other indebtedness. Verso's bank lenders may have the right to prohibit any such purchase or redemption, in which event Verso will seek to obtain waivers from the required lenders under the Existing ABL Facility and the Existing Cash Flow Facility and its other indebtedness, but may not be able to do so.

***Verso can enter into transactions like recapitalizations, reorganizations and other highly leveraged transactions that do not constitute a change of control but that could adversely affect the holders of the New First Lien Notes.***

Certain important corporate events, such as leveraged recapitalizations that would increase the level of Verso's indebtedness, would not constitute a change of control under the indenture governing the New First Lien Notes and

the indentures governing Verso's other notes. Therefore, Verso could, in the future, enter into certain

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transactions, including acquisitions, reorganizations, refinancings or other recapitalizations, that would not constitute a change of control under such indentures, but that could increase the amount of indebtedness outstanding at such time or otherwise affect Verso's capital structure or credit ratings.

***In the event of Verso's bankruptcy, the ability of the holders of the New First Lien Notes to realize upon the collateral will be subject to certain bankruptcy law limitations and limitations under the intercreditor agreements.***

The ability of holders of the New First Notes to realize upon the collateral will be subject to certain bankruptcy law limitations in the event of Verso's bankruptcy. Under applicable U.S. federal bankruptcy laws, secured creditors are prohibited from, among other things, repossessing their security from a debtor in a bankruptcy case, or from disposing of security repossessed from such a debtor, without bankruptcy court approval, which may not be obtained. Moreover, applicable federal bankruptcy laws generally permit the debtor to continue to retain collateral, including cash collateral, even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given adequate protection. During the pendency of a bankruptcy case, a secured creditor may be entitled to request adequate protection to protect the value of the secured creditor's interest in its collateral, but the adequate protection, if any, actually provided to a secured creditor may vary according to the circumstances. Adequate protection may include cash payments or the granting of additional security. Following notice and a hearing, the bankruptcy court may award adequate protection to secured creditors based upon diminution in value of the collateral as a result of the debtor's use, sale or lease of such collateral during the pendency of the bankruptcy case or the imposition of the automatic stay. In view of the lack of a precise definition of the term adequate protection and the broad discretionary powers of a U.S. bankruptcy court and the terms of the intercreditor agreement, Verso cannot predict whether or when the collateral agent and trustee under the indenture for the New First Lien Notes could foreclose upon or sell the collateral or whether or to what extent holders of New First Notes would be compensated for any delay in payment or loss of value of the collateral through the requirement of adequate protection.

Any disposition of the collateral during a bankruptcy case would also require permission from the bankruptcy court. Furthermore, in the event a bankruptcy court determines the value of the collateral is not sufficient to repay all amounts due on debt which is to be repaid first out of the proceeds of collateral, the holders of the notes would hold a secured claim to the extent of the value of such collateral to which the holders of the notes are entitled and unsecured claims with respect to such shortfall. The Bankruptcy Code only permits the payment and accrual of post-petition interest, costs and attorney's fees to a secured creditor during a debtor's bankruptcy case to the extent the value of its collateral is determined by the bankruptcy court to exceed the aggregate outstanding principal amount of the obligations secured by the collateral. Finally, under the intercreditor agreements, the holders of the New First Lien Notes will waive a significant number of rights ordinarily accruing to secured creditors in bankruptcy. These waivers could adversely impact the ability of the holders of the New First Lien Notes to recover amounts owed to them in a bankruptcy proceeding.

***If an active trading market does not develop for the New First Lien Notes, you may not be able to resell them.***

The New First Lien Notes are a new issue of securities for which there is no established public trading market. The New First Lien Notes will not be fungible with the Existing First Lien Notes or any other issue of Verso securities. The New First Lien Notes are being offered to holders of common stock of NewPage as part of the Merger Consideration and not to underwriters who might otherwise intend to make a market in the notes and such initial holders are not obligated to engage in any market-making activities. Verso does not intend to have the New First Lien Notes listed on a national securities exchange. As a result, there may be limited liquidity of any trading market that does develop for the New First Lien Notes. In addition, the liquidity of the trading market in the New First Lien Notes and the market prices quoted for such New First Lien Notes may be adversely affected by changes in the overall market for this type of security and by changes in Verso's financial performance or prospects or in the prospects for

companies in Verso's industry generally. Therefore, Verso cannot assure you that an active market for the notes will develop or continue.



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Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the New First Lien Notes. Verso cannot assure you that any such disruptions may not adversely affect the prices at which you may sell your New First Lien Notes. In addition, subsequent to their initial issuance, the New First Lien Notes, may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, Verso's performance and other factors.

***The value of the collateral securing the New First Lien Notes may not be sufficient to satisfy Verso's obligations under the New First Lien Notes, the Existing First Lien Notes, the Existing ABL Facility and the Existing Cash Flow Facility. Holders of the New First Lien Notes will not have control over many decisions related to the collateral.***

No appraisal of the value of the collateral has been made in connection with the offering of the New First Lien Notes, and the fair market value of the collateral is subject to fluctuations based on factors that include, among others, general economic conditions and similar factors. The amount to be received upon a sale of the collateral would be dependent on numerous factors, including, but not limited to, the actual fair market value of the collateral at such time, the timing and the manner of the sale and the availability of buyers. By its nature, portions of the collateral may be illiquid and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the collateral may not be sold in a timely or orderly manner, and the proceeds from any sale or liquidation of this collateral may not be sufficient to pay Verso's obligations under the notes.

The rights of the holders of the notes with respect to the ABL Priority Collateral (as defined in Description of New First Lien Notes ) will be substantially limited by the terms of the lien ranking agreements set forth in the indenture and the applicable intercreditor agreement, even during an event of default. Under the indenture governing the New First Lien Notes and the applicable intercreditor agreement, at any time that obligations that have the benefit of the higher priority liens are outstanding, any actions that may be taken with respect to such collateral, including the ability to cause the commencement of enforcement proceedings against such collateral, to control the conduct of such proceedings and to approve releases of such collateral from the lien of such documents relating to such collateral, will be at the direction of the holders of the obligations secured by the first-priority liens, and the holders of the notes secured by the second-priority liens may be adversely affected.

To the extent that liens securing obligations under the Existing ABL Facility, the Existing Cash Flow Facility, preexisting liens, liens permitted under the indenture and other rights, including liens on excluded assets, such as those securing purchase money obligations and capital lease obligations granted to other parties (in addition to the holders of any other obligations secured by higher priority liens), encumber any of the collateral securing the notes and the guarantees, those parties may have or may exercise rights and remedies with respect to the collateral that could adversely affect the value of the collateral and the ability of the collateral agent, the trustee under the indenture or the holders of the notes to realize or foreclose on the collateral. Under the terms of the First-Lien Intercreditor Agreement, the First-Lien Revolving Facility Collateral Agent (each as defined in the Description of New First Lien Notes ) will have the exclusive right (subject to limited exceptions) to exercise remedies and take enforcement actions on behalf of the holders of First-Priority Lien Obligations (as defined in the Description of New First Lien Notes ) relating to the collateral until such date as the principal amount of commitments outstanding under the Existing Cash Flow Facility is less than \$30.0 million. Thereafter, the Authorized First-Lien Collateral Agent (as defined in the Description of New First Lien Notes ) will be appointed by holders of a majority in aggregate outstanding principal amount of the series of First-Priority Lien Obligations (as defined in the Description of New First Lien Notes ) that is the largest principal amount of any such series, subject to the First-Lien Revolving Facility Collateral Agent continuing as the Authorized First-Lien Collateral Agent in certain cases. Because the holders of the New First Lien Notes cannot directly take enforcement action and, in any case, the collateral trustee must take instructions from the agent for the lenders under Verso's Existing Cash Flow Facility for enforcement when an event of default is continuing unless the loans

outstanding thereunder are less than \$30.0 million and the obligations owed to

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holders of the New First Lien Notes are greater than the obligations owed to each class of permitted future secured creditors, there may be significant delays in taking effective action to enforce your security interest with respect to the collateral. Delays in enforcement could decrease or eliminate recovery values. By accepting a New First Lien Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the New First Lien Notes may not be able to act quickly or at all to have the collateral agent realize on the collateral in the event of a default with respect to the New First Lien Notes.

The New First Lien Notes will be secured by first-priority security interests in the Notes Priority Collateral (as defined in the Description of New First Lien Notes ) and by second-priority security interests in the ABL Priority Collateral (as defined in the Description of New First Lien Notes ), in each case subject to Permitted Liens (as defined in the Description of New First Lien Notes ). The indenture governing the New First Lien Notes will permit Verso to incur additional Other First-Priority Lien Obligations (as defined in the Description of New First Lien Notes ), which will be secured by liens that rank equally with the liens securing New First Lien Notes, the guarantees and the Existing Cash Flow Facility. Any such indebtedness may further limit the recovery from the realization of the value of such collateral available to satisfy holders of the New First Lien Notes. As of March 31, 2014, (a) the Existing ABL Facility had an outstanding balance of \$60.0 million, \$40.3 million in letters of credit issued and \$32.4 million for future borrowing and (b) the Existing Cash Flow Facility had an outstanding balance of \$38.0 million, no letters of credit issued and \$12.0 million available for future borrowing.

The total commitment under the Existing Cash Flow Facility is subject to increase at Verso's option by up to \$25.0 million of incremental commitments. The indenture governing the New First Lien Notes will also permit Verso to incur additional indebtedness under the Existing ABL Facility. The Existing ABL Facility will be entitled to be paid out of the proceeds of the ABL Priority Collateral upon an insolvency or enforcement action before the proceeds are applied to pay obligations with respect to the notes, the Existing Cash Flow Facility and the Other First-Priority Lien Obligations. The maximum committed amount under the Existing ABL Facility is subject to increase at Verso's option by up to the greater of (x) \$100.0 million and (y) the excess of the borrowing base over the amount of then-effective commitments at the time of such increase. The rights of the holders of the New First Lien Notes with respect to the ABL Priority Collateral will be substantially limited by the terms of the lien ranking agreements to be set forth in the indenture and the applicable intercreditor agreement, even during an event of default. Under the indenture and the applicable intercreditor agreement, at any time that obligations that have the benefit of the higher priority liens are outstanding, any actions that may be taken with respect to such collateral, including the ability to cause the commencement of enforcement proceedings against such collateral, to control the conduct of such proceedings and to approve releases of such collateral from the lien of such documents relating to such collateral, will be at the direction of the holders of the obligations secured by the first-priority liens, and the holders of the notes secured by the second-priority liens may be adversely affected. By accepting a New First Lien Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the New First Lien Notes may not be able to act quickly or at all to have the collateral agent realize on the collateral in the event of a default with respect to the notes. See The secured indebtedness under the Existing ABL Facility will be effectively senior to the New First Lien Notes to the extent of the value of the ABL Priority Collateral.

There may not be sufficient collateral to pay off all amounts Verso may borrow under the Existing ABL Facility, the Existing Cash Flow Facility, the New First Lien Notes, Verso's Existing First Lien Notes and additional indebtedness that Verso may incur that would be secured on the same basis as the notes. Liquidating the collateral securing the New First Lien Notes may not result in proceeds in an amount sufficient to pay any amounts due under the New First Lien Notes after also satisfying the obligations to pay any creditors with prior or pari passu liens, including the Existing Cash Flow Facility and any Other First-Lien Obligations. If the proceeds of any sale of collateral are not sufficient to repay all amounts due on the New First Lien Notes, the holders of the New First Lien Notes (to the extent not repaid from the proceeds of the sale of the collateral) would have only a senior unsecured, unsubordinated claim against

Verso and the subsidiary guarantors remaining assets.

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***The secured indebtedness under the Existing ABL Facility will be effectively senior to the New First Lien Notes to the extent of the value of the ABL Priority Collateral.***

The Existing ABL Facility will be entitled to be paid out of the proceeds of the ABL Priority Collateral upon an insolvency or enforcement action before the proceeds are applied to pay obligations with respect to the New First Lien Notes and the Existing Cash Flow Facility. Holders of the indebtedness under Verso's ABL Priority Collateral will be entitled to receive proceeds from the realization of value of such collateral to repay such indebtedness in full before the holders of the New First Lien Notes and other obligations secured equally and ratably with the New First Lien Notes will be entitled to any recovery from such collateral. As a result, holders of the New First Lien Notes will only be entitled to receive proceeds from the realization of value of the ABL Priority Collateral after all indebtedness and other obligations under the Existing ABL Facility are repaid in full and then on an equal basis with obligations under the Existing Cash Flow Facility and any Other First-Priority Lien Obligations. The New First Lien Notes will be effectively junior in right of payment to indebtedness under the Existing ABL Facility to the extent of the realizable value of such collateral. As of March 31, 2014, the (a) Existing ABL Facility had an outstanding balance of \$60.0 million, \$40.3 million in letters of credit issued and \$32.4 million for future borrowing and (b) the Existing Cash Flow Facility had an outstanding balance of \$38.0 million, no letters of credit issued and \$12.0 million available for future borrowing. The maximum committed amount under the Existing ABL Facility is subject to increase at Verso's option by up to the greater of (x) \$100.0 million and (y) the excess of the borrowing base over the amount of then-effective commitments at the time of such increase. As of March 31, 2014, Verso had approximately \$132.7 million of assets constituting ABL Priority Collateral.

***Verso will in most cases have control over the collateral, and the sale of particular assets by Verso could reduce the pool of assets securing the notes and the guarantees.***

The collateral documents allow Verso to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the collateral securing the notes and the guarantees.

In addition, Verso will not be required to comply with all or any portion of Section 314(d) of the Trust Indenture Act of 1939 (the "TIA") if Verso determines, in good faith based on advice of counsel, that, under the terms of that Section and/or any interpretation or guidance as to the meaning thereof of the SEC and its staff, including no action letters or exemptive orders, all or such portion of Section 314(d) of the TIA is inapplicable to the released collateral. For example, so long as no default or event of default under the indenture would result therefrom and such transaction would not violate the TIA, Verso may, among other things, without any release or consent by the indenture trustee, conduct ordinary course activities with respect to collateral, such as selling, factoring, abandoning or otherwise disposing of collateral and making ordinary course cash payments (including repayments of indebtedness). See Description of the New First Lien Notes.

***There are circumstances other than repayment or discharge of the New First Lien Notes under which the collateral securing the New First Lien Notes and guarantees will be released automatically, without your consent or the consent of the trustee.***

Under various circumstances, collateral securing the New Second Lien Notes will be released automatically, including:

a sale, transfer or other disposition of such collateral in a transaction not prohibited under the indenture;

with respect to collateral held by a guarantor, upon the release of such guarantor from its guarantee; and

with respect to collateral that is capital stock, upon the dissolution of the issuer of such capital stock in accordance with the indenture.

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Furthermore, the various intercreditor arrangements applicable to the New First Lien Notes, the guarantees and the liens securing them will generally impose significant limitations on the ability of holders of the New Second Lien Notes or the collateral agent to take enforcement actions with respect to such Liens until all obligations secured by senior-ranking liens are discharged. Therefore, until such time, the various agents and holders of senior lien obligations could take actions with respect to the collateral to which holders of New First Lien Notes might not give their consent.

In addition, the guarantee of a subsidiary guarantor will be automatically released to the extent it is released in connection with a sale of such subsidiary guarantor in a transaction not prohibited by the indenture.

The indenture governing the New First Lien Notes also permits Verso to designate one or more of its restricted subsidiaries that is a guarantor of the New First Lien Notes as an unrestricted subsidiary. If Verso designates a subsidiary guarantor as an unrestricted subsidiary for purposes of the indenture governing the New First Lien Notes, all of the liens on any collateral owned by such subsidiary or any of its subsidiaries and any guarantees of the New First Lien Notes by such subsidiary or any of its subsidiaries will be released under the indenture governing the New First Lien Notes. Designation of an unrestricted subsidiary will reduce the aggregate value of the collateral securing the New First Lien Notes to the extent that liens on the assets of the unrestricted subsidiary and its subsidiaries are released. In addition, the creditors of the unrestricted subsidiary and its subsidiaries will have a claim on the assets of such unrestricted subsidiary and its subsidiaries that is senior to the claim of the holders of the New Second Lien Notes. See Description of the New First Lien Notes Security for the Notes.

***The imposition of certain permitted liens will cause the assets on which such liens are imposed to be excluded from the collateral securing the New First Lien Notes and the guarantees. There are certain other categories of property that are also excluded from the collateral.***

The indenture governing the New First Lien Notes permits liens in favor of third parties to secure additional debt, including purchase money indebtedness and capital lease obligations, and any assets subject to such liens will be automatically excluded from the collateral securing the New First Lien Notes and the guarantees. Verso's ability to incur purchase money indebtedness and capital lease obligations is subject to the limitations as described in

Description of New First Lien Notes. In addition, certain categories of assets are excluded from the collateral securing the New First Lien Notes and the guarantees. Excluded assets include the assets of Verso's non-guarantor subsidiaries, securities of Verso's subsidiaries to the extent such liens would require financial statements of such subsidiaries pursuant to Rule 3-16 of Regulation S-X, certain properties that do not secure Verso's other indebtedness, leaseholds and motor vehicles, and the proceeds from any of the foregoing. See Description of the New First Lien Notes Security for the Notes. If an event of default occurs and the New First Lien Notes are accelerated, the New First Lien Notes and the guarantees will rank equally with the holders of other unsubordinated and unsecured indebtedness of the relevant entity with respect to such excluded property.

As of the date of this joint proxy and information statement/prospectus, Verso's non-guarantor subsidiaries did not have any material assets, except that (a) Verso Quinnesec REP LLC, an unrestricted subsidiary formed in connection with certain limited recourse financing, owns property, plant and equipment including a parcel of land at the Quinnesec mill on which certain renewable energy facilities were constructed for use by the mill under a long term lease, (b) Verso Androscoggin Power LLC, an unrestricted subsidiary formed in connection with a credit facility, owns four hydroelectric facilities and related electricity transmission equipment associated with our Androscoggin mill, and (c) Verso Bucksport Power LLC, an unrestricted subsidiary, owns a 72% undivided interest in a cogeneration power plant associated with our Bucksport mill. As of March 31, 2014, Verso Quinnesec REP LLC had assets of approximately \$20.1 million and liabilities of \$32.6 million, consisting in part of a \$23.3 million loan owed to Chase NMTC Verso Investment Fund LLC. See Description of Other Indebtedness Verso Quinnesec REP LLC and

Non-Core Energy Financing for a further description of the indebtedness of Verso Quinnesec REP LLC and Verso Androscoggin Power LLC.



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***The pledge of the capital stock, other securities and similar items of Verso's subsidiaries that secure the New First Lien Notes will automatically be released from the lien on them and no longer constitute collateral to the extent and for so long as the pledge of such capital stock or such other securities would require the filing of separate financial statements with the SEC for that subsidiary.***

The New First Lien Notes and the guarantees are secured by a pledge of the stock and other securities of certain of Verso's subsidiaries. Under the SEC regulations in effect as of the issue date of the notes, if the par value, book value as carried by Verso or market value (whichever is greatest) of the capital stock, other securities or similar items of a subsidiary pledged as part of the collateral is greater than or equal to 20% of the aggregate principal amount of the New First Lien Notes then outstanding, such subsidiary would be required to provide separate financial statements to the SEC. Therefore, the indenture and the collateral documents that govern the New First Lien Notes provide that any capital stock and other securities of any of Verso's subsidiaries will be excluded from the collateral to the extent and for so long as the pledge of such capital stock or other securities to secure the New First Lien Notes would cause such subsidiary to be required to file separate financial statements with the SEC pursuant to Rule 3-16 of Regulation S-X (as in effect from time to time).

As a result, holders of the New First Lien Notes could lose a portion or all of their security interest in the capital stock or other securities of those subsidiaries. It may be more difficult, costly and time-consuming for holders of the New First Lien Notes to foreclose on the assets of a subsidiary than to foreclose on its capital stock or other securities, so the proceeds realized upon any such foreclosure could be significantly less than those that would have been received upon any sale of the capital stock or other securities of such subsidiary. See Description of the New First Lien Notes Security for the Notes.

***It may be difficult to realize the value of the collateral securing the New First Lien Notes.***

The collateral securing the New First Lien Notes is subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the trustee for the New First Lien Notes, whether on or after the date the New First Lien Notes are issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the New First Lien Notes as well as the ability of the collateral agent to realize or foreclose on such collateral.

The security interest of the collateral agent is also subject to practical problems generally associated with the realization of security interests in the collateral. For example, the collateral agent may need to obtain the consent of a third party to obtain or enforce a security interest in a contract. Verso cannot assure you that the collateral agent will be able to obtain any such consent. Verso also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the collateral agent may not have the ability to foreclose upon those assets and the value of the collateral may significantly decrease.

In addition, Verso's business requires numerous federal, state and local permits and licenses. Continued operation of properties that are the collateral for the New First Lien Notes depends on the maintenance of such permits and licenses may be prohibited. Verso's business is subject to substantial regulations and permitting requirements and may be adversely affected if Verso is unable to comply with existing regulations or requirements or changes in applicable regulations or requirements. In the event of foreclosure, the transfer of such permits and licenses may be prohibited or may require Verso to incur significant cost and expense. Further,

Verso cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the collateral may be significantly decreased.



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***Verso's owned real properties will be mortgaged as security for the New First Lien Notes within 60 days of the issuance of the New First Lien Notes. Thus, at the time of the issuance of the New First Lien Notes, such liens will not yet be created or perfected. In addition, Verso's leased real property will not be mortgaged, no surveys will be delivered for non-mill sites, and no updates to existing surveys will be delivered as to the mill sites. In addition, no title insurance reports or policies will be delivered to the trustee in connection with the mortgages. There will be no independent assurance, therefore, among other things, that there are no liens other than those permitted by the indenture encumbering such real properties.***

While Verso expects that mortgages (together with legal opinions relating to the enforceability thereof and confirmatory subordinations from junior Second Lien secured parties) on the real property, improvements and fixtures, which secure the guarantees of the New First Lien Notes, will be delivered within 60 days of the issuance of the New First Lien Notes, such mortgages will not have been delivered or recorded as of the date of the issuance of the New First Lien Notes (and thus such liens will not yet be created or perfected), opinions and confirmatory lien subordinations will not have been delivered as of such date. Furthermore, no surveys have been or will be delivered for mortgaged properties that are not mill sites, no updates to existing surveys will be delivered as to the mill site properties and no title insurance will be obtained. As a result, there is and will be no independent assurance that, among other things, (a) the real property encumbered by the mortgages includes all of the property owned by Verso and its guarantors that it intended to include, (b) that Verso's title to such owned real property is not encumbered by liens and other defects not permitted by the New First Lien Notes Indenture and (c) no unpaid taxes, encroachments, adverse possession claims, zoning or other restrictions exist with respect to such owned real properties which could result in a material adverse effect on the value or utility of such owned real properties. Consequently, one or more of the mortgages granted at closing may need to be amended in the future in the event a discrepancy in the description of the real estate is discovered and/or Verso may need to take remedial action to resolve other matters that are disclosed by current title and lien searches. Verso will, however, represent that, (a) the real property encumbered by each mortgage includes the property owned by Verso and Verso's guarantors that it was intended to include, (b) Verso owns the rights to the owned real properties that it purports to own in each mortgage and that Verso's title to such owned real property is not encumbered by liens not permitted by the indenture governing the New First Lien Notes, and (c) no liens, claims or interests exist with respect to such owned real properties other than as permitted by the indenture governing the New First Lien Notes.

***Delivery of security interests in certain collateral after the issue date increases the risk that the mortgages or other security interests could be avoidable in bankruptcy.***

Certain collateral, including real property and after-acquired property, was and will be secured after the issue date of the New First Lien Notes. If the grantor of such security interest were to become subject to a bankruptcy proceeding, any mortgage or security interest in certain collateral delivered after the issue date of the New First Lien Notes would face a greater risk than security interests in place on the issue date of being avoided by the pledgor (as debtor in possession) or by its trustee in bankruptcy as a preference under bankruptcy law if certain events or circumstances exist or occur, including if the pledgor is insolvent at the time of the pledge, the pledge permits the holders of the New First Lien Notes to receive a greater recovery than if the pledge had not been given and a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period. To the extent that the grant of any such mortgage or other security interest is avoided as a preference, you would lose the benefit of the mortgage or security interest.

***State law may limit the ability of the trustee and the holders of the New First Lien Notes to foreclose on real property and improvements included in the collateral.***

The New First Lien Notes will be secured by, among other things, liens on real property and improvements located in various states. State laws may limit the ability of the collateral agent to foreclose on the improved real property collateral located therein. State laws govern the perfection, enforceability and foreclosure of mortgage liens against real property which secure debt obligations such as the New First Lien Notes. These laws may impose procedural requirements for foreclosure different from and necessitating a longer time period for

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completion than the requirements for foreclosure of security interests in personal property. Debtors may have the right to reinstate defaulted debt (even if it has been accelerated) before the foreclosure date by paying the past due amounts and a right of redemption after foreclosure. Governing law may also impose security first and one form of action rules, which rules can affect the ability to foreclose or the timing of foreclosure on real and personal property collateral regardless of the location of the collateral and may limit the right to recover a deficiency following a foreclosure.

The holders of the New First Lien Notes and the trustee also may be limited in their ability to enforce a breach of the no liens covenant. Some decisions of certain state courts have placed limits on a lender's ability to accelerate debt as a result of a breach of this type of a covenant. Under these decisions, a lender seeking to accelerate debt secured by real property upon breach of covenants prohibiting the creation of certain junior liens or leasehold estates may need to demonstrate that enforcement is reasonably necessary to protect against impairment of the lender's security or to protect against an increased risk of default. Although the foregoing court decisions may have been preempted, at least in part, by certain federal laws, the scope of such preemption, if any, is uncertain. Accordingly, a court could prevent the trustee and the holders of the New First Lien Notes from declaring a default and accelerating the New First Lien Notes by reason of a breach of this covenant, which could have a material adverse effect on the ability of holders to enforce the covenant.

***The holders of New First Lien Notes may be subject to possible equitable subordination or recharacterization in the event of a bankruptcy or insolvency.***

In the event of Verso's bankruptcy or insolvency, a party in interest may seek to subordinate the New First Lien Notes under the principles of equitable subordination or recharacterization of the New First Lien Notes as equity. There can be no assurance as to the outcome of such proceedings. The bankruptcy court will find equitable subordination if the court determines that (a) the holders of New First Lien Notes engaged in some type of inequitable conduct, (b) the inequitable conduct resulted in injury to Verso's other creditors or conferred an unfair advantage upon the holders of New First Lien Notes and (c) equitable subordination is not inconsistent with the provisions of the U.S. Bankruptcy Code. In the event a court subordinates the claims represented by the New First Lien Notes or recharacterizes them as equity, Verso cannot assure you that you would recover any amounts owing on the New First Lien Notes and you may be required to return any payments made to you on account of the New First Lien Notes, potentially up to six years prior to Verso's bankruptcy. In addition, should the court equitably subordinate or recharacterize the notes as equity, you may not be able to enforce the guarantees.

***The collateral is subject to casualty risks.***

Verso intends to continue to maintain insurance or otherwise insure against hazards in a manner appropriate and customary for Verso's business. There are, however, certain losses that may be either uninsurable or not economically insurable, in whole or in part. Insurance proceeds may not compensate Verso fully for its losses. If there is a complete or partial loss of any of the pledged collateral, the insurance proceeds may not be sufficient to satisfy all of the secured obligations, including the New First Lien Notes and the guarantees.

***Your rights in the collateral may be adversely affected by the failure to perfect security interests in collateral.***

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens in the collateral securing the New First Lien Notes may not be perfected with respect to the claims of the New First Lien Notes if the collateral agent or its designee or predecessor is not able to take the actions necessary to perfect any of these liens on or prior to the date of the indenture governing the New First Lien Notes. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a

certificate and certain proceeds, can only be perfected at the time such property and rights are acquired and identified. Verso and its guarantors have limited obligations to perfect the

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noteholders' security interest in specified collateral. There can be no assurance that the trustee or the collateral agent for the New First Lien Notes will monitor, or that Verso will inform such trustee or collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. The collateral agent for the New First Lien Notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in the collateral or the priority of the security interest in favor of the New First Lien Notes against third parties.

***Bankruptcy laws may limit your ability to realize value from the collateral.***

The right of the collateral agent to repossess and dispose of the collateral upon the occurrence of an event of default under the indenture governing the New First Lien Notes is likely to be significantly impaired by applicable bankruptcy law if a bankruptcy case were to be commenced by or against Verso before the collateral agent repossessed and disposed of the collateral. Upon the commencement of a case under the bankruptcy code, a secured creditor such as the collateral agent is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from such debtor, without bankruptcy court approval, which may not be given.

Moreover, the bankruptcy code permits the debtor to continue to retain and use collateral even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given adequate protection. The meaning of the term adequate protection may vary according to circumstances, but it is intended in general to protect the value of the secured creditor's interest in the collateral as of the commencement of the bankruptcy case and may include cash payments or the granting of additional security if and at such times as the bankruptcy court in its discretion determines that the value of the secured creditor's interest in the collateral is declining during the pendency of the bankruptcy case. A bankruptcy court may determine that a secured creditor may not require compensation for a diminution in the value of its collateral if the value of the collateral exceeds the debt it secures. In view of the lack of a precise definition of the term adequate protection and the broad discretionary power of a bankruptcy court, it is impossible to predict:

how long payments under the New First Lien Notes could be delayed following commencement of a bankruptcy case;

whether or when the collateral agent could repossess or dispose of the collateral;

the value of the collateral at the time of the bankruptcy petition; or

whether or to what extent holders of the New First Lien Notes would be compensated for any delay in payment or loss of value of the collateral through the requirement of adequate protection.

Any disposition of the collateral during a bankruptcy case would also require permission from the bankruptcy court. Furthermore, in the event a bankruptcy court determines the value of the collateral is not sufficient to repay all amounts due on debt which is to be repaid first out of the proceeds of collateral, the holders of the New First Lien Notes would hold a secured claim to the extent of the value of such collateral to that the holders of the New First Lien Notes are entitled and unsecured claims with respect to such shortfall. The bankruptcy code only permits the payment and accrual of post-petition interest, costs and attorney's fees to a secured creditor during a debtor's bankruptcy case to

the extent the value of its collateral is determined by the bankruptcy court to exceed the aggregate outstanding principal amount of the obligations secured by the collateral.



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**Risks Relating to Verso's Indebtedness Following the Merger**

***Verso and its subsidiaries will incur substantial additional indebtedness in connection with the Merger and Verso may not be able to meet all of Verso's debt obligations.***

In connection with the Merger, Verso expects to incur up to \$1,453 million of additional debt. Verso will issue \$650 million in aggregate principal amount of New First Lien Notes upon consummation of the Merger and NewPage has borrowed \$750 million under the NewPage Term Loan Facility prior to the consummation of the Merger. In addition, as of March 31, 2014, NewPage had \$53 million in outstanding borrowings under the NewPage ABL Facility. Because the borrowers and guarantors under the NewPage Term Loan Facility will not guarantee the obligations under the Verso debt securities and credit facilities, Verso's obligations under the New First Lien Notes will be structurally subordinated to the obligations under the NewPage Term Loan Facility, to the extent of the value of the assets of the NewPage Subsidiaries. As of March 31, 2014, on a pro forma basis, Verso would have approximately \$2,770 million of indebtedness outstanding and Verso Holdings would have approximately \$2,794 million of indebtedness outstanding.

Verso and its subsidiaries' substantial indebtedness following the Merger could have material adverse consequence for Verso's business and may:

require Verso to dedicate a large portion of Verso's cash flow to pay principal and interest on its indebtedness, which will reduce the availability of Verso's cash flow to fund working capital, capital expenditures, research and development expenditures and other business activities;

limit Verso's flexibility in planning for, or reacting to, changes in its business and the industry in which Verso operates;

restrict Verso's ability to make strategic acquisitions, dispositions or exploiting business opportunities;

place Verso at a competitive disadvantage compared to its competitors that have less debt; and

limit Verso's ability to borrow additional funds (even when necessary to maintain adequate liquidity) or dispose of assets

Verso and its subsidiaries may not generate sufficient cash flow to meet Verso's debt obligations and fund its additional liquidity needs following the Merger.

***Verso and its subsidiaries may still be able to incur substantially more indebtedness following the Merger, which could further exacerbate the risks associated with Verso's substantial leverage.***

Following the Merger, Verso may be able to incur substantial additional indebtedness under the Existing ABL Facility, the Existing Cash Flow Facility, the NewPage ABL Facility, the NewPage Term Loan Facility, and any additional debt facilities Verso may enter into. If new indebtedness is added following the Merger, the related risks that Verso faces may intensify.

***The credit agreements that govern the NewPage ABL Facility or the NewPage Term Loan Facility may restrict Verso's ability to respond to changes or to take certain actions following the Merger.***

The credit agreements that govern the NewPage ABL Facility or the NewPage Term Loan Facility following the Merger contain a number of restrictive covenants that impose operating and financial restrictions, and may limit Verso's ability to engage in acts that may be in its long-term best interests, including, among other things, restrictions on its ability to incur debt, incur liens, pay dividends or make certain restricted payments, prepay, redeem or repurchase certain indebtedness, make investments, enter into mergers, consolidations or asset dispositions and engage in transactions with affiliates. In addition, the credit agreement that governs the NewPage ABL Facility requires NewPage to conditionally maintain a minimum fixed charge coverage ratio.

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**DESCRIPTION OF OTHER INDEBTEDNESS**

*Verso summarizes below the principal terms of the agreements that govern its current long term indebtedness. This summary is not a complete description of all of the terms of the agreements.*

**Existing ABL Facility**

On May 4, 2012, Verso Holdings entered into its Existing ABL Facility which provides borrowing availability equal to the lesser of (a) \$150.0 million or (b) the borrowing base described below. The Existing ABL Facility has a five-year term unless, on any of the dates that is 91 days prior to the earliest scheduled maturity of certain of Verso's indebtedness in an aggregate principal amount in excess of \$100.0 million of indebtedness under its existing Old Floating Rate Notes, its Old Subordinated Notes, or amounts borrowed under the Verso Finance term loan, as applicable, is outstanding, in which case the Existing ABL Facility will mature on such earlier date.

In addition, Verso may request one or more incremental revolving commitments in an aggregate principal amount up to the greater of (a) \$100.0 million and (b) the excess of the borrowing base over the amount of the then-effective commitments under the Existing ABL Facility.

The borrowing base will be, at any time of determination, an amount (net of reserves) equal to the sum of

85% of the amount of eligible accounts, plus

the lesser of (i) 80% of the net book value of eligible inventory and (ii) 85% of the net orderly liquidation value of eligible inventory.

The Existing ABL Facility includes borrowing capacity available for letters of credit and for borrowings on same-day notice, referred to as swingline loans.

The borrowings under the Existing ABL Facility bear interest at a rate equal to an applicable margin plus, as determined at Verso's option, either (a) a base rate (the ABR Rate) determined by reference to the highest of (1) the U.S. federal funds rate plus 0.50%, (2) the prime rate of Citibank, N.A. or one of its affiliates, as administrative agent, and (3) the adjusted LIBOR for a one-month interest period plus 1.00%, and (b) a eurocurrency rate (LIBOR) determined by reference to the costs of funds for eurocurrency deposits in dollars in the London interbank market for the interest period relevant to such borrowing adjusted for certain additional costs. From and after the date of delivery of Verso Holdings' financial statements covering a period of at least three full months after the effective date of the Existing ABL Facility, the applicable margin for such borrowings is adjusted monthly depending on the availability under the Existing ABL Facility. As of March 31, 2014, the applicable margin for advances under the Existing ABL Facility was 1.25% for base rate advances and 2.25% for LIBOR advances.

In addition to paying interest on outstanding principal under the Existing ABL Facility, Verso is required to pay a commitment fee to the lenders in respect of the unutilized commitments thereunder at a rate equal to 0.375% or 0.500%, based on the average daily utilization under the Existing ABL Facility. Verso also pays a customary letter-of-credit fee, including a fronting fee of 0.250% per annum of the stated amount of each outstanding letter of credit, and customary agency fees.

Verso may voluntarily repay outstanding loans under the Existing ABL Facility at any time without premium or penalty, other than customary breakage costs with respect to eurocurrency loans.

The Existing ABL Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, Verso Holdings' ability, and the ability of its subsidiaries, to:

sell assets;

incur additional indebtedness;

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repay other indebtedness;

pay dividends and distributions or repurchase its capital stock;

create liens on assets;

make investments, loans, guarantees or advances;

make certain acquisitions;

engage in mergers or consolidations;

enter into sale/leaseback transactions;

engage in certain transactions with affiliates;

amend certain material agreements governing its indebtedness;

amend its organizational documents;

change the business conducted by Verso and its subsidiaries; and

enter into agreements that restrict dividends from subsidiaries.

In addition, the Existing ABL Facility requires Verso Holdings to maintain a minimum fixed-charge coverage ratio at any time when the average availability is less than the greater of (a) 10% of the lesser of (i) the borrowing base at such time and (ii) the aggregate amount of revolving facility commitments at such time, or (b) \$10.0 million. In that event, Verso Holdings must satisfy a minimum fixed-charge coverage ratio of 1.0 to 1.0. The Existing ABL Facility also contains certain other customary affirmative covenants and events of default. As of March 31, 2014, the fixed-charge coverage ratio requirement was not in effect, and Verso Holdings was in compliance with its covenants.

All obligations under the Existing ABL Facility are unconditionally guaranteed by Verso Finance and each of Verso Holdings' existing and future direct and indirect wholly owned domestic subsidiaries which are not unrestricted subsidiaries, controlled foreign corporation holding companies or designated immaterial subsidiaries; provided, however, that the NewPage Subsidiaries will not guarantee the obligations under the Existing ABL Facility. The guarantees of those obligations are secured by substantially all of Verso Holdings' assets and those of each domestic guarantor, including a pledge of Verso's capital stock, capital stock of the subsidiary guarantors and 65% of the capital stock of domestic subsidiaries that are controlled foreign corporation holding companies and the first-tier foreign

subsidiaries that are not subsidiary guarantors. Such security interest consists of a first-priority lien with respect to the ABL Priority Collateral and a second-priority lien with respect to the Notes Priority Collateral (each as defined in the Senior Secured Notes Indenture (as defined below)).

As of March 31, 2014, the Existing ABL Facility had an outstanding balance of \$60 million, \$40.3 million in letters of credit issued and \$32.4 million available for future borrowings.

### **Existing Cash Flow Facility**

On May 4, 2012, Verso Holdings and entered into a \$50.0 million Existing Cash Flow Facility. The Existing Cash Flow Facility has a five-year term unless, on any of the dates that is 91 days prior to the earliest scheduled maturity of certain of Verso's indebtedness in an aggregate principal amount in excess of \$100.0 million of indebtedness under its Old Floating Rate Notes, its Old Subordinated Notes or amounts borrowed under the Verso Finance's term loan, as applicable, is outstanding, in which case the Existing Cash Flow Facility will mature on such earlier date.

In addition, Verso may request one or more incremental revolving commitments in an aggregate principal amount up to \$25.0 million.

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The Existing Cash Flow Facility includes borrowing capacity available for letters of credit.

The borrowings under the Existing Cash Flow Facility bear interest at a rate equal to an applicable margin plus, as determined at Verso's option, either (a) an ABR Rate determined by reference to the highest of (1) the U.S. federal funds rate plus 0.50%, (2) the prime rate of Credit Suisse, AG, as administrative agent, and (3) the adjusted LIBOR for a one-month interest period plus 1.00%, and (b) a LIBOR determined by reference to the costs of funds for eurocurrency deposits in dollars in the London interbank market for the interest period relevant to such borrowing adjusted for certain additional costs. From and after the date of delivery of Verso Holdings' financial statements covering a period of at least three full months after the effective date of the Existing Cash Flow Facility, the applicable margin for such borrowings will be adjusted quarterly depending on the total net first-lien leverage ratio under the Existing Cash Flow Facility. As of March 31, 2014, the applicable margin for advances under the Existing Cash Flow Facility was 3.75% for base rate advances and 4.75% for LIBOR advances.

In addition to paying interest on outstanding principal under the Existing Cash Flow Facility, Verso is required to pay a commitment fee to the lenders in respect of the unutilized commitments thereunder at an initial rate equal to 0.625% per annum. Verso also pays a customary letter-of-credit fee, including a fronting fee of 0.250% per annum of the stated amount of each outstanding letter of credit, and customary agency fees.

Verso may voluntarily repay outstanding loans under the Existing Cash Flow Facility at any time without premium or penalty, other than customary breakage costs with respect to eurocurrency loans.

The Existing Cash Flow Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, Verso Holdings' ability, and the ability of its subsidiaries, to:

sell assets;

incur additional indebtedness;

repay other indebtedness;

pay dividends and distributions or repurchase its capital stock;

create liens on assets;

make investments, loans, guarantees or advances;

make certain acquisitions;

engage in mergers or consolidations;

enter into sale/leaseback transactions;

engage in certain transactions with affiliates;

amend certain material agreements governing its indebtedness;

amend its organizational documents;

change the business conducted by Verso and its subsidiaries; and

enter into agreements that restrict dividends from subsidiaries.

In addition, the Existing Cash Flow Facility requires Verso Holdings to maintain a maximum total net first-lien leverage ratio at any time when there are revolving loans or letters of credit outstanding. In that event, Verso Holdings must maintain a total net first-lien leverage ratio of not more than 3.50 to 1.00. The Existing Cash Flow Facility also contains certain other customary affirmative covenants and events of default. As of March 31, 2014, Verso Holdings was in compliance with its covenants.



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All obligations under the Existing Cash Flow Facility are unconditionally guaranteed by Verso Finance and each of Verso Holdings' existing and future direct and indirect wholly owned domestic subsidiaries which are not unrestricted subsidiaries, controlled foreign corporation holding companies or designated immaterial subsidiaries; provided, however, that the NewPage Subsidiaries will not guarantee the obligations under the Existing Cash Flow Facility. The guarantees of those obligations are secured by substantially all of Verso Holdings' assets and those of each domestic guarantor, including a pledge of its capital stock, capital stock of the subsidiary guarantors and 65% of the capital stock of domestic subsidiaries that are controlled foreign corporation holding companies and the first-tier foreign subsidiaries that are not subsidiary guarantors, in each case subject to exceptions. Such security interest consists of a first-priority lien, pari passu with the Existing First Lien Notes, with respect to the Notes Priority Collateral and a second-priority lien with respect to the ABL Priority Collateral (each as defined in the indenture governing the Existing First Lien Notes).

As of March 31, 2014, the Existing Cash Flow Facility had an outstanding balance of \$38.0 million, no letters of credit issued, and \$12.0 million available for future borrowing.

**Amendments to Existing ABL Facility and Existing Cash Flow Facility in Contemplation of the Merger**

On January 3, 2014 Verso Holdings entered the Credit Agreement Amendments. Under the Credit Agreement Amendments, (a) the lenders under each of Verso's Existing ABL Facility and Existing Cash Flow Facility consented to the Merger and the other transactions contemplated by the Merger Agreement, including the incurrence of certain indebtedness in connection therewith, (b) the lenders consented to amendments to allow the sale and/or financing of certain non-core assets, and (c) the parties agreed to amend Verso's Existing ABL Facility and its Existing Cash Flow Facility to allow for certain other transactions upon the consummation of the Merger and the other transactions contemplated by the Merger Agreement. The pricing terms, maturities and commitments under Verso's Existing ABL Facility and its Existing Cash Flow Facility remain unchanged.

**11.75% Senior Secured Notes due 2019**

As of March 31, 2014, Verso had approximately \$417.9 million aggregate principal amount of its Existing First Lien Notes outstanding.

Interest is payable semi-annually on the Existing First Lien Notes. All of the Existing First Lien Notes are guaranteed by Verso Holdings' direct and indirect restricted subsidiaries (other than Verso Paper Inc., Bucksport Leasing LLC and Verso Quinnesec REP LLC) that are wholly owned domestic subsidiaries on the issue date and that guarantee indebtedness under Verso's Existing ABL Facility and the Existing Cash Flow Facility. The Existing First Lien Notes will mature on January 15, 2019; provided that, if as of 45 days prior to the maturity date of Verso's Old Subordinated Notes, more than \$100.0 million of such Old Subordinated Notes remains outstanding, the Existing First Lien Notes will mature on that day.

The indenture governing the Existing First Lien Notes contains various covenants which limit its ability to, among other things, incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem its stock; make investments; sell assets, including capital stock of restricted subsidiaries; enter into agreements restricting its subsidiaries' ability to pay dividends; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into transactions with its affiliates; and incur liens. Subject to certain exceptions, the indenture governing its Existing First Lien Notes permits Verso Holdings and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness. As of March 31, 2014, Verso Holdings was in compliance with all such covenants.

**11.75% Secured Notes due 2019**

As of March 31, 2014, Verso had approximately \$271.6 million aggregate principal amount of 11.75% Secured Notes due 2019 outstanding (the Secured Notes ).

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Interest is payable semi-annually on the Secured Notes. All of the Secured Notes are guaranteed by the same subsidiaries that guarantee Verso's Existing First Lien Notes.

All of the Secured Notes are secured by security interests in the same Collateral that secure the Existing First Lien Notes and its guarantees. Such security interests will rank junior in priority to the security interests that secure the Existing First Lien Notes and the guarantees, as well as the security interests that secure the Existing ABL Facility and the Existing Cash Flow Facility.

The indenture governing Verso's Secured Notes contains various covenants which limit its ability to, among other things, incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem its stock; make investments; sell assets, including capital stock of restricted subsidiaries; enter into agreements restricting its subsidiaries' ability to pay dividends; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into transactions with its affiliates; and incur liens. Subject to certain exceptions, the indenture governing its Secured Notes will permit Verso Holdings and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness. As of March 31, 2014, Verso Holdings was in compliance with all such covenants.

### **New Second Lien Notes**

In the Second Lien Notes Exchange Offer, Verso will offer up to \$396.0 million aggregate principal amount of its New Second Lien Notes, as well as the Verso Warrants, in exchange for any and all outstanding Old Second Lien Notes.

Interest will be payable semi-annually on the New Second Lien Notes. All Verso's obligations under the New Second Lien Notes will be fully and unconditionally and jointly and severally guaranteed by Verso Holdings' direct and indirect restricted subsidiaries that are wholly owned domestic subsidiaries on the issue date and that guarantee indebtedness under its Existing ABL Facility and its Existing Cash Flow Facility, which include all its subsidiaries other than Verso Paper Inc., Verso Maine Power Holdings LLC, Verso Androscoggin Power LLC, Verso Bucksport Power LLC, Bucksport Leasing LLC and Verso Quinnesec REP LLC. Following the consummation of the Merger, the New Second Lien Notes will be guaranteed by NewPage Holdings. However, NewPage Holdings is a holding company without any assets or operations other than interests in its subsidiaries. The New Second Lien Notes will not be guaranteed by the NewPage Subsidiaries, nor will any of the assets of the NewPage Subsidiaries constitute collateral for the New Second Lien Notes.

Prior to the consummation of the Merger, the New Second Lien Notes will have substantially the same terms as the Old Second Lien Notes in that: the New Second Lien Notes will have their original principal amount, will bear interest at a rate of 8.75% per annum, will mature on February 1, 2019 and will be governed by covenants that are substantially the same as the covenants currently governing the Old Second Lien Notes. If the Merger does not occur, the New Second Lien Notes will retain their original principal amount and these same terms.

Upon the consummation of the Merger, (i) the principal amount of the outstanding New Second Lien Notes will be adjusted such that a holder of \$1,000 principal amount of New Second Lien Notes immediately prior to the Merger will hold \$668.75 principal amount of New Second Lien Notes immediately following the Merger, subject to adjustment based on participation in the Second Lien Notes Exchange Offer (as described below), (ii) the maturity date of the New Second Lien Notes will be extended to August 1, 2020, (iii) the interest rate will be adjusted such that the New Second Lien Notes will bear interest at a rate of 10% per annum entirely in cash plus 3% per annum ( Second Lien Notes PIK Interest ) entirely by increasing the principal amount of the outstanding New Second Lien Notes or by issuing additional New Second Lien Notes ( Second Lien PIK Notes ) from and after the date of the consummation of the Merger, (iv) certain other amendments to the terms of the New Second Lien Notes will be effected, and (v) the

Verso Warrants will have been mandatorily converted into shares of Verso common stock.

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The principal amount of New Second Lien Notes following the Merger per \$1,000 principal amount of New Second Lien Notes prior to the Merger will be adjusted based on participation in the Second Lien Notes Exchange Offer as follows:

Percentage of Aggregate Principal Amount of Old Second Lien Notes Participating in the Second Lien Notes Exchange Offer	Principal Amount of New Second Lien Notes Following the Merger per \$1,000 Principal Amount of New Second Lien Notes Prior to the Merger
75%	593.75
80%	608.75
85%	623.75
90%	638.75
95%	653.75
100%	668.75

If holders in the aggregate tender a percentage of Old Second Lien Notes that is not set forth in the table above, holders will receive the principal amount corresponding to the closest lower percentage (e.g., if 87.5% of the Old Second Lien Notes are tendered, holders will receive the principal amount corresponding to 85%).

All of the New Second Lien Notes will be secured by security interest in the same collateral that secures the Existing First Lien Notes and its guarantees, subject to certain exclusions. Such security interest will rank junior in priority to the security interests that secure the Existing First Lien Notes, the Secured Notes, the Existing ABL Facility and the Existing Cash Flow Facility. Upon the consummation of the Merger, the security interests in the collateral securing the New Second Lien Notes will also rank junior to those securing Verso's New First Lien Notes. The New Second Lien Notes will be structurally subordinated to the obligations under the NewPage ABL Facility and the NewPage Term Loan Facility.

The indenture governing the New Second Lien Notes will contain various covenants that will limit Verso's ability to, among other things, incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem its stock; make investments; sell assets, including capital stock of restricted subsidiaries; enter into agreements restricting its subsidiaries' ability to pay dividends; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into transactions with its affiliates; and incur liens. Subject to certain exceptions, the indenture governing the New Second Lien Notes will permit Verso Holdings and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

**New Subordinated Notes**

In the Subordinated Notes Exchange Offer, Verso will offer up to \$142.5 million aggregate principal amount of its New Subordinated Notes in exchange for any and all outstanding Old Subordinated Notes.

Interest will be payable semi-annually on the New Subordinated Notes. All Verso's obligations under the New Subordinated Notes will be fully and unconditionally and jointly and severally guaranteed by Verso Holdings' direct and indirect restricted subsidiaries that are wholly owned domestic subsidiaries on the issue date and that guarantee indebtedness under its Existing ABL Facility and its Existing Cash Flow Facility, which include all its subsidiaries

other than Verso Paper Inc., Verso Maine Power Holdings LLC, Verso Androscoggin Power LLC, Verso Bucksport Power LLC, Bucksport Leasing LLC and Verso Quinnesec REP LLC. Following the consummation of the Merger, the New Subordinated Notes will be guaranteed by NewPage Holdings. However, NewPage Holdings is a holding company without any assets or operations other than interests in its subsidiaries and the New Subordinated Notes will not be guaranteed by the NewPage Subsidiaries.

Prior to the consummation of the Merger, the New Subordinated Notes will have substantially the same terms as the Old Subordinated Notes in that the New Subordinated Notes will have their original principal amount, will bear interest at a rate of 11  $\frac{3}{8}$ % per annum, will mature on August 1, 2016 and will be governed by covenants that

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are substantially the same as the covenants currently governing the Old Subordinated Notes. If the Merger does not occur, the New Subordinated Notes will retain their original principal amount and these same terms.

Upon the consummation of the Merger, (i) the principal amount of the outstanding New Subordinated Notes will be adjusted such that a holder of \$1,000 principal amount of New Subordinated Notes immediately prior to the Merger will hold \$681.875 principal amount of New Subordinated Notes immediately following the Merger, subject to adjustment based on participation in the Subordinated Notes Exchange Offer (as described below), (ii) the maturity date of the New Second Lien Notes will be extended to August 1, 2021, (iii) the interest rate will be adjusted such that the New Second Lien Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus 3% per annum ( Subordinated Notes PIK Interest ) payable entirely by increasing the principal amount of the outstanding New Subordinated Notes or by issuing additional New Subordinated Notes ( Subordinated PIK Notes ), (iv) certain other amendments to the terms of the New Subordinated Notes will be effected, and (v) the Verso Warrants will have been mandatorily converted into shares of Verso common stock.

The principal amount of New Subordinated Notes following the Merger per \$1,000 principal amount of New Subordinated Notes prior to the Merger will be adjusted based on participation in the Subordinated Notes Exchange Offer as follows:

Percentage of Aggregate Principal Amount of Old Subordinated Notes Participating in the Subordinated Notes	Principal Amount of New Subordinated Notes Following the Merger per \$1,000 Principal Amount of New Subordinated Notes Prior to the Merger
75%	606.875
80%	621.875
85%	636.875
90%	651.875
95%	666.875
100%	681.875

If holders in the aggregate tender a percentage of Old Subordinated Notes that is not set forth in the table above, holders will receive the principal amount set forth next to the highest percentage set forth above that is below the actual amount tendered.

The indenture governing the New Subordinated Notes will contain various covenants that will limit Verso's ability to, among other things, incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem its stock; make investments; sell assets, including capital stock of restricted subsidiaries; enter into agreements restricting its subsidiaries' ability to pay dividends; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into transactions with its affiliates; and incur liens. Subject to certain exceptions, the indenture governing the New Subordinated Notes will permit Verso Holdings and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

**Old Second Lien Notes**

As of March 31, 2014, Verso had outstanding approximately \$396.0 million aggregate principal amount of its Old Second Lien Notes. The Old Second Lien Notes bear interest, payable semi-annually, at the rate of 8.75% per year. The Old Second Lien Notes are guaranteed jointly and severally by each of Verso Holdings' subsidiaries, subject to certain exceptions, and the notes and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The Old Second Lien Notes and related guarantees are secured by second-priority security interests, subject to permitted liens, in substantially all of Verso Holdings' and the guarantors' tangible and intangible assets, excluding securities of Verso Holdings' affiliates. The Old Second Lien Notes will mature on February 1, 2019.

On July 2, 2014, the Verso Issuers launched the Second Lien Notes Exchange Offer. See Exchange Offer Transactions.



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As of March 31, 2014, Verso had approximately \$142.5 million aggregate principal amount of its Old Subordinated Notes. The Old Subordinated Notes bear interest, payable semi-annually, at the rate of 11 3/8 % per year. The Old Subordinated Notes are guaranteed jointly and severally by each of Verso Holdings' subsidiaries, subject to certain exceptions, and the notes and guarantees are unsecured senior subordinated obligations of Verso Holdings and the guarantors, respectively. The Old Subordinated Notes will mature on August 1, 2016.

On July 2, 2014, the Verso Issuers launched the Subordinated Notes Exchange Offer. See Exchange Offer Transactions.

**Second Priority Senior Secured Floating Rate Notes**

As of March 31, 2014, Verso had \$13.3 million aggregate principal amount of Old Floating Rate Notes outstanding. The Old Floating Rate Notes bear interest, payable quarterly, at a rate equal to LIBOR plus 3.75% per year. As of March 31, 2014, the interest rate on the Old Floating Rate Notes was 3.99% per year. The Old Floating Rate Notes are guaranteed by the same subsidiaries that will guarantee the additional exchange notes. As of May 8, 2012, the Old Floating Rate Notes are no longer secured by any collateral. The Old Floating Rate Notes will mature on August 1, 2014.

**Verso Quinnesec REP LLC**

On December 29, 2010, Verso Holdings' wholly owned subsidiary, Verso Quinnesec REP LLC, entered into a financing transaction with the Chase NMTC Verso Investment Fund LLC (the Investment Fund), a consolidated variable interest entity. Under this arrangement, Verso Holdings loaned \$23.3 million to Verso Finance, which funds were invested in the \$23.3 million aggregate principal amount of a 6 1/2% loan due December 31, 2040, issued by the Investment Fund. The Investment Fund then contributed the loan proceeds to certain Community Development Entities, or CDEs, who, in turn, loaned the funds on similar terms to Verso Quinnesec REP LLC as partial financing for the renewable energy project at Verso's mill in Quinnesec, Michigan. As of both March 31, 2014, and December 31, 2013, Verso Holdings had a \$23.3 million long-term receivable due from Verso Finance, representing these funds and accrued interest receivable of \$0.1 million, while the Investment Fund had an outstanding loan of \$23.3 million due to Verso Finance and accrued interest payable of \$0.1 million. In addition, for the three months ended March 31, 2014 and 2013, Verso Holdings recognized interest income from Verso Finance of \$0.4 million and the Investment Fund recognized interest expense to Verso Finance of \$0.4 million.

**Non-Core Energy Financing**

On May 5, 2014, acting through our wholly owned subsidiary, Verso Androscoggin Power LLC, or VAP, we entered into a credit agreement providing for a \$40 million revolving credit facility with Barclays Bank PLC and Credit Suisse AG, Cayman Islands Branch. Borrowings thereunder may be used (a) to provide cash dividends and other cash distributions to VAP's sole member, Verso Maine Power Holdings LLC, or VMPH, and our other subsidiaries, (b) for ongoing working capital for VAP, and (c) for other general corporate purposes. Borrowings under the credit facility will bear interest at a rate equal to an applicable margin plus, at the option of VAP, either (a) a base rate determined by reference to the highest of the U.S. federal funds rate plus 0.5% the prime rate of the administrative agent, and the adjusted LIBOR for a one-month interest period plus 1.00%, or (b) a eurocurrency rate, or LIBOR, determined by reference to the cost of funds for eurocurrency deposits in dollars in the London interbank market for the interest period relevant to such borrowing adjusted for certain additional costs. Prior to November 5, 2014, the applicable margin for advances under the credit facility is 2.00% for base rate advances and 3.00% for LIBOR advances. On and

after November 5, 2014, the applicable margin for advances under the credit facility will be 3.00% for base rate advances and 4.00% for LIBOR advances. The credit facility will mature on the earliest to occur of (a) May 5, 2015, (b) the date that is 30 days after the consummation of the Merger, and (c) the date that is 60 days after the termination of the Merger Agreement or

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the abandonment of the Merger; however, upon written notice by VAP to the administrative agent, VAP may request that the commitments under the credit facility be converted to extend the maturity date for consenting lenders. The debt outstanding under the credit facility is secured by substantially all of VAP's assets, which consist principally of four hydroelectric facilities associated with our Androscoggin mill and related electricity transmission equipment. VMPH guarantees the payment of the debt outstanding under the credit facility, and its guaranty is secured by a pledge of its equity interest in VAP.

### **NewPage Term Loan Facility**

#### ***General***

On February 11, 2014, NewPage Corporation entered into the NewPage Term Loan Facility which provided a senior secured term loan facility in an aggregate principal amount of \$750 million with a maturity of seven years.

In addition, NewPage Corporation may request one or more incremental term loan facilities in an aggregate amount of up to the sum of (x) \$100 million plus (y) such additional amount so long as, (i) in the case of loans under additional credit facilities with liens that rank *pari passu* with the liens on the collateral securing the NewPage Term Loan Facility, a consolidated net first lien senior secured leverage ratio of NewPage Corporation and its restricted subsidiaries (the NewPage Entities) would be no greater than 2.50 to 1.00 and (ii) in the case of loans under additional credit facilities with liens that rank junior to the liens on the collateral securing the NewPage Term Loan Facility, a consolidated total net secured leverage ratio (excluding debt outstanding under the NewPage ABL Facility) of the NewPage Entities would be no greater than 3.00 to 1.00, subject to certain conditions and receipt of commitments by existing or additional lenders.

Proceeds of the NewPage Term Loan Facility were used to repay NewPage's former \$500 million term loan facility and to pay the Recapitalization Dividend to NewPage's stockholders.

#### ***Interest Rates***

Borrowings under the NewPage Term Loan Facility bear interest at a rate equal to, at NewPage Corporation's option, either (a) a LIBOR rate (subject to a LIBOR floor of 1.25%) plus a margin of 8.25% for the interest period relevant to such borrowing, adjusted for certain additional costs or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate of Credit Suisse AG and (iii) the one-month adjusted LIBOR rate plus 1.00%, in each case of (i), (ii) and (iii) plus a margin of 7.25%.

#### ***Amortization and Prepayments***

The NewPage Term Loan Facility requires no amortization payments until the eighteen month anniversary of the closing date, and will thereafter require quarterly amortization payments, in an amount equal to (i) 1.25% per quarter until the three year anniversary of the closing date, (ii) 1.875% per quarter until the four year anniversary of the closing date, and (iii) 2.50% per quarter until the maturity date, with the balance due on the maturity date.

The NewPage Term Loan Facility is subject to mandatory prepayments in amounts equal to

100% of the net cash proceeds of indebtedness by the NewPage Entities (other than indebtedness permitted under the NewPage Term Loan Facility);

100% of the net cash proceeds of any non-ordinary course sale or other disposition of assets by the NewPage Entities (including as a result of casualty or condemnation) (with customary exceptions, thresholds, and reinvestment rights of up to 12 months or 18 months if contractually committed to within 12 months); and

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75% of excess cash flow for each fiscal year beginning with the fiscal year ending December 31, 2015, subject to possible step-downs based on total net first lien leverage ratio thresholds.

NewPage Corporation has the right to prepay loans under the NewPage Term Loan Facility at any time without premium or penalty, other than customary breakage costs with respect to LIBOR rate loans, subject, however, to a prepayment premium for optional prepayments of the NewPage Term Loan Facility with a new or replacement term loan facility with an effective interest rate less than that applicable to the NewPage Term Loan Facility equal to (i) 3.00% if prepaid prior to the first anniversary of the closing date, (ii) 2.00% if prepaid on or after the first anniversary of the closing date and prior to the second anniversary of the closing date and (iii) 1.00% if prepaid on or after the second anniversary of the closing date and prior to the third anniversary of the closing date. However, if the Merger Agreement is terminated in accordance with its terms, the NewPage Term Loan Facility may be prepaid with no premium or penalty within 30 days.

***Collateral and Guarantors***

The NewPage Term Loan Facility is fully and unconditionally guaranteed on a joint and several basis by all of NewPage Corporation's existing and future direct and indirect wholly owned material domestic restricted subsidiaries, subject to certain exceptions, and by NewPage Investment Company LLC (Holdings), NewPage Corporation's direct parent (collectively, the Guarantors). Amounts outstanding under the NewPage Term Loan Facility are secured by substantially all of the assets of NewPage Corporation and the Guarantors, subject to certain exceptions. The security interest with respect to the NewPage Term Loan Facility consists of a first-priority lien with respect to all collateral other than the ABL Priority Collateral (as defined below) (the NewPage Term Loan Priority Collateral) and a second-priority lien with respect to the ABL Priority Collateral (as defined below).

***Restrictive Covenants and Other Matters***

The NewPage Term Loan Facility requires NewPage Corporation to maintain a maximum total net leverage ratio on the last day of any fiscal quarter when loans are outstanding under the NewPage Term Loan Facility. The initial maximum total net leverage ratio threshold is 4.10 to 1.00 through the fiscal quarter ending September 30, 2014, stepping down every year thereafter to a maximum total net leverage ratio threshold of 3.50 to 1.00 for the fiscal quarter ending December 31, 2019 and thereafter.

The NewPage Term Loan Facility contains certain additional covenants that, among other things, and subject to certain exceptions, restrict NewPage Corporation's and its restricted subsidiaries' ability to incur additional debt or liens, pay dividends, repurchase common stock, prepay other indebtedness, sell, transfer, lease, or dispose of assets and make investments in or merge with another company. The NewPage Term Loan Facility also contains covenants applicable to Holdings that, among other things, and subject to certain exceptions, limit Holdings' ability to incur additional debt or liens and require Holdings to continue to directly own 100% of the equity interests of NewPage Corporation.

The NewPage Term Loan Facility provides for customary events of default, including a cross-event of default provision in respect of any other existing debt instruments having an aggregate principal amount exceeding \$50 million, subject to applicable threshold, notice and grace period provisions. If an event of default occurs, the lenders under the NewPage Term Loan Facility are entitled to accelerate the advances made thereunder and exercise rights against the collateral.

The negative covenants in the NewPage Term Loan Facility contain carve-outs to allow payments pursuant to the Shared Services Agreement and the distribution of certain other amounts to Verso and its subsidiaries. NewPage Investment Company LLC is not bound by any financial or negative covenants contained in the NewPage Term Loan

Facility, other than certain passive activity covenants including, with respect to the incurrence of liens on and the pledge of NewPage Corporation's capital stock and with respect to the maintenance of its existence.

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### **NewPage ABL Facility**

#### ***General***

On February 11, 2014, NewPage Corporation entered into the NewPage ABL Facility which provides a senior secured asset-based revolving facility in an aggregate principal amount of \$350 million with a maturity of five years, including both a letter of credit sub-facility and a swingline loan sub-facility.

In addition, NewPage Corporation may request one or more increases in commitments in an aggregate amount of up to the greater of (x) \$200 million and (y) the excess of the borrowing base over the amount of the then-effective commitments under the NewPage ABL Facility.

All borrowings under the NewPage ABL Facility are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties.

The NewPage ABL Facility replaced NewPage's former \$350 million revolving credit facility for general corporate purposes, and proceeds of the NewPage ABL Facility will be used to pay certain transaction costs and expenses in connection with the Merger.

#### ***Interest Rates and Fees***

Amounts drawn under the NewPage ABL Facility bear annual interest at either the LIBOR rate plus a margin of 1.75% to 2.25% or at a base rate plus a margin of 0.75% to 1.25%. The interest rate margins on the NewPage ABL Facility are subject to adjustments based on the average availability of the NewPage ABL Facility. The initial margins for borrowings under the NewPage ABL Facility are 2.00% in the case of LIBOR rate loans and 1.00% in the case of base rate loans.

The commitment fee payable on the unused portion of the NewPage ABL Facility equals 0.375% or 0.50% based on the average availability of the NewPage ABL Facility. NewPage Corporation has also agreed to pay customary letter of credit fees.

#### ***Prepayments***

NewPage Corporation may voluntarily repay outstanding loans under the NewPage ABL Facility at any time, without prepayment premium or penalty, subject to customary breakage costs with respect to LIBOR rate loans.

#### ***Collateral and Guarantors***

The NewPage ABL Facility is fully and unconditionally guaranteed on a joint and several basis by the Guarantors. Amounts outstanding under the NewPage ABL Facility are secured by substantially all of the assets of NewPage Corporation and the Guarantors, subject to certain exceptions. The security interest with respect to the NewPage ABL Facility will consist of a first-priority lien with respect to most inventory, accounts receivable, bank accounts, and certain other assets of NewPage Corporation and the Guarantors (the ABL Priority Collateral) and a second-priority lien with respect to the Term Loan Priority Collateral.

#### ***Restrictive Covenants and Other Matters***

Under the NewPage ABL Facility, NewPage Corporation is subject to a springing minimum fixed charge coverage ratio of 1.00 to 1.00 at any time when excess availability is less than the greater of (a) 10% of the lesser of (i) the borrowing base at such time and (ii) the aggregate amount of commitments at such time or (b) \$20 million.

The NewPage ABL Facility contains certain additional covenants that, among other things, and subject to certain exceptions, restrict NewPage Corporation's and its restricted subsidiaries' ability to incur additional debt or liens, pay dividends, repurchase common stock, prepay other indebtedness, sell, transfer, lease, or dispose of



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assets and make investments in or merge with another company. The NewPage ABL Facility also contains covenants applicable to Holdings that, among other things, and subject to certain exceptions, limit Holdings' ability to incur additional debt or liens and require Holdings to continue to directly own 100% of the equity interests of NewPage Corporation.

The NewPage ABL Facility provides for customary events of default, including a cross-event of default provision in respect of any other existing debt instruments having an aggregate principal amount exceeding \$50 million, subject to applicable threshold, notice and grace period provisions. If an event of default occurs, the lenders under the NewPage Term Loan Facility are entitled to accelerate the advances made thereunder and exercise rights against the collateral.

The negative covenants in the NewPage ABL Facility contain carve-outs to allow payments pursuant to the Shared Services Agreement and the distribution of certain other amounts to Verso and its subsidiaries. NewPage Investment Company LLC is not bound by any financial or negative covenants contained in the NewPage ABL Facility, other than certain passive activity covenants including, with respect to the incurrence of liens on and the pledge of NewPage Corporation's capital stock and with respect to the maintenance of its existence.

## **Financing Transactions in Connection with the Merger**

As described above, on January 3, 2014, in connection with the entry into the Merger Agreement, Verso entered into the Credit Agreement Amendments. Under the Credit Agreement Amendments, (a) the lenders under each of Verso's Existing ABL Facility and Existing Cash Flow Facility consented to the Merger and the other transactions contemplated by the Merger Agreement, including the incurrence of certain indebtedness in connection therewith, (b) the lenders consented to amendments to allow the sale and/or financing of certain non-core assets, and (c) the parties agreed to amend Verso's Existing ABL Facility and Verso's Existing Cash Flow Facility to allow for certain other transactions upon the consummation of the Merger and the other transactions contemplated by the Merger Agreement. The pricing terms, maturities and commitments under Verso's Existing ABL Facility and Verso's Existing Cash Flow Facility remain unchanged.

On February 11, 2014, NewPage borrowed \$750 million under the NewPage Term Loan Facility and replaced its former \$350 million asset-based loan facility with the NewPage ABL Facility.

At the time of the closing of the Merger, Verso expects to issue \$650 million in aggregate principal amount of New First Lien Notes to the current shareholders of NewPage as part of the Merger Consideration.

The issuers and guarantors of Verso's debt securities (including the New First Lien Notes) and the borrower and guarantors of Verso's credit facilities do *not* guarantee the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility, and the borrower and guarantors under the NewPage Term Loan Facility and the NewPage ABL Facility will *not* guarantee the obligations under Verso's debt securities and credit facilities. As a result, following the consummation of the Merger, the holders of Verso's debt securities (including the New First Lien Notes) will be structurally subordinated to the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility to the extent of the value of the assets of the NewPage Subsidiaries. Upon the consummation of the Merger, NewPage Holdings Inc. (but not the NewPage Subsidiaries) will guarantee Verso's debt securities (other than any remaining Old Second Lien Notes and Old Subordinated Notes) and Verso's credit facilities.

## **Exchange Offer Transactions**

On July 2, 2014, the Verso Issuers launched offers to exchange (a) New Second Lien Notes and Verso Warrants for any and all outstanding Old Second Lien Notes and (b) New Subordinated Notes and Verso Warrants for any and all

outstanding Old Subordinated Notes.

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In connection with the Exchange Offers, the Verso Issuers are also soliciting consents to amend the Old Second Lien Notes, the Old Subordinated Notes and the indentures governing the Old Second Lien Notes and the Old Subordinated Notes. The proposed amendments, which require the consent of a majority in outstanding aggregate principal amount of the Old Second Lien Notes and Old Subordinated Notes, respectively, will eliminate or waive substantially all of the restrictive covenants, eliminate certain events of default, modify covenants regarding mergers and transfer of assets, and modify or eliminate certain other provisions. In addition, the consents with respect to the Old Second Lien Notes will authorize a release of the liens and security interests in the collateral securing the Old Second Lien Notes. In order to be effected, the collateral release must be consented to by the holders of at least two-thirds in outstanding aggregate principal amount of the Old Second Lien Notes.

Prior to the consummation of the Merger, (i) the New Second Lien Notes will have substantially the same terms as the Old Second Lien Notes in that the New Second Lien Notes will have their original principal amount, will bear interest at a rate of 8.75% per annum, will mature on February 1, 2019 and will be governed by covenants that are substantially the same as the covenants currently governing the Old Second Lien Notes, and (ii) the New Subordinated Notes will have substantially the same terms as the Old Subordinated Notes in that the New Subordinated Notes will have their original principal amount, will bear interest at a rate of 11  $\frac{3}{8}$ % per annum, will mature on August 1, 2016 and will be governed by covenants that are substantially the same as the covenants currently governing the Old Subordinated Notes. If the Merger does not occur, the New Second Lien Notes and the New Subordinated Notes will retain their original principal amount and these same terms.

Upon the consummation of the Merger, (i) the principal amount of the outstanding New Second Lien Notes will be adjusted such that a holder of \$1,000 principal amount of New Second Lien Notes immediately prior to the Merger will hold \$668.75 principal amount of New Second Lien Notes immediately following the Merger, subject to adjustment based on participation in the Second Lien Notes Exchange Offer (as described below), and the principal amount of the outstanding New Subordinated Notes will be adjusted such that a holder of \$1,000 principal amount of New Subordinated Notes immediately prior to the Merger will hold \$681.875 principal amount of New Subordinated Notes immediately following the Merger subject to adjustment based on participation in the Subordinated Notes Exchange Offer (as described below), (ii) the maturity date of the New Second Lien Notes will be extended to August 1, 2020 and the maturity date of the New Subordinated Notes will be extended to August 1, 2021, (iii) the New Second Lien Notes interest rate will be adjusted such that the New Second Lien Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus Second Lien Notes PIK Interest, (iv) the New Subordinated Notes interest rate will be adjusted such that the New Subordinated Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus Subordinated Notes PIK Interest, (v) certain other amendments to the terms of the New Second Lien Notes and New Subordinated Notes will be effected and (vi) the Verso Warrants have been mandatorily converted into shares of Verso common stock.

The principal amount of New Second Lien Notes following the Merger per \$1,000 principal amount of New Second Lien Notes prior to the Merger will be adjusted based on participation in the Second Lien Notes Exchange Offer as follows:

Percentage of Aggregate Principal	Principal Amount of New Second Lien
Amount of Old Second Lien Notes	Notes Following the Merger per \$1,000
Participating in the Second Lien Notes	Principal Amount of New Second Lien

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Exchange Offer	Notes Prior to the Merger
75%	593.75
80%	608.75
85%	623.75
90%	638.75
95%	653.75
100%	668.75

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If holders in the aggregate tender a percentage of Old Second Lien Notes that is not set forth in the table above, holders will receive the principal amount corresponding to the closest lower percentage (e.g., if 87.5% of the Old Second Lien Notes are tendered, holders will receive the principal amount corresponding to 85%).

The principal amount of New Subordinated Notes following the Merger per \$1,000 principal amount of New Subordinated Notes prior to the Merger will be adjusted based on participation in the Subordinated Notes Exchange Offer as follows:

Percentage of Aggregate Principal Amount of Old Subordinated Notes Participating in the Subordinated Notes Exchange Offer	Principal Amount of New Subordinated Notes Following the Merger per \$1,000 Principal Amount of New Subordinated Notes Prior to the Merger
75%	606.875
80%	621.875
85%	636.875
90%	651.875
95%	666.875
100%	681.875

If holders in the aggregate tender a percentage of Old Subordinated Notes that is not set forth in the table above, holders will receive the principal amount corresponding to the closest lower percentage (e.g., if 87.5% of the Old Subordinated Notes are tendered, holders will receive the principal amount corresponding to 85%).

The Verso Warrants will be issued pursuant to the Warrant Agreement as of the date of the consummation of the Second Lien Notes Exchange Offer and the Subordinated Notes Exchange Offer. The Verso Warrants will entitle an eligible holder to acquire shares of Verso common stock representing, as of immediately after the consummation of the Merger, such holder's pro rata portion (based on such holder's pro rata portion of the Old Second Lien Notes or Old Subordinated Notes) of 15% or 4.774%, respectively, of the total number of outstanding shares of Verso common stock, determined on a fully diluted basis. Each Verso Warrant will be convertible into one share of Verso common stock. The Verso Warrants will be mandatorily convertible into shares of Verso common stock without payment of consideration (and will not otherwise be convertible) immediately prior to the closing of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration. No fractional shares of Verso common stock will be issued upon conversion of the Verso Warrants. If, upon conversion of the Verso Warrants, a holder would be entitled to receive a fractional interest in a share, such fractional interest will be rounded up to the nearest whole number of shares of Verso common stock to be issued to the Verso Warrant holder. If the Merger is terminated, the Verso Warrants will be void and of no value and will cease to be convertible into shares of Verso common stock.

Neither the Verso Warrants nor the shares of Verso common stock issuable in respect of such Verso Warrants have been registered under the Securities Act or any other securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The consummation of the Second Lien Notes Exchange Offer is conditioned upon, among other things, the valid tender, and not withdrawal, of at least 75% in aggregate principal amount of outstanding Old Second Lien Notes.

The consummation of the Subordinated Notes Exchange Offer is conditioned upon, among other things, the valid tender, and not withdrawal, of at least 75% in aggregate principal amount of outstanding Old Subordinated Notes.

It is not a condition of the Second Lien Notes Exchange Offer that the Subordinated Notes Exchange Offer is consummated, and it is not a condition of the Subordinated Notes Exchange Offer that the Second Lien Notes Exchange Offer is consummated.

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Additionally, the New Second Lien Notes and the New Subordinated Notes will be subject to registration rights agreements.

Unless otherwise specified in this joint proxy and information statement/prospectus, we have assumed that all outstanding Old Second Lien Notes and all outstanding Old Subordinated Notes will be exchanged, that \$396.0 million aggregate principal amount of New Second Lien Notes and \$142.5 million aggregate principal amount of New Subordinated Notes will be issued in the Exchange Offer Transactions, and that approximately 16.6 million shares of Verso common stock will be issued upon the mandatory conversion of the Verso Warrants immediately prior to the closing of the Merger.

As of the date of this joint proxy and information statement/prospectus, Verso has not obtained the Verso Junior Noteholder Consent or consummated the Exchange Offer Transactions, and Verso may not be able to obtain the Verso Junior Noteholder Consent or consummate the Exchange Offer Transactions on the current terms or at all, in which case the Merger may not close.

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**REGARDING FORWARD-LOOKING STATEMENTS**

A number of the statements made in this joint proxy and information statement/prospectus are forward-looking statements within the meaning of the Private Securities Litigation Reform Act, Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements are all statements made in this joint proxy and information statement/prospectus, other than statements of historical fact. In some cases, forward-looking statements can be identified by terminology such as anticipates, believes, estimates, expects, intends, may, plans, would, and similar expressions or expressions of the negative of these terms. These statements include statements regarding the intent, belief or current expectations of each of Verso and NewPage and their respective subsidiaries, their directors and their officers with respect to, among other things, future events, including the Merger, the respective financial results and financial trends expected to impact each of Verso and NewPage prior to the completion of the Merger, or if the Merger is not completed, and expected to impact Verso thereafter, assuming the Merger is completed.

Forward-looking statements are based upon certain underlying assumptions, including any assumptions mentioned with the specific statements, as of the date such statements were made. Such assumptions are in turn based upon internal estimates and analyses of market conditions and trends, management plans and strategies, economic conditions and other factors. Forward-looking statements and the assumptions underlying them are necessarily subject to risks and uncertainties inherent in projecting future conditions and results. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those set forth under Risk Factors beginning on page 47, and those set forth under Forward-Looking Statements or Risk Factors.

Verso and NewPage caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this joint proxy and information statement/prospectus in the case of forward-looking statements contained in this joint proxy and information statement/prospectus. Except as may be required by law, neither Verso nor NewPage has any obligation to update or alter these forward-looking statements, whether as a result of new information, future events or otherwise.

Verso and NewPage expressly qualify in their entirety all forward-looking statements attributable to Verso or NewPage or any person acting on either of their respective behalf by the cautionary statements contained or referred to in this section.



**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF VERSO AND VERSO HOLDINGS****Selected Historical Consolidated Financial Data of Verso**

The following table presents summary historical consolidated financial and operating data for Verso as of and for the fiscal years ended December 31, 2013, 2012, 2011, 2010, and 2009 and as of and for the three months ended March 31, 2014 and 2013. The selected historical financial information presented below for each of the five years ended December 31, 2013 has been derived from Verso's audited consolidated financial statements. The selected historical financial information presented below for the three months ended March 31, 2014 and 2013 has been derived from Verso's unaudited interim condensed consolidated financial statements. In the opinion of Verso's management, the unaudited interim financial data include all adjustments, consisting of only normal non-recurring adjustments, considered necessary for a fair presentation of this information.

The information should be read in conjunction with Verso's consolidated financial statements and the related notes thereto and the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this joint proxy and information statement/prospectus.

	<b>Three Months Ended</b>			<b>Year Ended December 31,</b>			
	<b>March 31,</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>2014</b>	<b>2013</b>					
<b>(Dollars in millions except per share amounts)</b>							
<b>Statements of Operations</b>							
<b>Data:</b>							
<b>Net sales</b>	\$ 299.1	\$ 333.2	\$ 1,388.9	\$ 1,474.6	\$ 1,722.5	\$ 1,605.3	\$ 1,360.9
<b>Costs and expenses:</b>							
Cost of products sold (exclusive of depreciation, amortization and depletion)	302.3	291.8	1,179.1	1,272.6	1,460.3	1,410.8	1,242.7
Depreciation, amortization, and depletion	25.7	26.0	104.7	118.2	125.3	127.4	132.7
Selling, general, and administrative expenses	17.6	18.8	73.8	74.4	78.0	71.0	61.9
Goodwill impairment					18.7		
Restructuring charges		1.0	1.4	102.4	24.5		1.0
<b>Total operating expenses</b>	<b>345.6</b>	<b>337.6</b>	<b>1,359.0</b>	<b>1,567.6</b>	<b>1,706.8</b>	<b>1,609.2</b>	<b>1,438.3</b>
Other operating income(1)		(3.3)	(4.0)	(60.6)			
<b>Operating (loss) income</b>	<b>(46.5)</b>	<b>(1.1)</b>	<b>33.9</b>	<b>(32.4)</b>	<b>15.7</b>	<b>(3.9)</b>	<b>(77.4)</b>
Interest income					(0.1)	(0.1)	(0.3)
Interest expense	34.5	34.7	137.8	135.4	126.6	128.1	123.4
Other loss (income), net(2)	9.6	2.6	7.9	7.4	26.1	(0.9)	(307.3)
<b>(Loss) income before income taxes</b>	<b>(90.6)</b>	<b>(38.4)</b>	<b>(111.8)</b>	<b>(175.2)</b>	<b>(136.9)</b>	<b>(131.0)</b>	<b>106.8</b>

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Income tax (benefit) expense			(0.6)	(1.4)	0.2	0.1	0.8
<b>Net (loss) income</b>	\$ (90.6)	\$ (38.4)	\$ (111.2)	\$ (173.8)	\$ (137.1)	\$ (131.1)	\$ 106.0

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	Three Months Ended		2013	Year Ended December 31,			2009
	2014	March 31, 2013		2012	2011	2010	
<b>(Dollars in millions except per share amounts)</b>							
<b>Per Share Data:</b>							
(Loss) earnings per common share:							
Basic	\$ (1.70)	\$ (0.72)	(2.09)	(3.29)	(2.61)	(2.50)	2.03
Diluted	(1.70)	(0.72)	(2.09)	(3.29)	(2.61)	(2.50)	2.03
Weighted average common shares outstanding (in thousands):							
Basic	53,188	52,976	53,124	52,850	52,595	52,445	52,138
Diluted	53,188	52,976	53,124	52,850	52,595	52,445	52,153
<b>Statement of Cash Flows Data:</b>							
Cash (used in) provided by operating activities	\$ (96.3)	\$ (83.2)	\$ (27.7)	\$ 12.0	\$ 14.5	\$ 73.5	\$ 177.2
Cash (used in) provided by investing activities	(8.8)	32.9	(13.8)	(7.1)	(66.2)	(98.3)	(34.1)
Cash (used in) provided by financing activities	98.0	1.5	(8.7)	(38.3)	(6.2)	25.5	(110.5)
<b>Balance Sheet Data (end of period):</b>							
Cash and cash equivalents	\$ 4.2	\$ 12.7	\$ 11.3	\$ 61.5	\$ 94.9	\$ 152.8	\$ 152.1
Working capital(3)	96.9	108.9	63.4	110.3	142.6	162.4	210.6
Property, plant, and equipment, net	722.1	761.8	742.9	793.0	934.7	972.7	1,022.6
Total assets	1,062.8	1,131.7	1,098.6	1,208.9	1,421.5	1,516.1	1,572.7
Total debt	1,346.2	1,259.4	1,248.5	1,257.0	1,262.5	1,228.6	1,192.4
Total (deficit) equity	(507.2)	(358.9)	(417.3)	(321.7)	(153.9)	(6.8)	125.3

- (1) Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of \$60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at the former Sartell mill.
- (2) Other income was \$307.3 million for the year ended December 31, 2009, which included \$238.9 million in net benefits from alternative fuel mixture tax credits provided by the U.S. government for our use of black liquor in alternative fuel mixtures and \$64.8 million in net gains related to the early retirement of debt.
- (3) Working capital is defined as current assets net of current liabilities, excluding the current portion of long-term debt.

**Table of Contents****Selected Historical Consolidated Financial Data of Verso Holdings**

The following table presents selected historical consolidated financial and operating data for Verso Holdings as of and for the fiscal years ended December 31, 2013, 2012, 2011, 2010, and 2009 and as of and for the three months ended March 31, 2014 and 2013. The selected historical financial information presented below for each of the five years ended December 31, 2013 has been derived from Verso Holdings' audited consolidated financial statements. The selected historical financial information presented below for the three months ended March 31, 2014 and 2013 has been derived from Verso Holdings' unaudited interim condensed consolidated financial statements. In the opinion of Verso Holdings' management, the unaudited interim financial data include all adjustments, consisting of only normal non-recurring adjustments, considered necessary for a fair presentation of this information.

The information should be read in conjunction with Verso Holdings' consolidated financial statements and the related notes thereto and the information under the heading Management's Discussion and Analysis of Financial Condition and Results of Operations included in this joint proxy and information statement/prospectus.

(Dollars in millions)	Three Months Ended		Year Ended December 31,				
	March 31, 2014	2013	2013	2012	2011	2010	2009
<b>Statement of Operations Data:</b>							
Net sales	\$ 299.1	\$ 333.2	\$ 1,388.9	\$ 1,474.6	\$ 1,722.5	\$ 1,605.3	\$ 1,360.9
<b>Costs and expenses:</b>							
Cost of products sold (exclusive of depreciation, amortization, and depletion)	302.3	291.8	1,179.1	1,272.6	1,460.3	1,410.8	1,242.7
Depreciation, amortization, and depletion	25.7	26.0	104.7	118.2	125.3	127.4	132.7
Selling, general, and administrative expenses	17.6	18.8	73.8	74.4	78.0	70.9	61.7
Goodwill impairment					10.5		
Restructuring and other charges		1.0	1.4	102.4	24.5		1.0
Total operating expenses	345.6	337.6	\$ 1,359.0	\$ 1,567.6	\$ 1,698.6	\$ 1,609.1	\$ 1,438.1
Other operating income(1)		(3.3)	(4.0)	(60.6)			
<b>Operating (loss) income</b>	(46.5)	(1.1)	33.9	(32.4)	23.9	(3.8)	(77.2)
Interest income	(0.4)	(0.4)	(1.5)	(1.5)	(1.6)	(0.1)	(0.2)
Interest expense	34.9	34.4	138.7	127.9	122.2	122.5	116.1
Other loss (income), net(2)	9.6	2.6	7.9	7.4	25.8	(0.7)	(273.8)

<b>Net (loss) income</b>	\$ (90.6)	\$ (37.7)	\$ (111.2)	\$ (166.2)	\$ (122.5)	\$ (125.5)	\$ 80.7
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**Statement of Cash Flows****Data:**

Cash (used in) provided by operating activities	\$ (96.3)	\$ (83.0)	\$ (27.5)	\$ 11.3	\$ 14.6	\$ 75.8	\$ 180.1
Cash (used in) provided by investing activities	(8.8)	32.9	(13.8)	(7.1)	(66.2)	(98.3)	(34.1)
Cash (used in) provided by financing activities	98.1	1.3	(9.0)	(37.6)	(6.3)	25.4	(115.8)

**Balance Sheet Data:**

Cash and cash equivalents	\$ 4.2	\$ 12.6	\$ 11.2	\$ 61.5	\$ 94.8	\$ 152.7	\$ 149.8
Working capital(3)	97.0	109.0	63.4	111.4	142.9	162.3	210.4
Property, plant, and equipment, net	722.1	761.8	742.9	793.0	934.7	972.7	1,022.6
Total assets	1,086.2	1,155.1	1,121.9	1,232.3	1,444.4	1,530.5	1,560.3
Total debt	1,369.5	1,282.7	1,271.8	1,187.1	1,201.1	1,172.7	1,118.3
Total (deficit) equity	(501.0)	(352.1)	(411.1)	(220.6)	(61.2)	71.4	198.0

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- (1) Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of \$60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at the former Sartell mill.
- (2) Other income was \$273.8 million for the year ended December 31, 2009, which included \$238.9 million in net benefits from alternative fuel mixture tax credits provided by the U.S. government for our use of black liquor in alternative fuel mixtures and \$31.3 million in net gains related to the early retirement of debt.
- (3) Working capital is defined as current assets net of current liabilities, excluding the current portion of long-term debt.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF NEWPAGE AND PREDECESSOR****Selected Financial Data**

The implementation of the Chapter 11 plan and the application of fresh start accounting materially changed the carrying amounts and classifications reported in our consolidated financial statements and resulted in our becoming a new entity for financial reporting purposes. Accordingly, the consolidated financial statements of the Predecessor Company will not be comparable to the consolidated financial statements of the Successor Company. For additional information regarding the impact of the implementation of the Chapter 11 plan and the application of fresh start accounting see Note 1 to the consolidated financial statements of NewPage beginning on page L-11. For purposes of this section, references to we, us and our refer to NewPage Holdings Inc. and its direct and indirect subsidiaries.

The following table sets forth historical consolidated financial information as of and for each of the five years ended December 31, 2013, 2012, 2011, 2010, and 2009 and the three months ended March 31, 2014 and 2013.

(in millions, except per share amounts for Successor) (a)	Successor			Predecessor			
	Three Months Ended Mar. 31,			Year Ended, Dec. 31			
	2014	2013	2013	2012	2011	2010	2009
Net sales	\$ 757	\$ 756	\$ 3,054	\$ 3,131	\$ 3,502	\$ 3,596	\$ 3,106
Income (loss) before reorganization items and income taxes	(71)	(11)	(4)	(49)	(411)	(655)	(357)
Reorganization items, net (b)				(1,288)	86		
Net income (loss)	(71)	(11)	(2)	1,258	(498)	(656)	(303)
Net income (loss) attributable to the company	(71)	(11)	(2)	1,258	(498)	(656)	(308)
Net income (loss) attributable to the company per share:							
Basic and diluted (a)	(10.01)	(1.50)	(0.27)	12.58	(4.98)	(6.56)	(3.08)
Cash dividends paid per common share	34.35						

	Successor			Predecessor			
	Three Months Ended Mar. 31,			Year Ended, Dec. 31			
	2014	2013	2013	2012	2011	2010	2009
Working capital (g)	450	\$ 480	\$ 487	\$ 441	\$ 680	\$ 438	\$ 458
Total assets (c)	2,125	2,195	2,175	2,214	3,305	3,511	4,005
Long-term debt (d) (e)	750	503	487	485	248	3,157	3,030
Other long term obligations (f)	299	580	308	581	70	526	493

- (a) Successor per share amounts in dollars. Predecessor per share amounts in millions.
- (b) Certain expenses, provisions for losses and other charges and credits directly associated with or resulting from the reorganization and restructuring of the business that were realized or incurred in the Chapter 11 Proceedings, including the impact of the implementation of the Chapter 11 plan and the application of fresh start accounting, were recorded in reorganization items, net in our consolidated financial statements.
- (c) As part of the application of fresh start accounting, all assets were adjusted to their fair values as of December 31, 2012.
- (d) As previously discussed, as of the Emergence Date and pursuant to the Chapter 11 plan, all amounts outstanding under our debtor in possession financing arrangements were paid in full in cash and all pre-petition debt instruments outstanding were extinguished, and holders of claims related to the pre-petition debt arrangements received distributions on their claims in accordance with the Chapter 11 plan.



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Additionally, upon consummation of the Chapter 11 plan, we entered into a credit and guaranty agreement, consisting of a \$500 million senior secured exit term loan due 2018. On February 11, 2014, this term loan was replaced with a new \$750 million term loan. See Note 19 to the consolidated financial statements of NewPage beginning on page L-41 for additional information.

- (e) Due to the commencement of the Chapter 11 Proceedings, our Consolidated Balance Sheet as of December 31, 2011 included unsecured and under-secured pre-petition debt obligations of \$3,120 million. These obligations were included in liabilities subject to compromise.
- (f) Pursuant to the Chapter 11 plan, pension and OPEB projected benefit obligations were assumed by us. These obligations, which were previously classified as liabilities subject to compromise, were reclassified to other current liabilities and other long-term obligations as of the Emergence Date.
- (g) Working capital is defined as current assets minus current liabilities.

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following unaudited pro forma condensed combined financial information presents the combined historical consolidated statements of operations and consolidated balance sheet of Verso and the historical consolidated statements of operations and consolidated balance sheet of NewPage as well the combined historical consolidated statements of operations and consolidated balance sheet of Verso Holdings and the historical consolidated statements of operations and consolidated balance sheet of NewPage to reflect the consummation of the Merger pursuant to the terms of the Merger Agreement. Verso is the ultimate parent company of Verso Holdings. Unless otherwise noted, references to Verso, we, us, and our refer collectively to Verso and Verso Holdings. The historical financial statements were prepared in conformity with GAAP. The unaudited pro forma condensed combined financial information is presented in accordance with the rules specified by Article 11 of Regulation S-X promulgated by the SEC, and has been prepared using the assumptions described in the notes thereto. The unaudited pro forma condensed combined balance sheets give effect to the Merger and the related financing transactions required to effect the Merger and the Exchange Offer Transactions as if they had occurred as of the balance sheet date. The unaudited pro forma condensed combined statements of operations give effect to the Merger and the related financing transactions required to effect the Merger and the Exchange Offer Transactions as if they had occurred as of January 1, 2013.

The following unaudited pro forma consolidated financial information is presented:

Unaudited pro forma condensed combined balance sheet of Verso as of March 31, 2014;

Unaudited pro forma condensed combined balance sheet of Verso Holdings as of March 31, 2014;

Unaudited pro forma condensed combined statement of operations of Verso for the three months ended March 31, 2014;

Unaudited pro forma condensed combined statement of operations of Verso Holdings for the three months ended March 31, 2014;

Unaudited pro forma condensed combined statement of operations of Verso for the year ended December 31, 2013; and

Unaudited pro forma condensed combined statement of operations of Verso Holdings for the year ended December 31, 2013.

The accompanying unaudited pro forma condensed combined financial statements (the Pro Forma Statements ) and related notes were prepared using the acquisition method of accounting with Verso considered the acquirer of NewPage for accounting purposes. Accordingly, the consideration to be paid in the Merger has been allocated to assets and liabilities of NewPage based upon their estimated fair values as of the date of completion of the Merger. Any amount of the consideration that is in excess of the estimated fair values of assets acquired and liabilities assumed will be recorded as goodwill in Verso's balance sheet after the completion of the Merger. As of the date of this joint proxy and information statement/prospectus, Verso has not completed the detailed valuation work necessary to arrive

at the required estimates of the fair value of the NewPage assets to be acquired and the liabilities to be assumed and the related allocation of purchase price, nor has it identified all adjustments necessary to conform NewPage's accounting policies to Verso's accounting policies. A final determination of the fair value of NewPage's assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of NewPage that exist as of the estimated date of completion of the Merger and, therefore, cannot be made prior to that date. Additionally, the value of a portion of the consideration to be paid by Verso to complete the Merger will be determined based on the trading price of Verso common stock at the time of the completion of the Merger. Accordingly, the accompanying unaudited pro forma purchase price allocation is preliminary and is subject to further adjustments as additional information becomes available and as additional analyses are performed. The preliminary unaudited pro forma purchase price allocation has been made solely for the purpose of preparing the accompanying Pro Forma Statements. The preliminary purchase price allocation was based on Verso's historical experience, data that was available through the public domain and

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Verso's due diligence review of NewPage's business. Until the Merger is completed, both companies are limited in their ability to share information with the other. Upon consummation of the Merger, valuation work will be finalized. Increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments to the balance sheet and/or statements of income until the purchase price allocation is finalized. Although management believes that the preliminary purchase price allocation is reasonable, there can be no assurance that such finalization will not result in material changes from the preliminary purchase price allocation included in the accompanying Pro Forma Statements.

The Merger Agreement also requires Verso to consummate exchange offers for its outstanding 8.75% Second Priority Senior Secured Notes due 2019 (the "Old Second Lien Notes") and 11 3/8% Senior Subordinated Notes due 2016 (the "Old Subordinated Notes"), (collectively, the "Exchange Offer Transactions").

The unaudited pro forma condensed combined financial information should be read in conjunction with the notes thereto and Verso, Verso Holdings and NewPage's historical consolidated financial statements included elsewhere in this joint proxy and information statement/prospectus.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations of the combined company. The unaudited pro forma condensed combined financial information does not give effect to any potential cost savings or other operational efficiencies that could result from the Merger.

**Table of Contents****VERSO PAPER CORP.****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET****AS OF MARCH 31, 2014****(Dollars in thousands)**

	Historical Verso	NewPage	Total Adjustments		Pro Forma
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 4,242	\$ 9,000	\$ (8,242)	a	\$ 5,000
Restricted cash		7,000	(7,000)	b	
Accounts receivable, net	93,972	230,000			323,972
Inventories	154,849	541,000			695,849
Prepaid expenses and other current assets	12,579	19,000			31,579
<b>Total current assets</b>	<b>265,642</b>	<b>806,000</b>	<b>(15,242)</b>		<b>1,056,400</b>
Property and equipment, net	722,063	1,177,000	60,019	c	1,959,082
Intangibles and other assets, net	75,094	142,000	(106,889)	d	110,205
<b>Total assets</b>	<b>\$ 1,062,799</b>	<b>\$ 2,125,000</b>	<b>\$ (62,112)</b>		<b>\$ 3,125,687</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 95,718	\$ 184,000	\$		\$ 279,718
Accrued liabilities	73,004	137,000	(17,415)	e	192,589
Current maturities of long-term debt	13,310	35,000			48,310
<b>Total current liabilities</b>	<b>182,032</b>	<b>356,000</b>	<b>(17,415)</b>		<b>520,617</b>
Long-term debt	1,332,858	750,000	639,301	f	2,722,159
<b>Other long-term items:</b>					
Other liabilities	55,158	299,000	(5,200)	b	348,958
<b>Total liabilities</b>	<b>1,570,048</b>	<b>1,405,000</b>	<b>616,686</b>		<b>3,591,734</b>
Commitments and contingencies					
<b>Equity:</b>					
Preferred stock					
Common stock	533		306	g	839
Treasury stock	(164)	(1,000)	1,000	h	(164)
Paid-in-capital	221,437	572,000	(512,686)	i	280,751
Retained deficit	(717,833)	(73,000)	54,582	k	(736,251)
Accumulated other comprehensive (loss) income	(11,222)	222,000	(222,000)	l	(11,222)

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Total (deficit) equity	(507,249)	720,000	(678,798)	(466,047)
<b>Total liabilities and equity</b>	<b>\$ 1,062,799</b>	<b>\$ 2,125,000</b>	<b>\$ (62,112)</b>	<b>\$ 3,125,687</b>

See notes to the unaudited pro forma condensed combined financial information.

Table of Contents**VERSO PAPER HOLDINGS LLC****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET****AS OF MARCH 31, 2014****(Dollars in thousands)**

	Historical		Total		Pro Forma
	Verso Holdings	NewPage	Adjustments		
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 4,242	\$ 9,000	\$ (8,242)	a	\$ 5,000
Restricted cash		7,000	(7,000)	b	
Accounts receivable, net	94,097	230,000			324,097
Inventories	154,849	541,000			695,849
Prepaid expenses and other current assets	12,579	19,000			31,579
Total current assets	265,767	806,000	(15,242)		1,056,525
Property and equipment, net	722,063	1,177,000	60,019	c	1,959,082
Intangibles and other assets, net	98,399	142,000	(106,889)	d	133,510
<b>Total assets</b>	<b>\$ 1,086,229</b>	<b>\$ 2,125,000</b>	<b>\$ (62,112)</b>		<b>\$ 3,149,117</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 95,718	\$ 184,000	\$		\$ 279,718
Accrued liabilities	73,095	137,000	(17,415)	e	192,680
Current maturities of long-term debt	13,310	35,000			48,310
Total current liabilities	182,123	356,000	(17,415)		520,708
Long-term debt	1,356,163	750,000	639,301	f	2,745,464
<b>Other long-term items:</b>					
Other liabilities	48,985	299,000	(5,200)	b	342,785
Total liabilities	1,587,271	1,405,000	616,686		3,608,957
<b>Commitments and contingencies</b>					
<b>Equity:</b>					
Treasury stock		(1,000)	1,000	h	
Paid-in-capital	231,961	572,000	(512,380)	j	291,581
Retained deficit	(721,781)	(73,000)	54,582	k	(740,199)
Accumulated other comprehensive (loss) income	(11,222)	222,000	(222,000)	l	(11,222)
Total (deficit) deficit	(501,042)	720,000	(678,798)		(459,840)

<b>Total liabilities and equity</b>	\$ 1,086,229	\$ 2,125,000	\$ (62,112)	\$ 3,149,117
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See notes to the unaudited pro forma condensed combined financial information.



Table of Contents**VERSO PAPER CORP.****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****THREE MONTHS ENDED MARCH 31, 2014****(Dollars in thousands, except per share amounts)**

	<b>Historical</b>		<b>Total</b>		<b>Pro Forma</b>
	<b>Verso</b>	<b>NewPage</b>	<b>Adjustments</b>		
<b>Net sales</b>	\$ 299,113	\$ 757,000	\$		\$ 1,056,113
<b>Costs and expenses:</b>					
Cost of products sold (exclusive of depreciation, amortization, and depletion)	302,377	755,000	(43,179)	a	1,014,198
Depreciation, amortization, and depletion	25,683		45,711	b	71,394
Selling, general, and administrative expenses	17,592	24,000	(4,732)	c	36,860
Total operating expenses	345,652	779,000	(2,200)		1,122,452
Operating (loss) income	(46,539)	(22,000)	2,200		(66,339)
Interest expense	34,477	49,000	(16,291)	d	67,186
Other loss, net	9,585		(9,585)	e	
<b>Loss before income taxes</b>	(90,601)	(71,000)	28,076		(133,525)
Income tax expense	9				9
<b>Net loss</b>	\$ (90,610)	\$ (71,000)	\$ 28,076		\$ (133,534)
<b>Loss per common share</b>					
Basic	\$ (1.70)	\$ (10.01)			\$ (1.59)
Diluted	(1.70)	(10.01)			(1.59)
<b>Weighted average common shares outstanding (in thousands)</b>					
Basic	53,188	7,089	23,485	f	83,762
Diluted	53,188	7,089	23,485	f	83,762

See notes to the unaudited pro forma condensed combined financial information.

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**VERSO PAPER HOLDINGS LLC**

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**THREE MONTHS ENDED MARCH 31, 2014**

(Dollars in thousands)

	Historical		Total Adjustments		Pro Forma
	Verso Holdings	NewPage			
<b>Net sales</b>	\$ 299,113	\$ 757,000	\$		\$ 1,056,113
<b>Costs and expenses:</b>					
Cost of products sold (exclusive of depreciation, amortization, and depletion)	302,377	755,000	(43,179)	a	1,014,198
Depreciation, amortization, and depletion	25,683		45,711	b	71,394
Selling, general, and administrative expenses	17,592	24,000	(4,732)	c	36,860
Total operating expenses	345,652	779,000	(2,200)		1,122,452
Operating loss	(46,539)	(22,000)	2,200		(66,339)
Interest income	(379)				(379)
Interest expense	34,856	49,000	(16,291)	d	67,565
Other loss, net	9,585		(9,585)	e	
<b>Loss before income taxes</b>	(90,601)	(71,000)	28,076		(133,525)
Income tax expense					
<b>Net loss</b>	\$ (90,601)	\$ (71,000)	\$ 28,076		\$ (133,525)

See notes to the unaudited pro forma condensed combined financial information.

Table of Contents**VERSO PAPER CORP.****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****YEAR ENDED DECEMBER 31, 2013****(Dollars in thousands except per share amounts)**

	<b>Historical</b>	<b>Historical</b>	<b>Total</b>		<b>Pro</b>
	<b>Verso</b>	<b>NewPage</b>	<b>Adjustments</b>		<b>Forma</b>
<b>Net sales</b>	\$ 1,388,899	\$ 3,054,000	\$		\$ 4,442,899
<b>Costs and expenses:</b>					
Cost of products sold (exclusive of depreciation, amortization, and depletion)	1,179,085	2,865,000	(172,358)	a	3,871,727
Depreciation, amortization, and depletion	104,730		183,922	b	288,652
Selling, general, and administrative expenses	73,777	146,000	(19,366)	c	200,411
Restructuring charges	1,378				1,378
<b>Total operating expenses</b>	<b>1,358,970</b>	<b>3,011,000</b>	<b>(7,802)</b>		<b>4,362,168</b>
Other operating income	(3,971)				(3,971)
<b>Operating income</b>	<b>33,900</b>	<b>43,000</b>	<b>7,802</b>		<b>84,702</b>
Interest income	(25)				(25)
Interest expense	137,728	47,000	84,234	d	268,962
Other loss, net	7,965		(5,165)	e	2,800
<b>Loss before income taxes</b>	<b>(111,768)</b>	<b>(4,000)</b>	<b>(71,267)</b>		<b>(187,035)</b>
Income tax benefit	(562)	(2,000)			(2,562)
<b>Net loss</b>	<b>\$ (111,206)</b>	<b>\$ (2,000)</b>	<b>\$ (71,267)</b>		<b>\$ (184,473)</b>
<b>Loss per common share</b>					
Basic	\$ (2.09)	\$ (0.27)			\$ (2.20)
Diluted	(2.09)	(0.27)			(2.20)
<b>Weighted average common shares outstanding (in thousands)</b>					
Basic	53,124	7,080	23,494	f	83,698
Diluted	53,124	7,080	23,494	f	83,698

See notes to the unaudited pro forma condensed combined financial information.

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**VERSO PAPER HOLDINGS LLC**

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2013**

(Dollars in thousands)

	Historical				
	Verso Holdings	NewPage	Total Adjustments		Pro Forma
<b>Net sales</b>	\$ 1,388,899	\$ 3,054,000	\$		\$ 4,442,899
<b>Costs and expenses:</b>					
Cost of products sold (exclusive of depreciation, amortization, and depletion)	1,179,085	2,865,000	(172,358)	a	3,871,727
Depreciation, amortization, and depletion	104,730		183,922	b	288,652
Selling, general, and administrative expenses	73,777	146,000	(19,366)	c	200,411
Restructuring charges	1,378				1,378
<b>Total operating expenses</b>	1,358,970	3,011,000	(7,802)		4,362,168
Other operating income	(3,971)				(3,971)
<b>Operating income</b>	33,900	43,000	7,802		84,702
Interest income	(1,539)				(1,539)
Interest expense	138,626	47,000	84,234	d	269,860
Other loss, net	7,965		(5,165)	e	2,800
<b>Loss before income taxes</b>	(111,152)	(4,000)	(71,267)		(186,419)
Income tax benefit		(2,000)			(2,000)
<b>Net loss</b>	\$ (111,152)	\$ (2,000)	\$ (71,267)		\$ (184,419)

See notes to the unaudited pro forma condensed combined financial information.

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**NOTES TO UNAUDITED PRO FORMA**  
**CONDENSED COMBINED FINANCIAL INFORMATION**

**1. Description of the Transaction**

On January 3, 2014, Verso entered into the Merger Agreement with NewPage. Pursuant to the terms of the Merger Agreement, Merger Sub, an indirect, wholly owned subsidiary of Verso, and NewPage will merge, with NewPage surviving as an indirect, wholly owned subsidiary of Verso.

The Merger Agreement provides for a series of transactions pursuant to which equity holders of NewPage will receive Transaction Consideration consisting of (i) \$250 million total in cash, approximately \$243 million of which was paid to NewPage's stockholders as a dividend prior to the date of this joint proxy and information statement/prospectus, plus the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger; (ii) \$650 million aggregate principal amount of New First Lien Notes (valued at face value) to be issued at closing; and (iii) shares of Verso common stock representing 20% (subject to potential upward adjustment to 25% under certain circumstances described below) of the sum of the outstanding shares as of immediately prior to closing (after giving effect to the issuance of shares of Verso common stock in respect of all Verso Warrants issued in the Exchange Offers) and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement. However, for accounting purposes, consideration includes only the New First Lien Notes and Verso common stock (the Accounting Consideration). The payment of the Recapitalization Dividend and approximately \$7 million in cash held in escrow for holders of NewPage stock options and restricted stock units is distinct from the share and note consideration that will be paid directly by Verso to NewPage stockholders at the closing of the Merger, as such restricted cash was and is NewPage's cash. If the Merger does not close, any such restricted cash would be returned to NewPage from the escrow account in which it is being held. The cash portion of the Transaction Consideration (other than cash received from option exercises prior to closing) was funded from the proceeds of a new \$750 million bank borrowing that was also used to refinance NewPage's former \$500 million term loan facility. The amount of New First Lien Notes to be issued in the Merger is subject to downward adjustment, in an amount not to exceed \$27 million in value, if NewPage makes certain restricted payments between September 30, 2013 and the closing. If the Merger has not closed by August 31, 2014, and the reason for the failure to close by such date, or any subsequent delay in closing after such date, is solely the result of Verso's failure to take certain actions to satisfy closing conditions, the amount of Verso common stock to be issued to NewPage stockholders will increase in monthly increments by up to 5% so that the total amount of Verso common stock issued to NewPage Stockholders would be up to 25% of the sum of the outstanding shares as of immediately prior to closing (after giving effect to the issuance of shares of Verso common stock in respect of all Verso Warrants issued in the Exchange Offers) and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement:

Verso common stock valued at June 27, 2014 closing price and assuming 14.0 million shares issued	\$ 27.3 million
New First Lien Notes	650.0 million
<b>Accounting Consideration</b>	<b>\$ 677.3 million</b>

On February 11, 2014, NewPage replaced its former term loan facility with a \$750 million term loan facility and replaced its former ABL facility with a \$350 million ABL facility, in accordance with the terms of the Merger Agreement.

Additionally, Verso expects to consummate the Exchange Offer Transactions. The Verso modifications described in the Exchange Offers have been accounted for in accordance with Financial Accounting Standards Board Accounting Standards Codification ( ASC ) 470-60 assuming a participation rate of 100% for both the New Second Lien Notes and the New Subordinated Notes. As a result of the modifications, the New Second Lien

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Notes were recorded at their carrying value immediately prior to the Merger of \$368.9 million. The difference between carrying value and reduced par value of \$319.8 million (including Paid in Kind interest over the term of the New Second Lien Notes) is recognized as a non-cash reduction of interest expense over the term of the New Second Lien Notes. In addition, the modification of the New Subordinated Notes in connection with the consummation of the Merger resulted in the New Subordinated Notes being recorded at their carrying value immediately prior to the Merger of \$136.3 million. The difference between carrying value and reduced par value of \$120.9 million (including Paid in Kind interest over the term of the New Subordinated Notes) is recognized as a non-cash reduction of interest expense over the term of the New Subordinated Notes.

The Exchange Transactions terms vary based on the actual participation in the Exchange Transactions, subject to a minimum participation threshold of 75% individually for each of the Old Second Lien Notes and Old Subordinated Notes. If only the minimum participation of 75% were achieved for both the Old Second Lien Notes and Old Subordinated Notes, the pro forma financial statements for the periods presented would be impacted as follows:

(in thousands)	<b>Verso Pro Forma (100% Participation)</b>	<b>Verso Holdings Pro Forma (100% Participation)</b>	<b>Impact of 75% Participation (1)</b>
<b>As of and for the Three Months Ended March 31, 2014:</b>			
Shares issued as Accounting Consideration for the Merger	13,984	N/A	(1,009)
Shares issued in Exchange Transactions	16,591	N/A	(5,045)
Accounting Consideration for the Merger	\$ 27,268	\$ 27,268	(1,968)
Total assets	3,125,687	3,149,117	(285)
Long-term debt	2,722,159	2,745,464	7,718
Total equity	(466,047)	(459,840)	(10,123)
Interest expense	67,186	67,565	(908)
<b>For the Year Ended December 31, 2013:</b>			
Interest expense	\$ 268,962	\$ 269,860	(3,621)

(1) The impact of minimum participation is the same for both Verso and Verso Holdings.

The estimated value of the Accounting Consideration reflected herein does not purport to represent the actual value of the total Accounting Consideration that will be received by NewPage's stockholders when the Merger is completed. In accordance with GAAP, the fair value of Verso common stock issued as part of the Accounting Consideration will be measured on the closing date of the Merger at the then-current market price. This requirement will likely result in a per share value component different from the \$1.95, based on the closing price of Verso common stock on June 27, 2014, assumed in these Pro Forma Statements and that difference may be material. For example, an increase or decrease by 10% in the price of Verso common stock on the closing date of the Merger from the price of Verso common stock assumed in these Pro Forma Statements would increase or decrease the value of the Accounting Consideration by approximately \$2.7 million, which would be reflected in these Pro Forma Statements as an equivalent increase or decrease to intangible assets. Further, under certain circumstances as described in Note 1,

Description of the Transaction, the number of shares of Verso common stock issued in connection with the Merger is subject to potential adjustment up by approximately 3.5 million shares, which would increase the value of the

Accounting Consideration by approximately \$6.8 million.



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The Pro Forma Statements have been derived from the historical consolidated financial statements of Verso and NewPage that are contained elsewhere in this joint proxy and information statement/prospectus. Certain financial statement line items included in NewPage's historical presentation have been disaggregated or condensed to conform to corresponding financial statement line items included in Verso's historical presentation. For the unaudited pro forma condensed combined statements of operations, depreciation, amortization, and depletion expense has been conformed to the Verso presentation. The reclassification of these items had no impact on the historical total assets, total liabilities, or stockholders' equity reported by Verso or NewPage, respectively. The reclassifications also did not impact the historical earnings from continuing operations. In addition, the impact of differences in NewPage's accounting policy for inventory valuation of Last in First Out (LIFO) and Verso's accounting policy of First in First Out (FIFO) is not expected to have a significant impact on cost of products sold, therefore no adjustment has been reflected in the accompanying Pro Forma Statements for conforming the accounting policy of NewPage to Verso's policy.

The Merger is reflected in the Pro Forma Statements as an acquisition of NewPage by Verso using the acquisition method of accounting, in accordance with business combination accounting guidance under GAAP. Under these accounting standards, the total estimated purchase price will be allocated as described in Note 4 to the Pro Forma Statements, and the assets acquired and the liabilities assumed will be measured at estimated fair value. For the purpose of measuring the estimated fair value of the assets acquired and liabilities assumed, Verso has applied the accounting guidance under GAAP for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurements utilize estimates based on key assumptions in connection with the Merger, including historical and current market data. The unaudited pro forma adjustments included herein are preliminary since the Merger has not progressed to a stage where there is sufficient information to make a definitive allocation and will be revised at the time of the Merger as additional information becomes available and as valuation work is finalized. The final purchase price allocation will be determined after the completion of the Merger, and the final allocations may differ materially from those presented.

**3. Pro Forma Adjustments**

The pro forma adjustments described below do not reflect the statutory tax effect of those adjustments as Verso has net operating loss carryforwards and a related full valuation allowance that are expected to eliminate any tax implications of the adjustments.

The following adjustments have been reflected in the unaudited pro forma condensed combined balance sheets as of March 31, 2014:

- a) Represents estimated transaction costs associated with the Merger expected to be paid in cash, calculated as such:

\$ 69,000	Total estimated transaction costs associated with the Merger.
(50,582)	Less transaction costs incurred by Verso and NewPage through March 31, 2014.
18,418	Transaction costs not yet incurred by Verso and NewPage.

(10,176) Less borrowings on the NewPage ABL Facility to fund expected transaction costs.

\$ 8,242 Expected transaction costs to be paid in cash.

(b) Represents the elimination of NewPage Restricted cash and Other liabilities related to NewPage stock based compensation awards.

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(c) Represents an adjustment to value property, plant and equipment acquired at the preliminary estimated fair value as of the Merger date. The fair value of NewPage's property, plant, and equipment was estimated using the replacement cost method and adjusted for physical, functional, and economic obsolescence.

(d) The following table summarizes pro forma adjustments impacting intangibles and other assets:

(d1)	\$ (9,867)	Represents the elimination of the NewPage pre-Merger goodwill.
(d2)	(61,000)	Represents the elimination of the NewPage pre-Merger trademarks and customer relationships intangible assets.
(d3)	(31,741)	Represents the elimination of the NewPage pre-Merger debt issuance costs.
(d4)	(4,281)	Represents the elimination of the NewPage pre-Merger deferred taxes and the related valuation allowance.
	\$ (106,889)	

(e) The following table summarizes pro forma adjustments impacting Accrued liabilities:

(e1)	\$ (4,938)	Represents the elimination of the NewPage pre-Merger deferred taxes and the related valuation allowance.
(e2)	(4,000)	Represents the elimination of the NewPage Accrued liabilities related to NewPage stock based compensation awards.
(e3)	(5,775)	Represents the accrued interest payable as of March 31, 2014 on Old Second Lien Notes to be included in the New Second Lien Note carrying value.
(e4)	(2,702)	Represents the accrued interest payable as of March 31, 2014 on Old Subordinated Notes to be included in the New Subordinated Notes carrying value.
	\$ (17,415)	

(f) The following table summarizes pro forma adjustments impacting Long-term debt:

(f1)	\$ 3,000	Represents the fair value adjustment for the NewPage Term Loan Facility assumed in the Merger to 98% of par.
(f2)	650,000	Represents the issuance of additional New First Lien Notes in connection with the Merger.
(f3)	10,176	Represents borrowings on the NewPage ABL Facility to fund expected transaction costs.
(f4)	(24,541)	Represents the reduction in the carrying value of the New Second Lien Notes for the issuance of an additional 12.6 million shares of Verso common stock outstanding to New Second Lien Noteholders.
(f5)	(7,811)	Represents the reduction in the carrying value of the New Subordinated Notes for the issuance of an additional 4.0 million shares of Verso common stock outstanding to New

Subordinated Noteholders.		
(f6)	5,775	Represents the accrued interest payable as of March 31, 2014 on Old Second Lien Notes to be included in the New Second Lien Note carrying value.
(f7)	2,702	Represents the accrued interest payable as of March 31, 2014 on Old Subordinated Notes to be included in the New Subordinated Notes carrying value.

\$ 639,301

- (g) Represents the issuance of 20% of shares of Verso common stock outstanding, or 14.0 million shares with a par value of \$.01 as Accounting Consideration, the issuance of an additional 16.6 million shares of common stock in connection with the exchange of the Old Second Lien Notes and the exchange of the Old Subordinated Notes.

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(h) Represents the elimination of NewPage historical treasury stock.

(i) The following table summarizes pro forma adjustments impacting Verso's Paid-in-capital.

(i1)	\$ (572,000)	Represents the elimination of NewPage historical paid-in-capital.
(i2)	27,128	Represents the Paid-in-capital associated with the issuance of 20% of shares of Verso common stock outstanding immediately prior to the Merger, or 14.0 million shares with an estimated value of \$1.95 per share based on the closing share price of Verso common stock on June 27, 2014 and par value of \$.01.
(i3)	24,415	Represents the Paid-in-capital associated with the issuance of an additional 12.6 million shares of common stock outstanding in connection with the exchange of Old Second Lien Notes, assuming 100% participation, with a par value of \$.01 and an expected price of \$1.95 based on the closing share price of Verso Paper common stock on June 27, 2014.
(i4)	7,771	Represents the Paid-in-capital associated with the issuance of an additional 4.0 million shares of common stock outstanding in connection with the exchange of Old Subordinated Notes, assuming 100% participation, with a par value of \$.01 and an expected price of \$1.95 based on the closing share price of Verso Paper common stock on June 27, 2014.
	\$ (512,686)	

(j) The following table summarizes pro forma adjustments impacting Verso Holdings' Paid-in-capital.

(j1)	\$ (572,000)	Represents the elimination of NewPage historical paid-in-capital.
(j2)	27,268	Represents the Paid-in-capital associated with the issuance of 20% of shares of Verso common stock outstanding immediately prior to the Merger, or 14.0 million shares with an estimated value of \$1.95 per share based on the closing share price of Verso common stock on June 27, 2014 and par value of \$.01.
(j3)	24,541	Represents the Paid-in-capital associated with the issuance of an additional 12.6 million shares of common stock outstanding in connection with the exchange of Old Second Lien Notes, assuming 100% participation, with a par value of \$.01 and an expected price of \$1.95 based on the closing share price of Verso Paper common stock on June 27, 2014.
(j4)	7,811	Represents the Paid-in-capital associated with the issuance of an additional 4.0 million shares of common stock outstanding in connection with the exchange of Old Subordinated Notes, assuming 100% participation, with a par value of \$.01 and an expected price of \$1.95 based on the closing share price of Verso Paper common stock on June 27, 2014.
	\$ (512,380)	

(k) The following table summarizes pro forma adjustments impacting Retained deficit:

(k1)	\$ 73,000	Represents the elimination of NewPage historical retained deficit.
(k2)	(6,731)	Represents transaction costs associated with the exchange of Subordinated and Second Lien notes expensed as incurred excluding amounts incurred as of March 31, 2014.
(k3)	(11,687)	Represents estimated transaction costs associated with the Merger expected to be expensed as incurred. These costs were not included in the historical financial statements.

\$ 54,582

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(l) Represents the elimination of NewPage Accumulated other comprehensive income. The following adjustments have been reflected in the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2014:

- (a) Represents a reclassification adjustment to conform NewPage's presentation of depreciation, amortization, and depletion from Cost of products sold with Verso's presentation as NewPage did not report those costs separately.
- (b) The following table summarizes pro forma adjustments impacting Depreciation, amortization, and depletion:

(b1)	\$ 45,911	Represents a reclassification adjustment to conform NewPage's presentation of depreciation, amortization, and depletion from Cost of products sold and Selling, general and administrative expenses to conform with Verso's presentation as NewPage did not report those costs separately.
(b2)	1,800	Represents additional depreciation resulting from the preliminary adjustment of the NewPage property and equipment to estimated fair value as of the Merger date based on a preliminary estimated average useful life of approximately eight years and straight-line depreciation.
(b3)	(2,000)	Represents the elimination of amortization expense associated with NewPage intangible assets that were written-off as part of purchase accounting.
	\$ 45,711	

- (c) The following table summarizes pro forma adjustments impacting Selling, general and administrative expenses:

(c1)	\$ (2,732)	Represents a reclassification adjustment to conform NewPage's presentation of depreciation, amortization, and depletion from Selling, general and administrative expenses to conform with Verso's presentation as NewPage did not report those costs separately.
(c2)	(2,000)	Represents NewPage Merger related costs incurred during the three months ended March 31, 2014.
	\$ (4,732)	

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(d) The following table summarizes pro forma adjustments impacting Interest expense:

(d1)	\$ 38,443	Represents preliminary estimated additional interest expense for debt incurred in connection with the Merger based on LIBOR plus 2% for NewPage ABL borrowings of \$63.2 million and LIBOR plus 8.25% for NewPage Term loan borrowings of \$750 million calculated using the actual terms of the NewPage Term Loan Facility and NewPage ABL Facility dated February 11, 2014. Interest expense for the 11.75% for New First Lien Notes of \$650 million was calculated using the rate included in the Merger Agreement. A 1/8% increase/decrease in LIBOR would have had an impact of +/- \$0.0 million on interest expense at March 31, 2014.
(d2)	(14,200)	Represents the elimination of historical interest expense for the former and the current NewPage term loan facilities.
(d3)	(180)	Represents the elimination of historical interest expense for the former and the current NewPage ABL facility.
(d4)	(1,373)	Represents the elimination of historical interest expense for the former and the current NewPage term loan facility and the former and the current NewPage ABL facility financing costs amortization and the former and the current NewPage term loan facility discount amortization.
(d5)	(33,553)	Represents the elimination of NewPage historical interest expense for the loss on refinancing of the NewPage Term Loan Facility and ABL Facility.
(d6)	(13,173)	Represents the elimination of historical interest expense for Verso's Old Second Lien Notes and Old Subordinated Notes assuming a participation rate of 100% for both the Old Second Lien Notes and Old Subordinated Notes.
(d7)	7,745	Represents interest expense associated with the modification of the New Second Lien Notes and New Subordinated Notes in connection with the Merger in accordance with ASC 470-60, as described in note 1 of the Pro Forma Statements Description of the Transaction, assuming a participation rate of 100% for both the Old Second Lien Notes and Old Subordinated Notes.

\$ (16,291)

(e) Represents Verso Merger related costs incurred during the three months ended March 31, 2014.

(f) Represents 20% of the Verso common stock outstanding issued in connection with the Merger or 14.0 million shares and 16.6 million shares of Verso common stock outstanding issued in connection with the Exchange Offers, assuming 100% participation, less NewPage shares cancelled in the Merger of 7.1 million shares.

The following adjustments have been reflected in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2013:

(a) Represents a reclassification adjustment to conform NewPage's presentation of depreciation, amortization, and depletion from Cost of products sold with Verso's presentation as NewPage did not report those costs



separately.

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(b) The following table summarizes pro forma adjustments impacting Depreciation, amortization, and depletion:

(b1)	\$ 183,724	Represents a reclassification adjustment to conform NewPage's presentation of depreciation, amortization, and depletion from Cost of products sold and Selling, general and administrative expenses to conform with Verso's presentation as NewPage did not report those costs separately.
(b2)	7,198	Represents additional depreciation resulting from the preliminary adjustment of the NewPage property and equipment to estimated fair value as of the Merger date based on a preliminary estimated average useful life of approximately eight years and straight-line depreciation.
(b3)	(7,000)	Represents the elimination of amortization expense associated with NewPage intangible assets that were written-off as part of purchase accounting.
	\$ 183,922	

(c) The following table summarizes pro forma adjustments impacting Selling, general and administrative expenses:

(c1)	\$ (11,366)	Represents a reclassification adjustment to conform NewPage's presentation of depreciation, amortization, and depletion from Selling, general and administrative expenses to conform with Verso's presentation as NewPage did not report those costs separately.
(c2)	(8,000)	Represents NewPage Merger related costs incurred during the year ended December 31, 2013.
	\$ (19,366)	

(d) The following table summarizes pro forma adjustments impacting Interest expense:

(d1)	\$ 153,645	Represents preliminary estimated additional interest expense for debt incurred in connection with the Merger based on LIBOR plus 2% for NewPage ABL borrowings of \$63.2 million and LIBOR plus 8.25% for NewPage Term loan borrowings of \$750 million calculated using the actual terms of the NewPage Term Loan Facility and NewPage ABL Facility dated February 11, 2014. Interest expense for the 11.75% for New First Lien Notes of \$650 million was calculated using the rate included in the Merger Agreement. A 1/8% increase/decrease in LIBOR would have had an impact of +/- \$0.0 million on interest expense at December 31, 2013.
(d2)	(39,642)	Represents the elimination of historical interest expense for former NewPage term loan facility.
(d3)	(2,603)	Represents the elimination of historical interest expense for former NewPage ABL facility.

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(d4)	(5,790)	Represents the elimination of historical interest expense for former NewPage term loan facility and former NewPage ABL facility financing costs amortization and former NewPage term loan facility discount amortization.
(d5)	(52,601)	Represents the elimination of historical interest expense for Verso's Old Second Lien Notes and Old Subordinated Notes assuming a participation rate of 100% for both the Old Second Lien Notes and Old Subordinated Notes.
(d6)	31,225	Represents interest expense associated with the modification of the New Second Lien Notes and New Subordinated Notes in connection with the Merger in accordance with ASC 470-60, as described in note 1 of the Pro Forma Statements Description of the Transaction, assuming a participation rate of 100% for both the Old Second Lien Notes and Old Subordinated Notes.
	\$ 84,234	

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- (e) Represents Verso Merger related costs incurred during the year ended December 31, 2013.
- (f) Represents 20% of the Verso common stock outstanding issued in connection with the Merger or 14.0 million shares and 16.6 million shares of Verso common stock outstanding issued in connection with the Exchange Offers, assuming 100% participation, less NewPage shares cancelled in the Merger of 7.1 million shares.

**4. Preliminary Purchase Price Allocation**

The allocation of the preliminary purchase price to the fair values of assets to be acquired and liabilities to be assumed in the Merger includes unaudited pro forma adjustments to reflect the expected fair values of NewPage's assets and liabilities at the completion of the Merger. The allocation of the preliminary purchase price is as follows (in thousands):

Current assets	\$ 799,000
Property and equipment	1,237,019
Other long-term assets	35,111
Current liabilities	(347,062)
Other long-term liabilities	(293,800)
Long-term debt	(753,000)
 Net assets acquired	 \$ 677,268

The preliminary purchase price allocation for NewPage is subject to revision as more detailed analysis is completed and additional information on the fair values of NewPage's assets and liabilities becomes available and as pre-Merger contingencies are identified, and Merger related costs, etc. are finalized. The preliminary purchase price allocation was based on Verso's historical experience, data that was available through the public domain and Verso's due diligence review of NewPage's business. We did not identify a material amount of goodwill or other intangible assets as a result of the preliminary purchase price allocation. However, as additional information is obtained and the Accounting Consideration is finalized, goodwill and other intangible assets may be identified and the final purchase price allocation may differ materially from the allocation presented here.

The accompanying Pro Forma Statements do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies, or any revenue, tax, or other synergies expected to result from the Merger. In addition, the Merger is not expected to result in a taxable transaction and Verso has net operating loss carryforwards and a related full valuation allowance that are expected to offset any deferred tax impact of the Merger. Therefore no deferred taxes have been established as a result of the purchase price allocation.

Verso has made preliminary allocation estimates based on limited access to information and will not have sufficient information to make final allocations until after completion of the Merger. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after completion of the Merger. Verso anticipates that the valuations of the acquired assets and liabilities will include, but not be limited to, fixed assets, goodwill, and other potential intangible assets. The valuations will consist of physical appraisals, discounted cash flow analyses, or other appropriate valuation techniques to determine the fair value of the assets acquired and liabilities assumed.

The final Accounting Consideration, and amounts allocated to assets acquired and liabilities assumed in the Merger, could differ materially from the preliminary amounts presented in these Statements. In addition, if the value of the acquired assets is higher than the preliminary indication, it may result in higher amortization and depreciation expense than is presented in these statements. See Note 3 for the effects of changes in estimated fair value of property and equipment to be acquired in the Merger on the calculation of pro forma depreciation and amortization expense.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations includes statements regarding the industry outlook and our expectations regarding the performance of our business. These non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Risk Factors. Our actual results may differ materially from those contained in or implied by any forward-looking statements. The discussion and analysis should be read in conjunction with the Risk Factors and financial statements and notes thereto included elsewhere in this joint proxy and information statement/prospectus. Unless otherwise noted, the information provided pertains to both Verso and Verso Holdings. All assets, liabilities, income, expenses and cash flows presented for all periods represent those of Verso's indirect, wholly owned subsidiary, Verso Holdings, in all material respects, except for Verso's common stock transactions, Verso Finance's debt obligation and related financing costs and interest expense, Verso Holdings' loan to Verso Finance, and the debt obligation of Verso Holdings' consolidated variable interest entity to Verso Finance. For the purpose of this section, references to we, us, and our refer collectively to Verso and Verso Holdings.

**Overview**

We are a leading North American supplier of coated papers to catalog and magazine publishers. Coated paper is used primarily in media and marketing applications, including catalogs, magazines, and commercial printing applications, such as high-end advertising brochures, annual reports, and direct mail advertising. We are one of North America's largest producers of coated groundwood paper which is used primarily for catalogs and magazines. We are also a low cost producer of coated freesheet paper which is used primarily for annual reports, brochures, and magazine covers. We also produce and sell market kraft pulp which is used to manufacture printing and writing paper grades and tissue products.

**Background**

We began operations on August 1, 2006, when we acquired the assets and certain liabilities comprising the business of the Coated and Supercalendered Papers Division of International Paper Company, or International Paper. We were formed by affiliates of Apollo Global Management, LLC, or Apollo for the purpose of consummating the acquisition from International Paper. Verso went public on May 14, 2008, with an initial public offering, or IPO, of 14 million shares of common stock.

**Selected Factors Affecting Operating Results**

*Net Sales*

Our sales, which we report net of rebates, allowances, and discounts, are a function of the number of tons of paper that we sell and the price at which we sell our paper. The coated paper industry is cyclical, which results in changes in both volume and price. Paper prices historically have been a function of macro-economic factors which influence supply and demand. Price has historically been substantially more variable than volume and can change significantly over relatively short time periods. In 2013, while our coated paper prices declined slightly, prices for our pulp and specialty papers were higher. Prices may not improve significantly in 2014, and we do not expect prices in 2014 to return to the levels they were at in 2008 before they declined.

We are primarily focused on serving two end-user segments: catalogs and magazines. In 2013, we believe we were a leading North American supplier of coated papers to catalog and magazine publishers. Coated paper demand is primarily driven by advertising and print media usage. Advertising spending and magazine and catalog circulation tend to correlate with changes in the GDP of the United States — they rise with a strong economy and contract with a weak economy.

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Many of our customers provide us with forecasts of their paper needs, which allows us to plan our production runs in advance, optimizing production over our integrated mill system and thereby reducing costs and increasing overall efficiency. Generally, our sales agreements do not extend beyond the calendar year. Typically, our sales agreements provide for semiannual price adjustments based on market price movements.

We reach our end-users through several channels, including printers, brokers, paper merchants, and direct sales to end-users. We sell and market our products to approximately 130 customers which comprise approximately 700 end-user accounts. In 2013, Quad/Graphics, Inc. and Central National-Gottesman, Inc. accounted for approximately 12% and 10% of our net sales, respectively.

Our historical results include specialty papers that we manufacture for Expera Specialty Solutions, LLC (formerly named Thilmány, LLC), or Expera, on paper machine no. 5 at the Androscoggin mill. Under a long-term supply agreement entered into in 2005 in connection with International Paper's sale of its Industrial Papers business to Expera, these products are sold to Expera at a variable charge for the paper purchased and a fixed charge for the availability of the machine. The amounts included in our net sales for the specialty papers sold to Expera totaled \$43.0 million, \$42.0 million, and \$39.5 million, in 2013, 2012, and 2011, respectively.

### *Cost of Products Sold*

The principal components of our cost of sales are chemicals, wood, energy, labor, and maintenance. Costs for commodities, including chemicals, wood, and energy, are the most variable component of our cost of sales because their prices can fluctuate substantially, sometimes within a relatively short period of time. In addition, our aggregate commodity purchases fluctuate based on the volume of paper that we produce.

*Chemicals.* Chemicals utilized in the manufacturing of coated papers include latex, clay, starch, calcium carbonate, caustic soda, sodium chlorate, and titanium dioxide. We purchase these chemicals from a variety of suppliers and are not dependent on any single supplier to satisfy our chemical needs. We expect imbalances in supply and demand to periodically create volatility in prices for certain chemicals.

*Wood.* Our costs to purchase wood are affected directly by market costs of wood in our regional markets and indirectly by the effect of higher fuel costs on logging and transportation of timber to our facilities. While we have in place fiber supply agreements that ensure a substantial portion of our wood requirements, purchases under these agreements are typically at market rates.

*Energy.* We produce approximately 53% of our energy needs for our paper mills from sources such as waste wood, waste water, hydroelectric facilities, liquid biomass from our pulping process, and internal energy cogeneration facilities. Our external energy purchases vary across each of our mills and include fuel oil, natural gas, coal, and electricity. While our internal energy production capacity and ability to switch between certain energy sources mitigates the volatility of our overall energy expenditures, we expect prices for energy to remain volatile for the foreseeable future. We utilize derivative contracts as part of our risk management strategy to manage our exposure to market fluctuations in energy prices. At the end of 2011, we completed a \$45 million renewable energy project at our mill in Quinnesec, Michigan that is exceeding expectations for efficiency and cost savings. In November 2012, we completed and commercialized a \$42 million renewable energy project at our mill in Bucksport, Maine.

*Labor.* Labor costs include wages, salary, and benefit expenses attributable to our mill personnel. Mill employees at a non-managerial level are compensated on an hourly basis. Management employees at our mills are compensated on a salaried basis. Wages, salary, and benefit expenses included in cost of sales do not vary significantly over the short term. In addition, we have not experienced significant labor shortages.



*Maintenance.* Maintenance expense includes day-to-day maintenance, equipment repairs, and larger maintenance projects, such as paper machine shutdowns for periodic maintenance. Day-to-day maintenance

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expenses have not varied significantly from year-to-year. Larger maintenance projects and equipment expenses can produce year-to-year fluctuations in our maintenance expenses. In conjunction with our periodic maintenance shutdowns, we have incidental incremental costs that are primarily comprised of unabsorbed fixed costs from lower production volumes and other incremental costs for purchased materials and energy that would otherwise be produced as part of the normal operation of our mills.

*Depreciation, Amortization, and Depletion.* Depreciation, amortization, and depletion expense represents the periodic charge to earnings through which the cost of tangible assets, intangible assets, and natural resources are recognized over the asset's life. Capital investments can increase our asset bases and produce year-to-year fluctuations in expense.

### *Selling, General, and Administrative Expenses*

The principal components of our selling, general, and administrative expenses are wages, salaries, and benefits for our office personnel at our headquarters and our sales force, travel and entertainment expenses, advertising expenses, expenses relating to certain information technology systems, and research and development expenses.

## **Critical Accounting Policies**

Our accounting policies are fundamental to understanding management's discussion and analysis of financial condition and results of operations. Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and follow general practices within the industry in which we operate. The preparation of the financial statements requires management to make certain judgments and assumptions in determining accounting estimates. Accounting estimates are considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and different estimates reasonably could have been used in the current period, or changes in the accounting estimate are reasonably likely to occur from period to period, that would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

Management believes the following critical accounting policies are both important to the portrayal of our financial condition and results of operations and require subjective or complex judgments. These judgments about critical accounting estimates are based on information available to us as of the date of the financial statements.

Accounting standards whose application may have a significant effect on the reported results of operations and financial position, and that can require judgments by management that affect their application, include the following: Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 450, *Contingencies*, ASC Topic 360, *Property, Plant, and Equipment*, ASC Topic 350, *Intangibles Goodwill and Other*, and ASC Topic 715, *Compensation Retirement Benefits*.

*Impairment of long-lived assets and goodwill.* Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use.

In 2012, based on a comprehensive assessment of the damage resulting from the fire and explosion at our paper mill in Sartell, Minnesota, we decided to permanently close the mill and recorded a fixed asset impairment charge of \$66.5 million, which was included in Restructuring charges on our accompanying consolidated statements of operations. The impairment charge was calculated based on the excess of carrying value over the estimated fair value of the site, which was estimated based on preliminary negotiations with potential buyers received subsequent to our decision to shut down the mill.



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Goodwill and other intangible assets are accounted for in accordance with ASC Topic 350. Intangible assets primarily consist of trademarks, customer-related intangible assets and patents obtained through business acquisitions. We have identified the following trademarks as intangible assets with an indefinite life: Influence<sup>®</sup>, Liberty<sup>®</sup>, and Advocate<sup>®</sup>. We assess goodwill and indefinite-lived intangible assets at least annually for impairment or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

Trademarks are evaluated by comparing their fair value to their carrying values. During 2013, as a result of our annual impairment testing, we recognized an impairment charge of \$1.6 million, which is included in Cost of products sold on our accompanying consolidated statements of operations. During 2012, as a result of a reduction in production capacity from the closure of the Sartell mill, we recognized a trademarks impairment charge of \$3.7 million, which was included in Restructuring charges on our accompanying consolidated statements of operations.

Goodwill was evaluated at the reporting unit level and was previously allocated to the Coated segment. We tested goodwill for impairment by applying a two-step test. The first step was to compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit was less than its carrying amount, goodwill was considered impaired and the loss was measured by performing step two, which involved using a hypothetical purchase price allocation to determine the implied fair value of the goodwill and comparing it to the carrying value of the goodwill. For reporting units with zero or negative carrying amounts, step two was required if it was more likely than not that a goodwill impairment existed. An impairment loss was recognized to the extent the implied fair value of the goodwill was less than the carrying amount of the goodwill.

During 2011, based on a combination of factors, including the difficult market conditions that resulted in a decline in customer demand and excess capacity in the coated paper markets and high raw material, energy and distribution costs that have challenged the profitability of our products, Verso Paper recognized a goodwill impairment charge of \$18.7 million and Verso Holdings recognized a goodwill impairment charge of \$10.5 million. We had no goodwill remaining as of December 31, 2011.

Management believes that the accounting estimates associated with determining fair value as part of an impairment analysis are critical accounting estimates because estimates and assumptions are made about our future performance and cash flows. The estimated fair value is generally determined on the basis of discounted future cash flows. We also consider a market-based approach and a combination of both. While management uses the best information available to estimate future performance and cash flows, future adjustments to management's projections may be necessary if economic conditions differ substantially from the assumptions used in making the estimates.

*Pension benefit obligations.* We offer various pension plans to employees. The calculation of the obligations and related expenses under these plans requires the use of actuarial valuation methods and assumptions, including the expected long-term rate of return on plan assets, discount rates, and mortality rates. Actuarial valuations and assumptions used in the determination of future values of plan assets and liabilities are subject to management judgment and may differ significantly if different assumptions are used.

*Contingent liabilities.* A liability is contingent if the outcome or amount is not presently known, but may become known in the future as a result of the occurrence of some uncertain future event. We estimate our contingent liabilities based on management's estimates about the probability of outcomes and their ability to estimate the range of exposure. Accounting standards require that a liability be recorded if management determines that it is probable that a loss has occurred and the loss can be reasonably estimated. In addition, it must be probable that the loss will be confirmed by some future event. As part of the estimation process, management is required to make assumptions about matters that are by their nature highly uncertain.

The assessment of contingent liabilities, including legal contingencies, asset retirement obligations and environmental costs and obligations, involves the use of critical estimates, assumptions, and judgments.

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Management's estimates are based on their belief that future events will validate the current assumptions regarding the ultimate outcome of these exposures. However, there can be no assurance that future events will not differ from management's assessments.

### **Recent Accounting Developments**

**ASC Topic 405, Obligations from Joint and Several Liability Arrangements.** In February 2013, the FASB issued Accounting Standards Update, or ASU, 2013-04, Liabilities (Topic 405), *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date*. This ASU defines how entities measure obligations from joint and several liability arrangements which are fixed at the reporting date and for which no U.S. GAAP guidance exists. The guidance also requires entities to disclose the nature, amount and other information about those obligations. The ASU was effective for periods beginning after December 15, 2013. Retrospective presentation for all comparative periods presented is required. The adoption of this amendment in the first quarter of 2014, did not have a material impact on the presentation of our consolidated financial statements.

Other new accounting pronouncements issued but not effective until after March 31, 2014, are not expected to have a significant effect on our consolidated financial statements.

### **Financial Overview**

Our net sales for the first quarter of 2014 decreased \$34.1 million, or 10.2%, compared to the first quarter of 2013, reflecting a 1.9% decrease in average sales price per ton and an 8.5% decline in total sales volume. Prices for our pulp segment were higher while coated and other segment prices declined. Volumes and operating costs were negatively impacted by significant downtime taken during the quarter, weather-related increases to energy, wood, and operating costs as well as a planned capital spending related outage at our Androscoggin mill.

In 2013, net sales decreased 5.8%, or \$85.7 million, as sales volume decreased 6.1% compared to 2012, which was driven by the closure of the former Sartell mill in the third quarter of 2012. The average sales price for all of our products remained flat in 2013 compared to 2012. Our gross margin was 15.1% in 2013 compared to 13.7% in 2012, reflecting lower input prices, including the effects of energy hedge benefits.

Verso's Adjusted EBITDA (before the pro forma effects of the profitability program) was \$129.5 million in 2013 compared to \$140.1 million in 2012. (Note: Adjusted EBITDA is a non-GAAP financial measure and is defined and reconciled to cash flows from operating activities later in this report). EBITDA adjustments (excluding the pro forma effect of the profitability program) of \$1.2 million in 2013 consisted primarily of \$14.3 million of unrealized gains on energy-related derivative contracts offset by \$5.2 million of costs incurred in connection with the Merger and \$2.8 million of costs related to our debt refinancing. EBITDA adjustments (excluding the pro forma effect of the profitability program) of \$61.7 million in 2012 included restructuring charges of \$102.4 million, net losses of \$8.2 million related to the early retirement of debt in connection with our debt refinancing, and \$52.6 million of gains from insurance settlement due to the fire and explosion at our former Sartell mill.

In 2013, Verso reported a net loss of \$111.2 million, or \$2.09 per diluted share, and operating income of \$33.9 million. Impacting the results for 2013 were losses related to debt refinancing, and gains from the sales of the former Sartell mill and the assets of Verso Fiber Farm LLC, or Fiber Farm. In 2012, Verso Paper reported a net loss of \$173.8 million, or \$3.29 per diluted share, and operating loss of \$32.4 million. Impacting the results for 2012 were the restructuring costs associated with the closure of our former Sartell mill, losses related to debt refinancing, and gains from insurance settlement due to the fire and explosion at our Sartell mill.

We continued to focus on improving our capital structure in 2013. On January 31, 2013, Verso Holdings issued an additional \$72.9 million aggregate principal amount of its 11.75% Senior Secured Notes due 2019 to certain lenders holding approximately \$85.8 million aggregate principal amount of Verso Finance's Senior

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Unsecured Term Loans, and net accrued interest through the closing date, in exchange for the assignment to Verso Finance of its Senior Unsecured Term Loans and the cancellation of such loans. There are no longer any outstanding Senior Unsecured Term Loans.

**Results of Operations**

The following tables set forth certain consolidated financial information of Verso and Verso Holdings for the periods indicated below. The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto included elsewhere in this joint proxy and information statement/prospectus.

<u>(Dollars in thousands)</u>	<b>VERSO</b>		<b>VERSO HOLDINGS</b>	
	<b>Three Months Ended March 31,</b>		<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net sales	\$ 299,113	\$ 333,220	\$ 299,113	\$ 333,220
Costs and expenses:				
Cost of products sold (exclusive of depreciation, amortization, and depletion)	302,377	291,859	302,377	291,859
Depreciation, amortization, and depletion	25,683	25,980	25,683	25,980
Selling, general, and administrative expenses	17,592	18,796	17,592	18,796
Restructuring charges		1,016		1,016
<b>Total operating expenses</b>	<b>345,652</b>	<b>337,651</b>	<b>345,652</b>	<b>337,651</b>
Other operating income		(3,285)		(3,285)
<b>Operating loss</b>	<b>(46,539)</b>	<b>(1,146)</b>	<b>(46,539)</b>	<b>(1,146)</b>
Interest income		(9)	(379)	(388)
Interest expense	34,477	34,660	34,856	34,439
Other loss, net	9,585	2,572	9,585	2,572
<b>Loss before income taxes</b>	<b>(90,601)</b>	<b>(38,369)</b>	<b>(90,601)</b>	<b>(37,769)</b>
Income tax expense	9	9		
<b>Net loss</b>	<b>\$ (90,610)</b>	<b>\$ (38,378)</b>	<b>\$ (90,601)</b>	<b>\$ (37,769)</b>

**First Quarter of 2014 Compared to First Quarter of 2013**

*Net Sales.* Net sales for the first quarter of 2014 decreased 10.2% to \$299.1 million from \$333.2 million in the first quarter of 2013, reflecting a 1.9% decrease in average sales price per ton and an 8.5% decline in total sales volume.

Net sales for our coated papers segment decreased 12.9% in the first quarter of 2014 to \$218.3 million from \$250.5 million for the same period in 2013, due to an 8.7% decrease in paper sales volume and a 4.6% decline in average sales price per ton. The decline in sales volume and price were driven by declining demand for coated papers,



increased competition from the global marketplace, and lower production due to record-level energy costs.

Net sales for our market pulp segment decreased 2.7% in the first quarter of 2014 to \$36.2 million from \$37.2 million for the same period in 2013. The sales volume declined 14.1% while the average sales price per ton increased 13.3% compared to the first quarter of 2013.

Net sales for our other segment decreased 1.9% to \$44.6 million in first quarter of 2014 from \$45.5 million in the first quarter of 2013. This decrease was driven by a 3.2% decrease in average sales price per ton partially offset by a 1.4% increase in sales volume.

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*Cost of sales.* Cost of sales, including depreciation, amortization, and depletion, was \$328.0 million in the first quarter of 2014 compared to \$317.8 million in 2013, reflecting the negative impact of over 38,000 tons of downtime related to market conditions and energy-related curtailments as well as decreased productivity associated with a planned capital spending related outage at our Androscoggin mill. Our cost of sales was also unfavorably affected by elevated energy and operating costs driven by severe winter weather conditions. Our gross margin, excluding depreciation, amortization, and depletion, was (1.1)% for the first quarter of 2014 compared to 12.4% for the first quarter of 2013. Our gross margin was also negatively impacted by approximately 38,000 tons of market-related downtime in the first quarter of 2014. Depreciation, amortization, and depletion expenses were \$25.7 million for the first quarter of 2014 compared to \$26.0 million for the first quarter of 2013.

*Selling, general, and administrative.* Selling, general, and administrative expenses were \$17.6 million in the first quarter of 2014 compared to \$18.8 million for the first quarter of 2013.

*Restructuring charges.* Restructuring charges for the first quarter of 2013 were \$1.0 million and related to the closure of the former Sartell mill.

*Other operating income.* Other operating income in first quarter of 2013 was \$3.3 million and consisted of the gains on the sales of our former Sartell mill and the Fiber Farm assets.

*Interest expense.* Verso's interest expense for the first quarter of 2014 was \$34.5 million compared to \$34.7 million for the same period in 2013. Verso Holdings' interest expense was \$34.9 million for the first quarter of 2014 compared to \$34.4 million for the same period in 2013.

*Other loss, net.* Other loss, net for the first quarter of 2014 was \$9.6 million and reflected costs incurred in connection with the NewPage acquisition. Other loss, net of \$2.6 million for the same period in 2013 reflected losses related to debt refinancing.

(Dollars in thousands)	VERSO			VERSO HOLDINGS		
	Year Ended December 31,			Year Ended December 31,		
	2013	2012	2011	2013	2012	2011
<b>Net sales</b>	<b>\$ 1,388,899</b>	\$ 1,474,612	\$ 1,722,489	<b>\$ 1,388,899</b>	\$ 1,474,612	\$ 1,722,489
<b>Costs and expenses:</b>						
Cost of products sold (exclusive of depreciation, amortization, and depletion)	<b>1,179,085</b>	1,272,630	1,460,290	<b>1,179,085</b>	1,272,630	1,460,290
Depreciation, amortization, and depletion	<b>104,730</b>	118,178	125,295	<b>104,730</b>	118,178	125,295
Selling, general, and administrative expenses	<b>73,777</b>	74,415	78,059	<b>73,777</b>	74,364	78,007
Goodwill impairment			18,695			10,551
Restructuring charges	<b>1,378</b>	102,404	24,464	<b>1,378</b>	102,404	24,464
Total operating expenses	<b>1,358,970</b>	1,567,627	1,706,803	<b>1,358,970</b>	1,567,576	1,698,607
Other operating income	<b>(3,971)</b>	(60,594)		<b>(3,971)</b>	(60,594)	

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<b>Operating income (loss)</b>	<b>33,900</b>	(32,421)	15,686	<b>33,900</b>	(32,370)	23,882
Interest income	(25)	(8)	(99)	<b>(1,539)</b>	(1,523)	(1,614)
Interest expense	<b>137,728</b>	135,461	126,607	<b>138,626</b>	127,943	122,213
Other loss, net	<b>7,965</b>	7,379	26,042	<b>7,965</b>	7,380	25,812
<b>Loss before income taxes</b>	<b>(111,768)</b>	(175,253)	(136,864)	<b>(111,152)</b>	(166,170)	(122,529)
Income tax (benefit) expense	<b>(562)</b>	(1,424)	197			
<b>Net loss</b>	<b>\$ (111,206)</b>	\$ (173,829)	\$ (137,061)	<b>\$ (111,152)</b>	\$ (166,170)	\$ (122,529)

**2013 Compared to 2012**

*Net Sales.* Net sales for 2013 decreased 5.8% to \$1,388.9 million from \$1,474.6 million in 2012, due to a 6.1% decline in total sales volume, and the average sales price for all of our products remained flat in 2013 compared to 2012.

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Net sales for our coated papers segment decreased 9.7% to \$1,062.6 million in 2013 from \$1,177.1 million in 2012, due to an 8.3% decline in paper sales volume, which was driven by the closure of the former Sartell mill in the third quarter of 2012. The average sales price per ton of coated paper decreased 1.5% compared to last year.

Net sales for our market pulp segment increased 10.9% in 2013 to \$156.1 million from \$140.8 million in 2012. The sales volume decreased 0.5% while the average sales price per ton increased 11.4% compared to 2012.

Net sales for our other segment increased 8.6% to \$170.2 million in 2013 from \$156.7 million in 2012. This increase was driven by a 5.3% increase in sales price and a 3.2% increase in sales volume.

*Cost of sales.* Cost of sales, including depreciation, amortization, and depletion, was \$1,283.8 million in 2013 compared to \$1,390.8 million in 2012, reflecting the closure of the former Sartell mill in the third quarter of 2012. Our gross margin, excluding depreciation, amortization, and depletion, was 15.1% for 2013 compared to 13.7% for 2012, reflecting lower input prices, including the effects of energy hedge benefits. Depreciation, amortization, and depletion expenses were \$104.7 million for 2013 compared to \$118.2 million for 2012.

*Selling, general, and administrative.* Selling, general, and administrative expenses were \$73.8 million in 2013 compared to \$74.4 million in 2012.

*Restructuring charges.* Restructuring charges in 2013 were \$1.4 million, and consisted primarily of facility operations and personnel costs for the Sartell mill site through the date of sale. Restructuring charges for 2012 were \$102.4 million, and consisted primarily of fixed asset and other impairment charges of \$77.1 million and severance and benefit costs of \$19.4 million related to the closure of the former Sartell mill.

*Other operating income.* Other operating income in 2013 was \$4.0 million and consisted of the gains on the sales of our former Sartell mill and Fiber Farm assets. Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of \$60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at our Sartell mill.

*Interest expense.* Verso's interest expense for 2013 was \$137.8 million compared to \$135.4 million in 2012. Verso Holdings' interest expense was \$138.7 million in 2013 compared to \$127.9 million in 2012.

*Other loss, net.* Other loss, net was \$7.9 million for 2013, and reflected costs incurred in connection with the Merger Agreement and losses related to debt refinancing. Other loss, net was \$7.4 million in 2012, which represented losses related to debt refinancing.

*Income tax (benefit) expense.* Income tax benefit of \$0.6 million and \$1.4 million for 2013 and 2012, respectively, resulted from reductions in the deferred tax liability related to the non-cash trademark impairment charge taken in the years presented.

## ***2012 Compared to 2011***

*Net sales.* Net sales for 2012 decreased 14.4% to \$1,474.6 million from \$1,722.5 million in 2011, which reflected an 11.1% decrease in total sales volume, which was driven by the shutdown of three paper machines in late 2011 and the closure of the former Sartell mill in the third quarter of 2012. Additionally, the average sales price for all of our products decreased 3.7%, led by a decline in the price of pulp.

Net sales for our coated papers segment decreased 17.0% to \$1,177.1 million in 2012, from \$1,418.8 million in 2011. This change reflected a 15.3% decrease in paper sales volume, which was driven by the shutdown of three paper machines in late 2011 and the closure of the former Sartell mill in the third quarter of 2012. The average sales price per ton of coated paper decreased 2.1% compared to the prior year.

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Net sales for our market pulp segment decreased 6.2% to \$140.8 million in 2012, from \$150.1 million in 2011. This decrease was due to a 10.7% decline in the average sales price per ton while sales volume increased 5.0% compared to 2011.

Net sales for our other segment increased 2.1% to \$156.7 million in 2012, from \$153.6 million in 2011. The improvement in 2012 was due to a 4.2% increase in sales volume, reflecting the continued development of new paper product offerings for our customers. The average sales price per ton decreased 2.0% compared to 2011.

*Cost of sales.* Cost of sales, including depreciation, amortization, and depletion, was \$1,390.8 million in 2012, compared to \$1,585.6 million in 2011, and reflected realized cost reductions from the shutdown of three paper machines in late 2011 and the closure of the former Sartell mill in the third quarter of 2012. Our gross margin, excluding depreciation, amortization, and depletion, was 13.7% for 2012, compared to 15.2% for 2011, which reflected lower average sales prices during 2012. Depreciation, amortization, and depletion expenses were \$118.2 million for 2012, compared to \$125.3 million for 2011.

*Selling, general, and administrative.* Selling, general, and administrative expenses were \$74.4 million in 2012, compared to \$78.0 million in 2011.

*Restructuring charges.* Restructuring charges for 2012 were \$102.4 million, and consisted primarily of fixed asset and other impairment charges of \$77.1 million and severance and benefit costs of \$19.4 million related to the closure of the former Sartell mill. Restructuring charges of \$24.5 million in 2011 reflected the permanent shut down of the No. 2 coated groundwood paper machine at our mill in Bucksport, Maine, and two supercalendered paper machines at our former mill in Sartell, Minnesota.

*Other operating income.* Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of \$60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at our former Sartell mill.

*Interest expense.* Verso's interest expense for 2012 was \$135.4 million, compared to \$126.6 million for 2011. Verso Holdings' interest expense for 2012, was \$127.9 million compared to \$122.2 million for 2011.

*Other loss, net.* Verso's other loss, net for 2012 was \$7.4 million, compared to a net loss of \$26.1 million for 2011. Verso Holdings' other loss, net for 2012 was \$7.4 million, compared to a net loss of \$25.8 million for 2011. Included in the results for 2012 and 2011 were losses of \$8.2 million and \$26.1 million, respectively, related to the early retirement of debt in connection with debt refinancing.

*Income tax (benefit) expense.* Income tax benefit for 2012 of \$1.4 million resulted from a reduction in the deferred tax liability related to the non-cash trademark impairment charge that was taken as a result of a reduction in production capacity from the closure of the Sartell mill.

## **Seasonality**

We are exposed to fluctuations in quarterly net sales volumes and expenses due to seasonal factors. These seasonal factors are common in the coated paper industry. Typically, the first two quarters are our slowest quarters due to lower demand for coated paper during this period. Our third quarter is generally our strongest quarter, reflecting an increase in printing related to end-of-year magazines, increased end-of-year direct mailings, and holiday season catalogs. Our working capital and accounts receivable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the third quarter season. We expect our seasonality trends to continue for the

foreseeable future.

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We rely primarily upon cash flow from operations and borrowings under our revolving credit facilities to finance operations, capital expenditures, and fluctuations in debt service requirements. As of March 31, 2014, \$44.4 million was available for future borrowing under our revolving credit facilities. We believe that our ability to manage cash flow and working capital levels, particularly inventory and accounts payable, will allow us to meet our current and future obligations, pay scheduled principal and interest payments, and provide funds for working capital, capital expenditures, and other needs of the business for at least the next twelve months. The ability to achieve our future projected operating results is based on a number of assumptions which involve significant judgment and estimates, and no assurance can be given that we will be able to generate sufficient cash flows from operations or that future borrowings will be available under our revolving credit facilities in an amount sufficient to fund our liquidity needs. If we are unable to meet our projected performance targets, our liquidity could be adversely impacted and we may need to seek additional sources of liquidity. Our future performance could adversely affect our ability to raise additional capital to fund our operations, and there is no assurance that financing will be available in a sufficient amount, on acceptable terms, or on a timely basis.

On May 5, 2014, acting through our wholly owned subsidiary, Verso Androscoggin Power LLC, or VAP, we entered into a credit agreement providing for a \$40 million revolving credit facility with Barclays Bank PLC and Credit Suisse AG, Cayman Islands Branch. Borrowings thereunder may be used (a) to provide cash dividends and other cash distributions to VAP's sole member, Verso Maine Power Holdings LLC, or VMPH, and our other subsidiaries, (b) for ongoing working capital for VAP, and (c) for other general corporate purposes. Borrowings under the credit facility will bear interest at a rate equal to an applicable margin plus, at the option of VAP, either (a) a base rate determined by reference to the highest of the U.S. federal funds rate plus 0.50%, the prime rate of the administrative agent, and the adjusted LIBOR for a one-month interest period plus 1.00%, or (b) a eurocurrency rate, or LIBOR, determined by reference to the cost of funds for eurocurrency deposits in dollars in the London interbank market for the interest period relevant to such borrowing adjusted for certain additional costs. Prior to November 5, 2014, the applicable margin for advances under the credit facility is 2.00% for base rate advances and 3.00% for LIBOR advances. On and after November 5, 2014, the applicable margin for advances under the credit facility will be 3.00% for base rate advances and 4.00% for LIBOR advances. The credit facility will mature on the earliest to occur of (a) May 5, 2015, (b) the date that is 30 days after the consummation of the Merger, and (c) the date that is 60 days after the termination of the Merger Agreement or the abandonment of the Merger; however, upon written notice by VAP to the administrative agent, VAP may request that the commitments under the credit facility be converted to extend the maturity date for consenting lenders. The debt outstanding under the credit facility is secured by substantially all of VAP's assets, which consist principally of four hydroelectric facilities associated with our Androscoggin mill and related electricity transmission equipment. VMPH will guarantee the payment of the debt outstanding under the credit facility, and its guaranty will be secured by a pledge of its equity interest in VAP.

As we focus on managing our expenses and cash flows, we continue to assess and implement, as appropriate, various earnings enhancement and expense reduction initiatives. Management has developed a company-wide cost reduction program and expects to yield approximately \$37 million of additional cost reductions, of which approximately \$30 million are expected to be realized in the remainder of 2014 and the remaining \$7 million are expected to be realized in 2015. We continue to search for and develop additional cost saving measures; however, no assurance can be given that the anticipated benefits we project will be realized as expected or at all. In addition, we continue to evaluate selling non-strategic assets in the future to obtain additional liquidity.



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Verso s and Verso Holdings' cash flows from operating, investing and financing activities, as reflected in the accompanying condensed consolidated statements of cash flows, are summarized in the following tables.

(Dollars in thousands)	VERSO Three Months Ended March 31,		VERSO HOLDINGS Three Months Ended March 31,	
	2014	2013	2014	2013
Net cash provided by (used in):				
Operating activities	\$ (96,284)	\$ (83,248)	\$ (96,282)	\$ (83,095)
Investing activities	(8,796)	32,943	(8,796)	32,943
Financing activities	98,027	1,477	98,080	1,324
Net change in cash and cash equivalents	\$ (7,053)	\$ (48,828)	\$ (6,998)	\$ (48,828)

(Dollars in thousands)	VERSO Year Ended December 31,			VERSO HOLDINGS Year Ended December 31,		
	2013	2012	2011	2013	2012	2011
Net cash (used in) provided by:						
Operating activities	\$ (27,732)	\$ 12,008	\$ 14,511	\$ (27,462)	\$ 11,302	\$ 14,562
Investing activities	(13,755)	(7,069)	(66,205)	(13,755)	(7,069)	(66,205)
Financing activities	(8,743)	(38,283)	(6,217)	(9,013)	(37,558)	(6,268)
Net change in cash and cash equivalents	\$ (50,230)	\$ (33,344)	\$ (57,911)	\$ (50,230)	\$ (33,325)	\$ (57,911)

*Operating activities.* In the first quarter of 2014, Verso s net cash used in operating activities of \$96.3 million reflects a net loss of \$90.6 million adjusted for non-cash depreciation, amortization, and accretion of \$27.2 million and an increase in working capital of \$47.4 million. The change in working capital reflects seasonal increases in inventory and a decrease in accrued liabilities primarily attributable to the scheduled semi-annual interest payments during the quarter.

In the first quarter of 2013, Verso s net cash used in operating activities of \$83.2 million reflected a net loss of \$38.4 million adjusted for non-cash depreciation, amortization, depletion and accretion of \$27.5 million and an increase in working capital of \$68.2 million. The change in working capital reflected a seasonal increase in inventory and a decrease in accrued liabilities reflecting interest payments made during the quarter.

In 2013, Verso s net cash used in operating activities of \$27.7 million reflects a net loss of \$111.2 million adjusted for non-cash depreciation, amortization, and accretion of \$110.7 million and an increase in cash used by changes in working capital of \$26.2 million. The change in working capital reflects increases in inventory and accounts receivable and decreases in accounts payable.

Verso s net cash provided by operating activities of \$12.0 million in 2012 reflected a net loss of \$173.8 million adjusted for non-cash depreciation, amortization, depletion, and accretion and non-cash losses on early extinguishment of debt and asset impairment charges totaling \$210.5 million and a decrease in working capital of \$31.2 million, which was primarily due to decreases in inventory and accounts receivable. In 2011, Verso s net cash

provided by operating activities of \$14.5 million reflected a net loss of \$137.1 million adjusted for non-cash depreciation, amortization, depletion, and accretion and non-cash losses on early extinguishment of debt and goodwill impairment totaling \$186.6 million and an increase in working capital of \$40.5 million, which was primarily due to increases in inventory and accounts receivable. Verso Holdings' operating cash flows are the same as those of Verso in all material respects.

*Investing activities.* In the first quarter of 2014, Verso's net cash used in investing activities of \$8.8 million reflects capital expenditures of \$16.5 million. This compares to \$32.9 million of net cash provided by investing activities in the first quarter of 2013, which included proceeds from the sales of our former Sartell mill and the

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Fiber Farm assets of \$27.6 million, capital expenditures of \$8.2 million, and \$13.7 million of governmental grants received in conjunction with a renewable energy project at our mill in Bucksport, Maine.

In 2013, Verso's net cash used in investing activities of \$13.8 million reflected proceeds from sale of Sartell and Fiber Farm of \$28.4 million offset by capital expenditures of \$40.7 million, net of \$13.7 million received from governmental grants associated with a renewable energy project at our mill in Bucksport, Maine. This compares to net cash used in investing activities of \$7.1 million in 2012, which reflected \$59.9 million in capital expenditures net of \$14.7 million received from governmental grants associated with a renewable energy project at our mill in Quinnesec, Michigan and \$51.0 million in proceeds attributable to property, plant and equipment from the insurance settlement related to the fire at our Sartell mill. In 2011, net cash used in investing activities of \$66.2 million reflected \$90.3 million in capital expenditures net of \$24.8 million in funds transferred from restricted cash for use on a renewable energy project at our mill in Quinnesec, Michigan. Verso Holdings' investing cash flows are the same as those of Verso.

*Financing activities.* In the first quarter of 2014, Verso's net cash provided by financing activities was \$98.0 million compared to \$1.5 million in the first quarter of 2013. Cash provided by financing activities in the first quarter of 2014, resulted primarily from net borrowings on our revolving credit facilities. Cash provided by financing activities in the first quarter of 2013 represented net borrowings on our revolving credit facilities offset by payments on the Verso Finance Senior Unsecured Term Loans. Verso Holdings' distribution to Verso Finance for payment of the Senior Unsecured Term Loans is reflected as a return of capital in the Statement of Cash Flows.

In 2013, Verso's net cash used in financing activities was \$8.7 million and consisted primarily of payments on the Verso Finance Senior Unsecured Term Loans. Verso Holdings' distribution to Verso Finance for payment of the Senior Unsecured Term Loans is reflected as a return of capital in the Statement of Cash Flows.

In 2012, Verso's net cash used in financing activities was \$38.3 million and reflected a total of \$355.0 million in cash payments to repurchase and retire and to redeem a total of \$315.0 million aggregate principal amount of our 11.5% Senior Secured Notes due 2014 and to exchange \$166.9 million aggregate principal amount of our Second Priority Senior Secured Floating Rate Notes due 2014 along with \$157.5 million aggregate principal amount of our Senior Subordinated Notes due 2016 for a total of \$271.6 million aggregate principal amount of our 11.75% Secured Notes due 2019. Cash provided by financing activities included \$316.7 million in net proceeds from the issuance of long-term debt after discount, underwriting fees and issuance costs, primarily related to the issuance of \$345.0 million aggregate principal amount of our 11.75% Senior Secured Notes due 2019.

In 2011, Verso's net cash used in financing activities was \$6.2 million, reflecting cash payments of \$390.0 million to repurchase long-term debt and pay related fees and charges, net of \$383.8 million in proceeds from the issuance of \$396.0 million aggregate principal amount of Second Priority Senior Secured Notes net of discount, underwriting fees and issuance costs.

*Revolving credit facilities.* In 2012, Verso Holdings entered into revolving credit facilities consisting of a \$150.0 million asset-based loan facility, or ABL Facility, and a \$50.0 million cash-flow facility, or Cash Flow Facility. Verso Holdings' ABL Facility had \$60.0 million outstanding, \$40.3 million in letters of credit issued, and \$32.4 million available for future borrowing as of March 31, 2014. Verso Holdings' Cash Flow Facility had \$38.0 million outstanding balance, no letters of credit issued, and \$12.0 million available for future borrowing as of March 31, 2014. The indebtedness under the revolving credit facilities bears interest at a floating rate based on a margin over a base rate or eurocurrency rate. As of March 31, 2014, the applicable margin for advances under the ABL Facility was 1.25% for base rate advances and 2.25% for LIBOR advances, and the applicable margin for advances under the Cash Flow Facility was 3.75% for base rate advances and 4.75% for LIBOR advances. As of March 31, 2014, the

weighted-average interest rate on outstanding advances was 3.46%. Verso Holdings is required to pay a commitment fee to the lenders in respect of the unused commitments under the ABL Facility at an annual rate of either 0.375% or 0.50%, based on daily average utilization, and under the Cash Flow Facility at

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an annual rate of 0.625%. The indebtedness under the revolving credit facilities is guaranteed jointly and severally by Verso Finance and each of Verso Holdings' subsidiaries, subject to certain exceptions, and the indebtedness and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The indebtedness under the ABL Facility and related guarantees are secured by first-priority security interests, subject to permitted liens, in substantially all of Verso Holdings', Verso Finance's, and the subsidiary guarantors' inventory and accounts receivable, or ABL Priority Collateral, and second-priority security interests, subject to permitted liens, in substantially all of their other assets, or Notes Priority Collateral. The indebtedness under the Cash Flow Facility and related guarantees are secured, *pari passu* with the 11.75% Senior Secured Notes due 2019 and related guarantees, by first-priority security interests in the Notes Priority Collateral and second-priority security interests in the ABL Priority Collateral. The revolving facilities will mature on May 4, 2017, unless, on any of the dates that is 91 days prior to the earliest scheduled maturity of any of the Second Priority Senior Secured Floating Rate Notes due 2014, or the 11.38% Senior Subordinated Notes, an aggregate principal amount in excess of \$100.0 million of indebtedness under such existing second-lien notes, subordinated notes, as applicable, is outstanding, in which case the revolving credit facilities will mature on such earlier date. On January 3, 2014, Verso Holdings entered into certain amendments to the revolving credit facilities in connection with the NewPage acquisition, in which (a) the lenders under each of our revolving credit facilities consented to the NewPage acquisition and the other transactions contemplated by the Merger Agreement, including the incurrence of certain additional indebtedness, (b) the lenders consented to amendments to allow the sale and/or financing of certain non-core assets and (c) the parties agreed to amend our revolving credit facilities to allow for certain other transactions upon the consummation of the NewPage acquisition and the other transactions contemplated by the Merger Agreement.

*11.75% Senior Secured Notes due 2019.* In 2012, Verso Holdings issued \$345.0 million aggregate principal amount of 11.75% Senior Secured Notes due 2019. In 2013, Verso Holdings issued \$72.9 million aggregate principal amount of its 11.75% Senior Secured Notes due 2019 to certain lenders holding approximately \$85.8 million aggregate principal amount of Verso Finance's Senior Unsecured Term Loans, and net accrued interest through the closing date, at an exchange rate of 85%, in exchange for the assignment to Verso Finance of its Senior Unsecured Term Loans and the cancellation of such loans. After the exchange there are no longer any outstanding Senior Unsecured Term Loans.

The 11.75% Senior Secured Notes due 2019 issued in 2012 and 2013 constitute one class of securities. The notes bear interest, payable semi-annually, at the rate of 11.75% per year. The notes are guaranteed jointly and severally by each of Verso Holdings' subsidiaries, subject to certain exceptions, and the notes and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The indebtedness under the notes and related guarantees are secured, *pari passu* with the Cash Flow Facility and related guarantees, by first-priority security interests in the Notes Priority Collateral and second-priority security interests in the ABL Priority Collateral. The notes will mature on January 15, 2019; provided, however, that, if as of 45 days prior to the maturity dates of our 11.38% Senior Subordinated Notes due 2016, more than \$100.0 million of such Senior Subordinated Notes remains outstanding, the notes will mature on that day.

*11.75% Secured Notes due 2019.* In 2012, Verso Holdings issued \$271.6 million aggregate principal amount of 11.75% Secured Notes due 2019. The notes bear interest, payable semi-annually, at the rate of 11.75% per year. The notes are guaranteed jointly and severally by each of Verso Holdings' subsidiaries, subject to certain exceptions, and the notes and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The notes and related guarantees are secured by security interests, subject to permitted liens, in substantially all of Verso Holdings' and the guarantors' tangible and intangible assets. The security interests securing the notes rank junior to those securing the obligations under the ABL Facility, the Cash Flow Facility, and the 11.75% Senior Secured Notes due 2019 and rank senior to those securing the 8.75% Second Priority Senior Secured Notes due 2019. The notes will mature on January 15, 2019.

*8.75% Second Priority Senior Secured Notes due 2019*. In 2011, Verso Holdings issued \$396.0 million aggregate principal amount of *8.75% Second Priority Senior Secured Notes due 2019*. The notes bear interest,

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payable semi-annually, at the rate of 8.75% per year. The notes are guaranteed jointly and severally by each of Verso Holdings' subsidiaries, subject to certain exceptions, and the notes and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The notes and related guarantees are secured by second-priority security interests, subject to permitted liens, in substantially all of Verso Holdings' and the guarantors' tangible and intangible assets, excluding securities of Verso Holdings' affiliates. The notes will mature on February 1, 2019.

*Second Priority Senior Secured Floating Rate Notes due 2014.* In 2006, Verso Holdings issued \$250.0 million aggregate principal amount of Second Priority Senior Secured Floating Rate Notes due 2014 and as of March 31, 2014, \$13.3 million aggregate principal amount of the Second Priority Senior Secured Floating Rate Notes remain outstanding. The notes bear interest, payable quarterly, at a rate equal to LIBOR plus 3.75% per year. As of March 31, 2014, the interest rate on the notes was 3.99% per year. The notes are guaranteed jointly and severally by each of Verso Holdings' subsidiaries, subject to certain exceptions. The notes will mature on August 1, 2014. As of March 31, 2014, the balance of the Second Priority Senior Secured Floating Rate Notes is included in Current maturities of long-term debt on the accompanying condensed consolidated balance sheet.

*11.38% Senior Subordinated Notes due 2016.* In 2006, Verso Holdings issued \$300.0 million aggregate principal amount of 11.38% Senior Subordinated Notes due 2016 and as of March 31, 2014, \$142.5 million aggregate principal amount of the 11.38% Senior Subordinated Notes remain outstanding. The notes bear interest, payable semi-annually, at the rate of 11.38% per year. The notes are guaranteed jointly and severally by each of Verso Holdings' subsidiaries, subject to certain exceptions, and the notes and guarantees are unsecured senior subordinated obligations of Verso Holdings and the guarantors, respectively. The notes will mature on August 1, 2016.

*Loan from Verso Paper Finance Holdings LLC/ Verso Paper Holdings LLC.* In 2010, Verso Quinnesec REP LLC, an indirect, wholly owned subsidiary of Verso Holdings, entered into a financing transaction with Chase NMTC Verso Investment Fund, LLC, or the Investment Fund, a consolidated variable interest entity. Under this arrangement, Verso Holdings loaned \$23.3 million to Verso Finance at an interest rate of 6.5% per year and with a maturity of December 29, 2040, and Verso Finance, in turn, loaned the funds on similar terms to the Investment Fund. The Investment Fund then contributed the loan proceeds to certain community development entities, which, in turn, loaned the funds on similar terms to Verso Quinnesec REP LLC as partial financing for the renewable energy project at our mill in Quinnesec, Michigan.

As a holding company, Verso's investments in its operating subsidiaries constitute substantially all of its operating assets. Consequently, Verso's subsidiaries conduct all of its consolidated operations and own substantially all of its operating assets. Verso's principal source of the cash it needs to pay its debts is the cash that its subsidiaries generate from their operations and their borrowings. Verso's subsidiaries are not obligated to make funds available to it. The terms of the revolving credit facilities and the indentures governing the outstanding notes of Verso's subsidiaries significantly restrict its subsidiaries from paying dividends and otherwise transferring assets to Verso. Furthermore, Verso's subsidiaries are permitted under the terms of the revolving credit facilities and the indentures to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends, or the making of loans by such subsidiaries to Verso. Although the terms of the debt agreements of Verso's subsidiaries do not restrict its operating subsidiaries from obtaining funds from their respective subsidiaries to fund their operations and payments on indebtedness, there can be no assurance that the agreements governing the current and future indebtedness of its subsidiaries will permit its subsidiaries to provide Verso with sufficient dividends, distributions or loans to fund its obligations or pay dividends to its stockholders.

We may elect to retire our outstanding debt in open market purchases, privately negotiated transactions, or otherwise. These repurchases may be funded through available cash from operations and borrowings under our revolving credit facilities. Such repurchases are dependent on prevailing market conditions, our liquidity requirements, contractual

restrictions, and other factors.



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*Financing Transactions in Connection with the Merger.* On January 3, 2014, Verso Paper, Verso Merger Sub Inc., a Delaware corporation and an indirect, wholly owned subsidiary of Verso Paper, or Merger Sub, and NewPage Holdings Inc., a Delaware corporation, or NewPage, entered into the Merger Agreement, pursuant to which Merger Sub will merge with and into NewPage on the terms and subject to the conditions set forth in the Merger Agreement, with NewPage surviving the Merger as an indirect, wholly owned subsidiary of Verso.

The Merger Agreement provides for a series of transactions pursuant to which equity holders of NewPage will receive (i) \$250 million total in cash, approximately \$243 million of which has been paid to NewPage's stockholders as a dividend from the proceeds of the NewPage term loan facility, plus the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger; (ii) up to \$650 million aggregate principal amount of New First Lien Notes (valued at face value) to be issued at closing; and (iii) shares of our common stock representing 20% (subject to potential upward adjustment to 25% under certain circumstances) of the sum of the outstanding shares of our common stock as of immediately prior to closing and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement, or collectively the Merger Consideration. The amount of New First Lien Notes to be issued in the Merger is subject to downward adjustment, in an amount not to exceed \$27 million in value, if NewPage makes certain restricted payments between September 30, 2013 and the closing of the Merger. If the Merger has not closed by August 31, 2014, and the reason for the failure to close by such date, or any subsequent delay in closing after such date, is solely the result of our failure to take certain actions to satisfy certain closing conditions, the amount of our common stock to be issued as Merger Consideration will increase in monthly increments by up to 5% so that the total amount of our common stock issued in the Merger Consideration would be up to 25% of the sum of the outstanding shares as of immediately prior to closing and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement.

As described above, on January 3, 2014, in connection with the entry into the Merger Agreement, we entered into amendments of our revolving credit facilities such that (a) the lenders under each of our revolving credit facilities consented to the Merger and the other transactions contemplated by the Merger Agreement, including the incurrence of certain additional indebtedness, (b) the lenders consented to amendments to allow the sale and/or financing of certain non-core assets and (c) the parties agreed to amend our revolving credit facilities to allow for certain other transactions upon the consummation of the Merger and the other transactions contemplated by the Merger Agreement. The pricing terms, maturities and commitments under our revolving credit facilities remain unchanged.

At the time of the closing of the Merger, we expect to issue up to \$650 million in aggregate principal amount of the New First Lien Notes to the current shareholders of NewPage as part of the consideration for the Merger. The New First Lien Notes will be substantially similar to the existing 11.75% Senior Secured Notes due 2019, except for certain additional restrictive covenants and that we expect that we will not be permitted to repurchase them for one year after their issuance date unless we pay the holders a make-whole premium.

The issuers and guarantors of our debt securities (including the New First Lien Notes) and the borrower and guarantors of our revolving credit facilities will not guarantee the obligations under NewPage's term loan facility and NewPage's ABL facility, and the borrower and guarantors under NewPage's term loan facility and NewPage's ABL facility will not guarantee the obligations under our debt securities and credit facilities. Upon the consummation of the Merger, NewPage Holdings Inc. (but not the subsidiaries of NewPage) will guarantee certain of our debt securities and our credit facilities as required by the terms governing such debt.

*Exchange Offer Transactions.* On July 2, 2014, the Verso Issuers launched offers to exchange (a) New Second Lien Notes and Verso Warrants for any and all outstanding Old Second Lien Notes and (b) New Subordinated Notes and Verso Warrants for any and all outstanding Old Subordinated Notes. See Description of Other Indebtedness Exchange

Offer Transactions.

As of the date of this joint proxy and information statement/prospectus, Verso has not obtained the Verso Junior Noteholder Consent or consummated the Exchange Offer Transactions, and Verso may not be able to

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obtain the Verso Junior Noteholder Consent or consummate the Exchange Offer Transactions on the current terms or at all, in which case the Merger may not close.

## **Covenant Compliance**

The credit agreement and the indentures governing our notes contain affirmative covenants as well as restrictive covenants which limit our ability to, among other things, incur additional indebtedness; pay dividends or make other distributions; repurchase or redeem our stock; make investments; sell assets, including capital stock of restricted subsidiaries; enter into agreements restricting our subsidiaries' ability to pay dividends; consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; enter into transactions with our affiliates; and incur liens. These covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. The material covenants in the indentures that are impacted by the calculation of Adjusted EBITDA are those that govern the amount of indebtedness that Verso Holdings and its subsidiaries may incur, whether Verso Holdings may make certain dividends, distributions or payments on subordinated indebtedness, and whether Verso Holdings may merge with another company. Although there are limited baskets for incurring indebtedness contained in the indentures, the primary means for incurring additional indebtedness under the Indentures is to have a pro forma Fixed Charge Coverage Ratio of at least 2.00 to 1.00 after the incurrence of such additional indebtedness. This same test also applies to most dividends and other payments made in respect of Verso Holdings' equity and subordinated indebtedness and also to whether Verso Holdings may merge with another company. In the case of a merger, Verso Holdings may merge so long as either its Fixed Charge Coverage Ratio is at least 2.00 to 1.00 or that same ratio improves after giving pro forma effect to the merger. If Verso Holdings were not able to meet the Fixed Charge Coverage Ratio requirement contained in these covenants, it would limit our long-term growth prospects, as it would severely hinder Verso Holdings' ability to incur additional indebtedness for the purpose of completing acquisitions or capital improvement programs, among other things. In addition, if the ratio test were not met, distributions by Verso Holdings to Verso Paper would also be severely restricted. As of March 31, 2014, we were in compliance in all material respects with the covenants in our debt agreements.

## **Effect of Inflation**

While inflationary increases in certain input costs, such as for energy, wood fiber, and chemicals, have an impact on our operating results, changes in general inflation have had minimal impact on our operating results in the last three years. Sales prices and volumes are more strongly influenced by supply and demand factors in specific markets and by exchange rate fluctuations than by inflationary factors. We cannot assure you, however, that we will not be affected by general inflation in the future.

**Table of Contents****Contractual Obligations**

The following table reflects our contractual obligations and commercial commitments as of December 31, 2013. Commercial commitments include lines of credit, guarantees, and other potential cash outflows resulting from a contingent event that requires our performance pursuant to a funding commitment.

(Dollars in millions)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
<b>Verso Paper Holdings LLC</b>					
Long-term debt(1)	\$ 1,870.2	\$ 147.4	\$ 399.6	\$ 231.3	\$ 1,091.9
Operating leases	9.7	5.3	3.6	0.6	0.2
Purchase obligations(2)	375.0	85.5	83.3	76.6	129.6
Other long-term liabilities(3)	25.6	0.5	2.7	2.4	20.0
<b>Chase NMTC Verso Investment Fund LLC</b>					
Loan from Verso Paper Finance Holdings LLC	64.2	1.5	3.0	3.0	56.7
Total contractual obligations for Verso Paper Holdings LLC	2,344.7	240.2	492.2	313.9	1,298.4
Debt for Verso Paper Finance Holdings LLC	64.2	1.5	3.0	3.0	56.7
Eliminate loans from affiliates	(128.4)	(3.0)	(6.0)	(6.0)	(113.4)
<b>Total contractual obligations for Verso Paper Corp.</b>	<b>\$ 2,280.5</b>	<b>\$ 238.7</b>	<b>\$ 489.2</b>	<b>\$ 310.9</b>	<b>\$ 1,241.7</b>

- (1) Long-term debt includes principal payments, commitment fees, and interest payable. A portion of interest expense is at a variable rate and has been calculated using current LIBOR. Actual payments could vary.
- (2) Purchase obligations include unconditional purchase obligations for power purchase agreements (gas and electricity), machine clothing, and other commitments for advertising, raw materials, or storeroom inventory.
- (3) Other long-term liabilities reflected above represent the gross amount of asset retirement obligations.

**Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from fluctuations in our paper prices, interest rates, energy prices, and commodity prices for our inputs.

**Paper Prices**

Our sales, which we report net of rebates, allowances, and discounts, are a function of the number of tons of paper that we sell and the price at which we sell our paper. The coated paper industry is cyclical, which results in changes in both volume and price. Paper prices historically have been a function of macroeconomic factors that influence supply and demand. Price has historically been substantially more variable than volume and can change significantly over relatively short time periods.

We are primarily focused on serving two end-user segments: catalogs and magazines. Coated paper demand is primarily driven by advertising and print media usage. Advertising spending and magazine and catalog circulation tend to correlate with gross domestic product, or GDP, in the United States, as they rise with a strong economy and contract with a weak economy.

Many of our customers provide us with forecasts of their paper needs, which allows us to plan our production runs in advance, optimizing production over our integrated mill system and thereby reducing costs and increasing overall efficiency. Generally, our sales agreements do not extend beyond the calendar year, and they typically provide for semiannual price adjustments based on market price movements.

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We reach our end-users through several channels, including printers, brokers, paper merchants, and direct sales to end-users. We sell and market our products to approximately 130 customers. During the first three months of 2014, Quad/Graphics, Inc. and Central National-Gottesman, Inc. accounted for approximately 12% and 10% of our total net sales, respectively.

## **Interest Rates**

We have issued fixed- and floating-rate debt in order to manage our variability to cash flows from interest rates. Borrowings under the revolving credit facilities and the Second Priority Senior Secured Floating Rate Notes due 2014 accrue interest at variable rates. A 100 basis point increase in quoted interest rates on our outstanding floating-rate debt as of March 31, 2014, would increase annual interest expense by \$1.1 million. While we may enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk.

## **Derivatives**

In the normal course of business, we utilize derivatives contracts as part of our risk management strategy to manage our exposure to market fluctuations in energy prices. These instruments are subject to credit and market risks in excess of the amount recorded on the balance sheet in accordance with generally accepted accounting principles. Controls and monitoring procedures for these instruments have been established and are routinely reevaluated. We have an Energy Risk Management Policy which was adopted by our board of directors and is monitored by an Energy Risk Management Committee composed of our senior management. In addition, we have an Interest Rate Risk Committee which was formed to monitor our Interest Rate Risk Management Policy. Credit risk represents the potential loss that may occur because a party to a transaction fails to perform according to the terms of the contract. The measure of credit exposure is the replacement cost of contracts with a positive fair value. We manage credit risk by entering into financial instrument transactions only through approved counterparties. Market risk represents the potential loss due to the decrease in the value of a financial instrument caused primarily by changes in commodity prices. We manage market risk by establishing and monitoring limits on the types and degree of risk that may be undertaken.

We do not hedge the entire exposure of our operations from commodity price volatility for a variety of reasons. To the extent that we do not hedge against commodity price volatility, our results of operations may be affected either favorably or unfavorably by a shift in the future price curve. As of March 31, 2014, we had liabilities for net unrealized losses of \$1.2 million on open commodity contracts with maturities of one to twelve months. These derivative instruments involve the exchange of net cash settlements, based on changes in the price of the underlying commodity index compared to the fixed price offering, at specified intervals without the exchange of any underlying principal. A 10% decrease in commodity prices would have a negative impact of approximately \$2.1 million on the fair value of such instruments. This quantification of exposure to market risk does not take into account the offsetting impact of changes in prices on anticipated future energy purchases.

## **Commodity Prices**

We are subject to changes in our cost of sales caused by movements underlying commodity prices. The principal components of our cost of sales are chemicals, wood, energy, labor, maintenance, and depreciation, amortization, and depletion. Costs for commodities, including chemicals, wood and energy, are the most variable component of our cost of sales because their prices can fluctuate substantially, sometimes within a relatively short period of time. In addition, our aggregate commodity purchases fluctuate based on the volume of paper that we produce.

*Chemicals.* Chemicals utilized in the manufacturing of coated papers include latex, clay, starch, calcium carbonate, caustic soda, sodium chlorate, and titanium dioxide. We purchase these chemicals from a variety of suppliers and are not dependent on any single supplier to satisfy our chemical needs. We expect imbalances in supply and demand to periodically create volatility in prices for certain chemicals.

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*Wood.* Our costs to purchase wood are affected directly by market costs of wood in our regional markets and indirectly by the effect of higher fuel costs on logging and transportation of timber to our facilities. While we have in place fiber supply agreements that ensure a substantial portion of our wood requirements, purchases under these agreements are typically at market rates.

*Energy.* We produce approximately 53% of our energy needs for our paper mills from sources such as waste wood, waste water, hydroelectric facilities, liquid biomass from our pulping process, and internal energy cogeneration facilities. Our external energy purchases vary across each of our mills and include fuel oil, natural gas, coal, and electricity. While our internal energy production capacity and ability to switch between certain energy sources mitigates the volatility of our overall energy expenditures, we expect prices for energy to remain volatile for the foreseeable future. We utilize derivatives contracts as part of our risk management strategy to manage our exposure to market fluctuations in energy prices.

**Off-Balance Sheet Arrangements**

None.



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**BUSINESS**

For the purpose of this section, references to we, us, and our refer collectively to Verso and Verso Holdings. Unless otherwise noted, the information provided pertains to both Verso and Verso Holdings.

**Background**

We began operations on August 1, 2006, when we acquired the assets and certain liabilities comprising the business of the Coated and Supercalendered Papers Division of International Paper. We were formed by affiliates of Apollo for the purpose of consummating the acquisition from International Paper. Verso went public on May 14, 2008, with an IPO of 14 million shares of common stock.

**Overview**

We are a leading North American supplier of coated papers to catalog and magazine publishers. The coating process adds a smooth uniform layer in the paper, which results in superior color and print definition. As a result, coated paper is used primarily in media and marketing applications, including catalogs, magazines, and commercial printing applications, such as high-end advertising brochures, annual reports, and direct mail advertising.

We are one of North America's largest producers of coated groundwood paper, which is used primarily for catalogs and magazines. We are also a low cost producer of coated freesheet paper, which is used primarily for annual reports, brochures, and magazine covers. We also produce and sell market kraft pulp, which is used to manufacture printing and writing paper grades and tissue products.

We operate eight paper machines at three mills located in Maine and Michigan. The mills have a combined annual production capacity of 1,305,000 tons of coated paper, 160,000 tons of ultra-lightweight specialty and uncoated papers, and 930,000 tons of kraft pulp.

We sell and market our products to approximately 130 customers which comprise approximately 700 end-user accounts. We have long-standing relationships with many leading magazine and catalog publishers, commercial printers, specialty retail merchandisers, and paper merchants. Our relationships with our ten largest coated paper customers average more than 20 years. We reach our end-users through several distribution channels, including direct sales, commercial printers, paper merchants, and brokers.

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Our net sales (in millions) by product line for the year ended December 31, 2013, are illustrated below:

**Industry**

Based on 2013 sales, the size of the global coated paper industry is estimated to be approximately \$42 billion, or 44 million tons of coated paper shipments, including approximately \$7 billion, or 8 million tons of coated paper shipments, in North America. Coated paper is used primarily in media and marketing applications, including catalogs, magazines, and commercial printing applications, which include high-end advertising brochures, annual reports, and direct mail advertising. Demand is generally driven by North American advertising and print media trends, which in turn have historically been correlated with growth in Gross Domestic Product, or GDP.

In North America, coated papers are classified by brightness and fall into five grades, labeled No. 1 to No. 5, with No. 1 having the highest brightness level and No. 5 having the lowest brightness level. Papers graded No. 1, No. 2, and No. 3 are typically coated freesheet grades. No. 4 and No. 5 papers are predominantly groundwood containing grades. Coated groundwood grades are the preferred grades for catalogs and magazines, while coated freesheet is more commonly used in commercial print applications.

**Products**

We manufacture two main grades of paper: coated groundwood paper and coated freesheet paper. These paper grades are differentiated primarily by their respective brightness, weight, print quality, bulk, opacity, and strength. We also produce Northern Bleached Hardwood Kraft, or NBHK, pulp. See notes to the consolidated financial statements for further information on our segments. The following table sets forth our principal products by tons sold and as a percentage of our net sales in 2013:

(Tons in thousands, Dollars in millions)	Sales Volume		Net Sales	
	Tons	%	\$	%
<b>Product:</b>				
Coated groundwood paper	709	42	619	45
Coated freesheet paper	535	32	444	32
Pulp	273	16	156	11
Other	173	10	170	12
Total	1,690	100	1,389	100

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As a result of our scale and technological capabilities, we are able to offer our customers a broad product offering, from ultra-lightweight coated groundwood to heavyweight coated freesheet. Our customers have the opportunity to sole-source all of their coated paper needs from us while optimizing their choice of paper products. As our customers preferences change, they can switch paper grades to meet their desired balance between cost and performance attributes while maintaining their relationship with us.

*Coated groundwood paper.* Coated groundwood paper includes a fiber component produced through a mechanical pulping process. The use of such fiber results in a bulkier and more opaque paper that is better suited for applications where lighter weights and/or higher stiffness are required, such as catalogs and magazines. In addition to mechanical pulp, coated groundwood paper typically includes a kraft pulp component to improve brightness and print quality.

*Coated freesheet paper.* Coated freesheet paper is made from bleached kraft pulp, which is produced using a chemical process to break apart wood fibers and dissolve impurities such as lignin. The use of kraft pulp results in a bright, heavier-weight paper with excellent print qualities, which is well-suited for high-end commercial applications and premium magazines. Coated freesheet contains primarily kraft pulp, with less than 10% mechanical pulp in its composition.

*Pulp.* We produce and sell NBHK pulp. NBHK pulp is produced through the chemical kraft process using hardwoods. Hardwoods typically have shorter length fibers than softwoods and are used to smooth paper. Kraft describes pulp produced using a chemical process, whereby wood chips are combined with chemicals and steam to separate the wood fibers. The fibers are then washed and pressure screened to remove the chemicals and lignin which originally held the fibers together. Finally, the pulp is bleached to the necessary whiteness and brightness. Kraft pulp is used in applications where brighter and whiter paper is required.

*Other products.* We also offer recycled paper to help meet specific customer requirements. Additionally, we offer customized product solutions for strategic accounts by producing paper grades with customer-specified weight, brightness and pulp mix characteristics, providing customers with cost benefits and/or brand differentiation. Our product offerings also include ultra-lightweight uncoated printing papers and ultra-lightweight coated and uncoated flexible packaging papers.

## **Manufacturing**

We operate eight paper machines at three mills located in Maine and Michigan. We believe our coated paper mills are among the most efficient and lowest cost coated paper mills based on the cash cost of delivery to Chicago, Illinois. We attribute our manufacturing efficiency, in part, to the significant historical investments made in our mills. Our mills have a combined annual production capacity of 1,305,000 tons of coated paper, 160,000 tons of ultra-lightweight specialty and uncoated papers, and 930,000 tons of kraft pulp. Of the pulp that we produce, we consume approximately 635,000 tons internally and sell the rest. The facilities also benefit from convenient and cost-effective access to northern softwood fiber, which is required for the production of lightweight and ultra-lightweight coated papers.

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The following table sets forth the locations of our mills, the products they produce and other key operating information:

<b>Mill/Location</b>	<b>Product/Paper Grades</b>	<b>Paper Machines</b>	<b>Production Capacity (in tons)</b>
Jay (Androscoggin), Maine	Lightweight Coated Groundwood	2	355,000
	Lightweight Coated Freesheet	1	175,000
	Specialty/Uncoated	1	105,000
	Pulp		445,000
Bucksport, Maine	Lightweight and Ultra-Lightweight Coated Groundwood and High Bulk Specialty Coated Groundwood	2	350,000
	Specialty/Uncoated	1	55,000
	Coated Freesheet	1	425,000
Quinnesec, Michigan	Pulp		485,000

The basic raw material of the papermaking process is wood pulp. The first stage of papermaking involves converting wood logs to pulp through either a mechanical or chemical process. Before logs can be processed into pulp, they are passed through a debarking drum to remove the bark. Once separated, the bark is burned as fuel in bark boilers. The wood logs are composed of small cellulose fibers which are bound together by a glue-like substance called lignin. The cellulose fibers are then separated from each other through either a mechanical or a kraft pulping process.

After the pulping phase, the fiber furnish is run onto the forming fabric of the paper machine. On the forming fabric, the fibers become interlaced, forming a mat of paper, and much of the water is extracted. The paper web then goes through a pressing and drying process to extract the remaining water. After drying, the web receives a uniform layer of coating that makes the paper smooth and provides uniform ink absorption. After coating, the paper goes through a calendering process that provides a smooth finish by ironing the sheet between multiple soft nips that consist of alternating hard (steel) and soft (cotton or synthetic) rolls. At the dry end, the paper is wound onto spools to form a machine reel and then rewound and split into smaller rolls on a winder. Finally, the paper is wrapped, labeled, and shipped.

Catalog and magazine publishers with longer print runs tend to purchase paper in roll form for use in web printing, a process of printing from a reel of paper as opposed to individual sheets of paper, in order to minimize costs. In contrast, commercial printers typically buy large quantities of sheeted paper in order to satisfy the short-run printing requirements of their customers. We believe that sheeted paper is a less attractive product as it requires additional processing, bigger inventory stocks, a larger sales and marketing team and a different channel strategy. For this reason, we have pursued a deliberate strategy of configuring our manufacturing facilities to produce all web-based papers which are shipped in roll form and have developed relationships with third-party converters to address any sheeted paper needs of our key customers.

We utilize a manufacturing excellence program, called R-GAP, to take advantage of the financial opportunities that exist between the current or historical performance of our mills and the best performance possible given usual and normal constraints (i.e., configuration, geographical, and capital constraints). Our continuous improvement process is designed to lower our cost position and enhance operating efficiency through reduced consumption of energy and material inputs, reduced spending on indirect costs, and improved productivity. The program utilizes benchmarking data to identify improvement initiatives and establish performance targets. Detailed action plans are used to monitor

the execution of these initiatives and calculate the amount saved. We also use multi-variable testing, lean manufacturing, center of excellence teams, source-of-loss initiatives, and best practice sharing to constantly improve our manufacturing processes and products. One of our facilities has been recognized by the Occupational Safety and Health Administration, or OSHA, as a Star site as part of OSHA's Voluntary Protection Program which recognizes outstanding safety programs and performance.

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### **Raw Materials and Suppliers**

Our key cost inputs in the papermaking process are wood fiber, market kraft pulp, chemicals, and energy.

*Wood Fiber.* We source our wood fiber from a broad group of timberland and sawmill owners located in our regions.

*Kraft Pulp.* Overall, we have the capacity to produce approximately 930,000 tons of kraft pulp, consisting of 445,000 tons of pulp at our Androscoggin mill and 485,000 tons of pulp at our Quinnesec mill, of which approximately 635,000 tons are consumed internally. We supplement our internal production of kraft pulp with purchases from third parties. In 2013, we purchased approximately 52,000 tons of pulp from a variety of suppliers. We are not dependent on any single supplier to satisfy our pulp needs.

*Chemicals.* Chemicals utilized in the manufacturing of coated papers include latex, clay, starch, calcium carbonate, caustic soda, sodium chlorate, and titanium dioxide. We purchase these chemicals from a variety of suppliers and are not dependent on any single supplier to satisfy our chemical needs.

*Energy.* We produce approximately 53% of our energy needs for our paper mills from sources such as waste wood, waste water, hydroelectric facilities, liquid biomass from our pulping process, and internal energy cogeneration facilities. Our external energy purchases vary across each of our mills and include fuel oil, natural gas, coal, and electricity. While our internal energy production capacity mitigates the volatility of our overall energy expenditures, we expect prices for energy to remain volatile for the foreseeable future and our energy costs to increase in a high energy cost environment. As prices fluctuate, we have some ability to switch between certain energy sources in order to minimize costs. We utilize derivatives contracts as part of our risk management strategy to manage our exposure to market fluctuations in energy prices.

### **Sales, Marketing, and Distribution**

We reach our end-users through several sales channels. These include selling directly to end-users, through brokers, merchants, and printers. We sell and market products to approximately 130 customers, which comprise approximately 700 end-user accounts.

*Sales to End-Users.* In 2013, we sold approximately 37% of our paper products directly to end-users, most of which are catalog and magazine publishers. These customers are typically large, sophisticated buyers who have the scale, resources, and expertise to procure paper directly from manufacturers. Customers for our pulp products are mostly other paper manufacturers.

*Sales to Brokers and Merchants.* Our largest indirect paper sales by volume are through brokers and merchants who resell the paper to end-users. In 2013, our total sales to brokers and merchants represented approximately 41% of our total sales. Brokers typically act as an intermediary between paper manufacturers and smaller end-users who do not have the scale or resources to cost effectively procure paper directly from manufacturers. The majority of the paper sold to brokers is resold to catalog publishers. We work closely with brokers to achieve share targets in the catalog, magazine, and insert end-user segments through collaborative selling.

Merchants are similar to brokers in that they act as an intermediary between the manufacturer and the end-user. However, merchants generally take physical delivery of the product and keep inventory on hand. Merchants tend to deal with smaller end-users that lack the scale to warrant direct delivery from the manufacturer. Coated freesheet comprises the majority of our sales to merchants. In most cases, because they are relatively small, the ultimate end-users of paper sold through merchants are generally regional or local catalog or magazine publishers.

*Sales to Printers.* In 2013, our total sales to printers represented approximately 22% of our total sales. The majority of our sales were to the two largest publication printers in the United States. Printers also effectively act

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as an intermediary between manufacturers and end-users in that they directly source paper for printing/converting and then resell it to their customers as a finished product.

The majority of our products are delivered directly from our manufacturing facilities to the printer, regardless of the sales channel. In order to serve the grade No. 3 coated freesheet segment, we maintain a network of distribution centers located in the West, Midwest, South, and Northeast close to our customer base to provide quick delivery. The majority of our pulp products are delivered to our customers' paper mills.

Our sales force is organized around our sales channels. We maintain an active dialogue with all of our major customers and track product performance and demand across grades. We have a team of sales representatives and marketing professionals organized into three major sales groups that correspond with our sales channels: direct sales support; support to brokers and merchants; and printer support.

Many of our customers provide us with forecasts of their paper needs, which allows us to plan our production runs in advance, optimizing production over our integrated mill system and thereby reducing costs and increasing overall efficiency. Generally, our sales agreements do not extend beyond the calendar year. Typically, our sales agreements provide for semiannual price adjustments based on market price movements.

Part of our strategy is to continually reduce the cost to serve our customer base through e-commerce initiatives which allow for simplified ordering, tracking, and invoicing. In 2013, orders totaling \$196.0 million, or approximately 17% of our total paper sales, were placed through our online ordering platforms. We are focused on further developing our technology platform and e-commerce capabilities.

## **Customers**

We serve the catalog, magazine, insert, and commercial printing markets and have developed long-standing relationships with the premier North American retailers and catalog and magazine publishers. The length of our relationships with our top ten customers averages more than 20 years. Our largest customers, Quad/Graphics, Inc. and Central National-Gottesman, Inc. accounted for approximately 12% and 10%, respectively, of our net sales in 2013. Our key customers include leading magazine publishers such as Condé Nast Publications, Hearst Enterprises, and National Geographic Society; leading catalog producers such as Avon Products, Inc., Restoration Hardware, Inc. and Cornerstone Brands, Inc.; leading commercial printers such as Quad/Graphics, Inc. and RR Donnelley & Sons Company and leading paper merchants and brokers, such as A.T. Clayton & Co., xpedx, and Clifford Paper, Inc.

Our net sales, excluding pulp sales, by end-user segment for the year ended December 31, 2013, are illustrated below (dollars in millions):



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### **Research and Development**

The primary function of our research and development efforts is to work with customers in developing and modifying products to accommodate their evolving needs and to identify cost-saving opportunities within our operations.

Examples of our research and development efforts implemented over the past several years include:

lightweight grade No. 4 coated groundwood;

ultra-lightweight grade No. 5 coated groundwood; and

innovative and performance driven products for the flexible packaging, label, and specialty printing markets.

### **Intellectual Property**

We have several patents and patent applications in the United States and various foreign countries. These patents and patent applications generally relate to various paper manufacturing methods and equipment which may become commercially viable in the future. We also have trademarks for our names, Verso® and Verso Paper®, as well as for our products such as Influence®, Velocity®, Liberty®, and Advocate®. In addition to the intellectual property that we own, we license a significant portion of the intellectual property used in our business on a perpetual, royalty-free, non-exclusive basis from International Paper.

### **Competition**

Our business is highly competitive. A significant number of North American competitors produce coated papers, and several overseas manufacturers, principally from Europe, export to North America. We compete based on a number of factors, including:

price;

product availability;

product quality;

breadth of product offerings;

timeliness of product delivery; and

customer service.

Foreign competition in North America is also affected by the exchange rate of the U.S. dollar relative to other currencies, especially the euro, market prices in North America and other markets, worldwide supply and demand, and the cost of ocean-going freight.

While our product offering is broad in terms of grades produced (from ultra-lightweight coated groundwood offerings to heavier-weight coated freesheet products), we are focused on producing coated groundwood and coated freesheet in roll form. This strategy is driven by our alignment with catalog and magazine end-users which tend to purchase paper in roll form for use in long runs of web printing in order to minimize costs. Our principal competitors include NewPage Corporation, Resolute Forest Products, UPM-Kymmene Corporation, and Sappi Limited, all of which have North American operations. UPM and Sappi are headquartered overseas and also have overseas manufacturing facilities.

**Table of Contents****Properties**

Our corporate headquarters is located in Memphis, Tennessee. We own three mills located in Maine and Michigan at which we operate eight paper machines. We own four hydroelectric dams, which provide hydroelectric power to our Androscoggin mill. We also own 14 woodyards for the purpose of storage and loading of forest products, and we lease two woodyards and a number of sales offices.

Our headquarters and material facilities are shown in the following table:

<b>Location</b>	<b>Use</b>	<b>Owned/Leased</b>
Memphis, Tennessee	corporate headquarters	leased
Jay (Androscoggin), Maine	paper mill/kraft pulp mill	owned
Bucksport, Maine	paper mill	owned
Quinnesec, Michigan	paper mill/kraft pulp mill	owned
West Chester, Ohio	sales, distribution, and customer service	leased

**Employees**

As of June 30, 2014, we had approximately 2,100 employees, of whom approximately 23% are unionized and approximately 72% are hourly employees. Employees at one of our three mills are represented by labor unions. As of March 31, 2014, three collective bargaining agreements with the labor unions at the Bucksport mill

were in effect. Two of these agreements will expire on April 30, 2015, and the third agreement will expire on October 31, 2015. We have not experienced any work stoppages during the past several years. We believe that we have good relations with our employees.

**Environmental and Other Governmental Regulations**

We are subject to a wide range of federal, state, regional, and local general and industry specific environmental, health and safety laws and regulations, including the federal Water Pollution Control Act of 1972, or Clean Water Act, the federal Clean Air Act, the federal Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the federal Occupational Safety and Health Act, and analogous state and local laws. Our operations also are subject to two regional regimes designed to address climate change, the Regional Greenhouse Gas Initiative in the northeastern United States and the Midwestern Greenhouse Gas Reduction Accord, and in the future we may be subject to additional federal, state, regional, local, or supranational legislation related to climate change and greenhouse gas controls. Among our activities subject to environmental regulation are the emissions of air pollutants, discharges of wastewater and stormwater, operation of dams, storage, treatment, and disposal of materials and waste, and remediation of soil, surface water and ground water contamination. Many environmental laws and regulations provide for substantial fines or penalties and criminal sanctions for any failure to comply. In addition, failure to comply with these laws and regulations could result in the interruption of our operations and, in some cases, facility shutdowns.

Certain of these environmental laws, such as CERCLA and analogous state laws, provide for strict liability, and under certain circumstances joint and several liability, for investigation and remediation of the release of hazardous substances into the environment, including soil and groundwater. These laws may apply to properties presently or formerly owned or operated by or presently or formerly under the charge, management or control of an entity or its predecessors, as well as to conditions at properties at which wastes attributable to an entity or its predecessors were

disposed. Under these environmental laws, a current or previous owner or operator of real property or a party formerly or previously in charge, management or control of real property, and parties that generate or transport hazardous substances that are disposed of at real property, may be held liable for the cost to investigate or clean up that real property and for related damages to natural resources. We handle and dispose of

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wastes arising from our mill operations, including disposal at on-site landfills. We are required to maintain financial assurance (in the form of letters of credit and other similar instruments) for the expected cost of landfill closure and post-closure care. We may be subject to liability, including liability for investigation and cleanup costs, if contamination is discovered at one of our current or former paper mills or another location where we have disposed of, or arranged for the disposal of, wastes. We could be subject to potentially significant fines, penalties, criminal sanctions, plant shutdowns, or interruptions in operations for any failure to comply with applicable environmental, health and safety laws, regulations, and permits.

Compliance with environmental laws and regulations is a significant factor in our business. We have made, and will continue to make, significant expenditures to comply with these requirements and our permits. We incurred environmental capital expenditures of \$0.9 million in 2013, \$0.7 million in 2012, and \$0.1 million in 2011, and we expect to incur additional environmental capital expenditures of approximately \$7 million in 2014. We anticipate that environmental compliance will continue to require increased capital expenditures and operating expenses over time as environmental laws or regulations, or interpretations thereof, change or the nature of our operations require us to make significant additional capital expenditures.

Permits are required for the operation of our mills and related facilities. The permits are subject to renewal, modification, and revocation. We and others have the right to challenge our permit conditions through administrative and legal appeals and review processes. Governmental authorities have the power to enforce compliance with the permits, and violators are subject to civil and criminal penalties, including fines, injunctions or both. Other parties also may have the right to pursue legal actions to enforce compliance with the permits.

**Table of Contents****VERSO STOCKHOLDERS****Security Ownership of Management and Certain Beneficial Owners**

The following table provides information about the beneficial ownership of our common stock as of June 30, 2014, by each of our directors and named executive officers, all of our directors and executive officers as a group, and each person known to our management to be the beneficial owner of more than 5% of the outstanding shares of our common stock. As of June 30, 2014, there were 53,327,441 outstanding shares of our common stock.

<b>Name of Beneficial Owner</b>	<b>Shares Beneficially Owned</b>	<b>Percentage of Shares Outstanding<sup>(1)</sup></b>
<b>Directors and Named Executive Officers:</b>		
David J. Paterson <sup>(2,3,4)</sup>	509,211	*
Lyle J. Fellows <sup>(2,3,4)</sup>	423,445	*
Robert P. Mundy <sup>(2,3,4)</sup>	434,475	*
Michael A. Weinhold <sup>(2,3,4)</sup>	435,547	*
Peter H. Kesser <sup>(2,3,4,5)</sup>	380,393	*
Michael E. Ducey <sup>(2,3)</sup>	81,873	*
Thomas Gutierrez <sup>(2,3,4)</sup>	53,883	*
Scott M. Kleinman <sup>(2,3,6,7)</sup>	61,873	*
David W. Oskin <sup>(2,3)</sup>	61,873	*
Eric L. Press <sup>(2,3,4,7)</sup>	53,883	*
L.H. Puckett, Jr. <sup>(2,3)</sup>	219,871	*
Reed B. Rayman <sup>(2,3,7)</sup>	6,514	*
David B. Sambur <sup>(2,3,6,7)</sup>	61,870	*
All Directors and Executive Officers as a group (15 persons) <sup>(3,4,5,6,7)</sup>	3,170,414	5.8%
<b>Other Stockholders:</b>		
Verso Paper Management LP <sup>(8)</sup>	36,147,188	67.8%

\* Less than 1% of the outstanding shares of our common stock.

- (1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. The number and percentage of shares of common stock beneficially owned by each person listed in the table is determined based on the shares of common stock that such person beneficially owned as of June 30, 2014, and that such person has the right to acquire within 60 days thereafter. The number of outstanding shares used as the denominator in calculating the percentage ownership of each person is the sum of 53,327,441 shares of common stock (which is the number of shares of common stock outstanding as of June 30, 2014) and the shares of common stock that such person has the right to acquire as of June 30, 2014, and within 60 days thereafter. Each person has sole voting power and sole investment power over the shares of common stock that the person beneficially owns, unless otherwise indicated.
- (2) The address of Messrs. Paterson, Fellows, Mundy, Weinhold, Kesser, Ducey, Gutierrez, Oskin and Puckett is c/o Verso Paper Corp., 6775 Lenox Court, Suite 400, Memphis, Tennessee 38115-4436. The address of Messrs. Kleinman, Press, Rayman and Sambur is c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019.

- (3) The number of shares beneficially owned includes restricted shares of common stock granted to the following persons that are not vested as of June 30, 2014: Mr. Paterson 42,547 shares; Mr. Fellows 28,559 shares; Mr. Mundy 25,846 shares; Mr. Weinhold 25,830 shares; Mr. Kesser 24,284 shares; Mr. Ducey 22,406 shares; Mr. Gutierrez 22,406 shares; Mr. Kleinman 22,406 shares; Mr. Oskin 22,406 shares; Mr. Press 22,406 shares; Mr. Puckett 22,406 shares; Mr. Rayman 6,514 shares; Mr. Sambur 22,406 shares; and all directors and executive officers as a group 339,261 shares.

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- (4) The number of shares beneficially owned includes shares of common stock that the following persons have the right to acquire as of June 30, 2014, and within 60 days thereafter by exercising stock options:  
Mr. Paterson 454,998 shares; Mr. Fellows 238,165 shares; Mr. Mundy 211,771 shares; Mr. Weinhold 212,776 shares; Mr. Kesser 178,333 shares; Mr. Gutierrez 15,200 shares; Mr. Press 15,200 shares; and all directors and executive officers as a group 1,550,318 shares.
- (5) The number of shares beneficially owned by Mr. Kesser includes 7,400 shares of common stock owned by his wife.
- (6) The number of shares beneficially owned includes shares of common stock owned by Verso Paper Management LP, which the following persons, as limited partners of Verso Paper Management LP, have the right to acquire as of June 30, 2014, by exchanging units representing limited partner interests in Verso Paper Management LP:  
Mr. Kleinman 23,190 shares; Mr. Sambur 23,187 shares; and all directors and executive officers as a group 46,377 shares.
- (7) Messrs. Kleinman, Press, Rayman and Sambur are associated with Apollo Management VI, L.P., and its affiliated investment managers. The number and percentage of shares shown do not include any shares beneficially owned by Apollo Management VI, L.P., or any of its affiliates, including shares held of record by Verso Paper Management LP. Messrs. Kleinman, Press, Rayman and Sambur expressly disclaim beneficial ownership of the shares owned by Verso Paper Management LP, except to the extent of any pecuniary interest therein.
- (8) All of the shares of common stock shown as beneficially owned by Verso Paper Management LP are held of record by Verso Paper Management LP. Verso Paper Investments LP is the general partner of Verso Paper Management LP. Verso Paper Investments Management LLC is the general partner of Verso Paper Investments LP. CMP Apollo LLC is the sole and managing member of Verso Paper Investments Management LLC. Apollo Management VI, L.P., or Management VI, is the sole and managing member of CMP Apollo LLC. AIF VI Management, LLC, or AIF VI LLC, is the general partner of Management VI. Apollo Management, L.P., or Apollo, is the sole member and manager of AIF VI LLC. Apollo Management GP, LLC, or Apollo Management GP, is the general partner of Apollo. Apollo Management Holdings, L.P., or AMH, is the sole member and manager of Apollo Management GP. Apollo Management Holdings GP, LLC, or AMH GP, is the general partner of AMH. Leon Black, Joshua Harris and Marc Rowan are the managers and executive officers of AMH GP, and as such may be deemed to have voting and dispositive control of the shares of common stock held by Verso Paper Management LP. Verso Paper Investments LP, Verso Paper Investments Management LLC, CMP Apollo LLC, Management VI, AIF VI LLC, Apollo, Apollo Management GP, AMH, AMH GP and Messrs. Black, Harris and Rowan each disclaims beneficial ownership of the shares held by Verso Paper Management LP, except to the extent of any pecuniary interest therein. The address of Verso Paper Management LP, Verso Paper Investments LP, Verso Paper Investments Management LLC, CMP Apollo LLC, Management VI, AIF VI LLC, Apollo, Apollo Management GP, AMH, AMH GP, and Messrs. Black, Harris and Rowan is c/o Apollo Management VI, L.P., 9 West 57th Street, 43rd Floor, New York, New York 10019.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors and executive officers and the beneficial owners of more than 10% of our registered equity securities file with the SEC initial reports of, and subsequent reports of changes in, their beneficial ownership of our equity securities. Based solely on our review of such Section 16(a) reports and written representations that our directors and executive officers have furnished to us, we believe that all reporting persons complied with all applicable Section 16(a) filing requirements during 2013.



**Table of Contents****DIRECTORS AND EXECUTIVE OFFICERS**

The following table and biographical descriptions provide information regarding our directors and executive officers.

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
David J. Paterson	59	President, Chief Executive Officer and Director
Lyle J. Fellows	58	Senior Vice President of Manufacturing and Energy
Robert P. Mundy	52	Senior Vice President and Chief Financial Officer
Michael A. Weinhold	49	Senior Vice President of Sales, Marketing and Product Development
Peter H. Kesser	56	Senior Vice President, General Counsel and Secretary
Kenneth D. Sawyer	58	Vice President of Human Resources
Benjamin Hinchman, IV	66	Vice President and Chief Information Officer
Michael E. Ducey	65	Director
Thomas Gutierrez	65	Director
Scott M. Kleinman	41	Director and Chairman of the Board
David W. Oskin	71	Director
Eric L. Press	48	Director
L.H. Puckett, Jr.	65	Director
Reed B. Rayman	28	Director
David B. Sambur	34	Director

**Executive Officers****David J. Paterson**

Mr. Paterson has been our President and Chief Executive Officer and a director of Verso since 2012. Information about Mr. Paterson appears below under the heading Directors.

**Lyle J. Fellows**

Mr. Fellows has been our Senior Vice President of Manufacturing and Energy since 2009 and was our Senior Vice President of Manufacturing from 2006 to 2009. Mr. Fellows previously worked at International Paper Company from 1981 to 2006, where he was Vice President of Manufacturing of the Coated and Supercalendered Papers Division from 2003 to 2006, manager of the pulp and paper mill in Courtland, Alabama, from 2001 to 2003, manager of the pulp and paper mill in Saillat, France, from 2000 to 2001, Manufacturing Director of the Arizona Chemical business in Europe from 1998 to 1999, and Technical Director of the White Papers business in Europe from 1994 to 1997. He also served in various manufacturing positions at the pulp and paper mill in Pine Bluff, Arkansas, from 1981 to 1994.

**Robert P. Mundy**

Mr. Mundy has been our Senior Vice President and Chief Financial Officer since 2006. Mr. Mundy previously worked at International Paper Company from 1983 to 2006, where he was Director of Finance of the Coated and Supercalendered Papers Division from 2002 to 2006, Director of Finance Projects from 2001 to 2002, Controller of Masonite Corporation from 1999 to 2001, and Controller of the Petroleum and Minerals business from 1996 to 1999. He also served in various business positions from 1983 to 1996, including company-wide SAP implementation, corporate internal audit, and manufacturing and operational finance at three pulp and paper mills.



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### **Michael A. Weinhold**

Mr. Weinhold has been our Senior Vice President of Sales, Marketing and Product Development since 2011 and was our Senior Vice President of Sales and Marketing from 2006 to 2011. He is responsible for our sales, marketing, supply chain, customer technical service, e-commerce, product development, product management and Nextier Solutions® functions. Mr. Weinhold previously worked at International Paper Company from 2000 to 2006, where he held various sales, marketing and management positions in the Coated and Supercalendered Papers Division, including Business Manager from 2004 to 2006, Business Manager of Sales and Marketing from 2003 to 2004, and Director of Marketing and Product Development from 2001 to 2003. He also held similar positions at Champion International Corporation from 1994 until it was acquired by International Paper Company in 2000.

### **Peter H. Kesser**

Mr. Kesser has been our Senior Vice President, General Counsel and Secretary since 2012 and was our Vice President, General Counsel and Secretary from 2006 to 2012. During his legal career, Mr. Kesser has worked both as an attorney in major law firms and as the general counsel of publicly held companies. He has concentrated his practice in the areas of corporate, securities, mergers and acquisitions, and commercial law, plus he has had significant oversight responsibility for a wide variety of other legal matters such as antitrust, compliance, employee benefits, employment, energy, environmental, intellectual property, litigation and real estate. Prior to joining Verso, Mr. Kesser was an attorney and shareholder with Baker Donelson Bearman Caldwell & Berkowitz PC from 1999 to 2006. He was Vice President, Assistant General Counsel and Assistant Secretary of Promus Hotel Corporation, a premier lodging company, from 1998 to 1999. Mr. Kesser was Vice President, General Counsel and Secretary of Arcadian Corporation, a leading global nitrogen chemical producer, from 1993 to 1997. He began his legal career as an attorney with Bracewell & Patterson LLP (now named Bracewell & Giuliani LLP) from 1983 to 1992. Mr. Kesser is the former Chair of the Business Law section of the Tennessee Bar Association.

### **Kenneth D. Sawyer**

Mr. Sawyer has been our Vice President of Human Resources since 2011. He previously worked at AbitibiBowater, Inc. (now named Resolute Forest Products Inc.), a producer of pulp, paper and wood products, from 2007 to 2010, where he was Director of Human Resources for all United States operations from 2009 to 2010, and Director of Human Resources for the Commercial Printing Papers Division in the United States, Canada and South Korea from 2007 to 2009. Mr. Sawyer worked at Bowater Incorporated, a manufacturer of pulp, paper and wood products, from 1999 to 2007, where he was Director of Process Improvement and Organization Effectiveness from 2006 to 2007, and Director of Human Resources of the Coated Papers Division from 1999 to 2006. Mr. Sawyer was Vice President of Human Resources of Dorsey Trailers, Inc., a transportation equipment manufacturer, from 1993 to 1999.

### **Benjamin Hinchman, IV**

Mr. Hinchman has been our Vice President and Chief Information Officer since 2006. During his extensive career in the information technology field, he has implemented and managed information systems supporting manufacturing, quality control, research and development, sales, order fulfillment, distribution, warehousing, finance and e-commerce. Mr. Hinchman previously worked at International Paper Company from 1999 to 2006, where he was Director of Information Technology of the Coated and Supercalendered Papers Division in 2006, Director of Information Technology of the xpedx business from 2002 to 2006, and Director of Strategic Technologies from 1999 to 2001. Mr. Hinchman worked for Union Camp Corporation from 1995 to 1999, where he was Director of Information Services for the Fine Papers Division until its acquisition by International Paper Company. Mr. Hinchman previously worked in various other businesses, holding positions of increasing responsibility in information

technology.

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### **Directors**

We believe that the members of our board of directors should have a range of skills, expertise, experience and diversity that enables them to provide sound guidance with respect to our business and operations. As discussed below, each of our directors has an established record of professional accomplishment and particular knowledge, qualifications, skills and experience that the board of directors considers important attributes for service on the board of directors.

The composition of our board of directors is balanced among four independent directors; four directors associated with Apollo Management VI, L.P., which manages funds that control Verso Paper Management LP, our largest stockholder; and one management director who serves as our President and Chief Executive Officer. That balance, to which each of our directors contributes, is important to us for the following reasons:

As independent directors, each of Messrs. Ducey, Gutierrez, Oskin and Puckett contributes an outside point of view that we value for providing multiple perspectives to the board of directors oversight and direction and for facilitating objectivity in the board's decision-making process.

Because of their association with Apollo Management VI, L.P., each of Messrs. Kleinman, Press, Rayman and Sambur is particularly attuned to strategic, financial and other considerations that may affect our stockholders' investments in us.

Mr. Paterson, as our President and Chief Executive Officer, brings his knowledge of Verso and our industry, operations and business plans to the board of directors.

In addition, as indicated below, each of our directors has specific knowledge, experience and expertise relevant to serving as a director of Verso, and most of our directors have experience serving on boards of directors of other companies. Each director also has the following key attributes that we believe are important to an effective board of directors: integrity and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; and diversity of background, experience and thought.

#### **Michael E. Ducey**

Mr. Ducey has been a director of Verso since 2007 and a member and the chairman of the Audit Committee since 2008. He was President and Chief Executive Officer of Compass Minerals International, Inc., or Compass, a producer of salt and specialty fertilizers, from 2002 to 2006, and he remains a consultant to Compass. Mr. Ducey worked at Borden Chemical, Inc., a diversified chemical company, or Borden, from 1972 to 2002, where he held various management, sales, marketing, planning and commercial development positions, including President and Chief Executive Officer from 1999 to 2002 and Executive Vice President and Chief Operating Officer from 1997 to 1999.

Mr. Ducey has been a director of Apollo Global Management, LLC, a leading global alternative investment manager, since 2011 and a director of HaloSource, Inc., a global producer of water purification and disinfecting technologies, since 2010. He previously was a director of TPC Group Inc., a producer of hydrocarbon derivatives, from 2009 to 2012; a director of Smurfit-Stone Container, Inc., a producer of corrugated containers, from 2010 to 2011; a director of UAP Holding Corp., the parent of United Agri Products, Inc., from 2006 to 2008; and a director of Compass from

2002 to 2006.

Mr. Ducey's broad experience in manufacturing, strategic planning and management, gained from his lengthy career with Compass and Borden, is valuable to our board of directors. Mr. Ducey's background in manufacturing provides experience with complex challenges and opportunities that are comparable to those that we sometimes face as a manufacturer, and his experiences as President and Chief Executive Officer of both Compass and Borden provide valuable insight on which he can draw while overseeing our management. In addition, Mr. Ducey's service as a director of other companies augments his knowledge of effective corporate governance.

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### **Thomas Gutierrez**

Mr. Gutierrez has been a director of Verso since 2008 and a member of the Audit Committee since 2009. He has been President and Chief Executive Officer of GT Advanced Technologies Inc., a provider of specialized equipment, technology and services for the solar power industry, since 2009. Mr. Gutierrez was Chief Executive Officer of PhytoChem Pharmaceuticals, Inc., a development-stage pharmaceutical company, in 2009. He was Chief Executive Officer of Xerium Technologies Inc., a manufacturer of synthetic textiles and specialty roll covers used in the production of paper, from 2001 to 2008. Mr. Gutierrez was Chief Executive Officer of various business units of Invensys plc, a provider of technology used to monitor, control and automate processes, from 1995 to 2001. He was Chief Operating Officer of Pulse Engineering, Inc., a manufacturer of electronic components for telecommunications and power applications, from 1992 to 1994. Earlier in his career, Mr. Gutierrez held various management, technical and engineering positions with Pitney Bowes Inc., Franklin Computer Corporation, Motorola, Inc., and Digital Equipment Corporation.

Mr. Gutierrez has been a director of GT Advanced Technologies Inc. since 2009 and a director of PhytoChem Pharmaceuticals, Inc., since 2009. He previously was a director of Veeco Instruments Inc., a producer of process equipment for LED, solar and data storage manufacturers, from 2010 to 2011; a director of Comverge, Inc., a provider of clean energy alternatives, from 2009 to 2010; and a director of Xerium Technologies Inc. from 2001 to 2008.

Mr. Gutierrez's extensive experience in various industries, including manufacturing, provides him with a breadth and depth of knowledge that informs his oversight of our organization as a director. His background of providing leadership, as the most senior executive and as a director, of various companies provides him with experience in guiding organizations through complex challenges and opportunities. In addition, from his many years of experience as the chief executive officer of large companies, Mr. Gutierrez has developed expertise in managing enterprises which enhances his oversight of our management and the guidance that he provides as our director. Finally, his service as a director of other companies enhances his knowledge of effective corporate governance.

### **Scott M. Kleinman**

Mr. Kleinman has been a director and Chairman of the Board of Verso since 2006. He also has been a member and the chairman of the Compensation Committee and the Corporate Governance and Nominating Committee since 2008, and was a member and the chairman of the Audit Committee in 2008. Mr. Kleinman is the Lead Partner for Private Equity at Apollo Global Management, LLC, a leading global alternative investment manager, where he has worked since 1996. He previously was employed by Smith Barney Inc. in its Investment Banking division from 1994 to 1996.

Mr. Kleinman has been a director of Momentive Specialty Chemicals Inc., a producer of thermoset resins and other specialty chemicals, since 2014; a director of Taminco Corporation, a producer of alkylamines and derivatives, since 2011; and a director of Momentive Performance Materials Inc., a producer of silicone, quartz and ceramics materials, since 2010. He previously was a director of LyondellBasell Industries, N.V., a plastics, chemical and refining company, from 2010 to 2013; a director of Realogy Corporation, a provider of residential real estate and relocation services, from 2007 to 2013; and a director of Noranda Aluminum Holding Corporation, a manufacturer of aluminum products, from 2007 to 2011.

With significant experience in financing, analyzing, investing in and managing investments in public and private companies, Mr. Kleinman has gained substantial expertise in strategic and financial matters that inform his contributions to our board of directors and enhance his oversight and direction of us. In addition, Mr. Kleinman led the Apollo team that managed the acquisition of Verso's business from International Paper Company in 2006, which provided him with unique knowledge of our industry, business and organization. Finally, Mr. Kleinman's service as a

director of other companies in a variety of industries gives him a range of experience as a director on which he can draw in serving as our director and increases his knowledge of effective corporate governance.



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**David W. Oskin**

Mr. Oskin has been a director of Verso since 2007. He also has been a member of the Audit Committee since 2008 and the Corporate Governance and Nominating Committee since 2008. Mr. Oskin has been President of Four Winds Ventures, LLC, a private investment company, since 2005. He previously worked for 29 years in the paper and forest products industries in various senior management, distribution, sales and marketing, quality management, human resources and other positions. Mr. Oskin spent most of his career with International Paper Company, where he worked initially from 1975 to 1991 and then again as an Executive Vice President from 1996 to 2003. Mr. Oskin was Managing Director and Chief Executive Officer of Carter Holt Harvey Limited, a forest products company based in New Zealand, from 1992 to 1995.

Mr. Oskin has been a director of Rayonier Inc., a forest products company, since 2009; a director of Samling Global Limited, a timber and forest products concern, since 2005; and a director of Big Earth Publishing LLC, a book and magazine publisher, since 2004. He previously was a director of Pacific Millennium Corporation, a packaging company, from 2003 to 2012 and a director of Goodman Global Inc., a heating, ventilation and air conditioning products manufacturer, from 2006 to 2008. Mr. Oskin was Chair of the Board of Trustees of Widener University from 2001 to 2009 and currently is the Chair Emeritus.

Mr. Oskin's significant management experience with International Paper Company and Carter Holt Harvey Limited, in a wide range of areas such as distribution, sales and marketing, quality management, and human resources, and his service on the boards of directors of various companies in the paper and forest products industry, provide him with a substantial knowledge base on which he can draw in providing oversight and input as our director. In addition, Mr. Oskin's current service with Big Earth Publishing LLC gives him experience in magazine and book publishing that is relevant to our sales and marketing efforts. Finally, Mr. Oskin's service as a director of other companies augments his knowledge of effective corporate governance.

**David J. Paterson**

Mr. Paterson has been our President and Chief Executive Officer and a director of Verso since 2012. He previously was President and Chief Executive Officer of AbitibiBowater Inc. (now named Resolute Forest Products Inc.), a producer of pulp, paper and wood products, from 2007 to 2011. AbitibiBowater Inc. filed a voluntary Chapter 11 bankruptcy proceeding in 2009 from which it emerged in 2010. Mr. Paterson was Chairman, President and Chief Executive Officer of Bowater Incorporated during 2007 and President and Chief Executive Officer of Bowater Incorporated from 2006 to 2007. He worked in various executive and sales and marketing positions for Georgia-Pacific Corporation, a manufacturer of tissue, packaging, paper, building products and related chemicals, from 1987 to 2006, serving most recently as Executive Vice President of the Building Products division from 2003 to 2006, Executive Vice President of the Pulp and Paperboard division from 2001 to 2003, President of the Paper and Bleached Board division in 2001, and Senior Vice President of the Communication Papers division from 2000 to 2001.

Mr. Paterson has been a director of KiOr, Inc., a next-generation renewable fuels company, since 2012. He previously was a director of AbitibiBowater Inc. from 2007 to 2011 and a director of Bowater Incorporated from 2006 to 2007.

From his many years in the paper and forest products industry, Mr. Paterson has obtained a wealth of knowledge about industry matters of importance to us and experience in meeting many challenges presented by, and identifying and exploiting opportunities available in, our industry. His industry-specific knowledge and experience not only make him well suited to serve as our President and Chief Executive Officer, but also enhance discussions and decisions of our board of directors. In addition, as our President and Chief Executive Officer, Mr. Paterson is uniquely positioned

as a director to contribute his in-depth knowledge of our organization and other matters relating to our business to board discussions and decision-making.

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### **Eric L. Press**

Mr. Press has been a director of Verso since 2009. He is a senior partner at Apollo Global Management, LLC, a leading global alternative investment manager, where he has worked since 1998 analyzing and overseeing Apollo's investments in basic industries, financial services, lodging, leisure and entertainment companies. Mr. Press previously was an attorney with Wachtell, Lipton, Rosen & Katz from 1992 to 1998, concentrating his practice in mergers, acquisitions, restructurings and related financing transactions. Mr. Press was a consultant with The Boston Consulting Group from 1987 to 1989.

Mr. Press has been a director of Princimar Chemical Holdings, LLC and affiliated entities, a maritime shipping company, since 2013; a director of Apollo Commercial Real Estate Finance, Inc., a real estate investment trust, since 2009; a director of Caesars Entertainment Corporation, a gaming company, since 2008; a director of Noranda Aluminum Holding Corporation, a manufacturer of aluminum products, since 2007; a director of Prestige Cruise Holdings, Inc., a cruise company, since 2007; and a director of Affinion Group Holdings, Inc., and its subsidiary, Affinion Group Inc., a provider of marketing products and services, since 2005. He previously was a director of Athene Asset Management, LLC, a fixed annuity reinsurance company, from 2009 to 2014; a director of Metals USA Holding Corp., a metal service center and processor of metal components, from 2005 to 2013; a director of Innkeepers USA Trust, an owner of upscale extended-stay hotel properties, from 2007 to 2010; a director of Quality Distribution, Inc., a bulk tank truck network operator, from 2004 to 2008; a director of AEP Industries, a manufacturer of plastic packaging films, from 2004 to 2008; and a director of Wyndham International, Inc., a lodging company, in 2005.

Mr. Press's extensive background in analyzing, financing and managing investments, and his prior background as an attorney specializing in mergers, acquisitions, restructurings and related financing transactions, provides him with considerable experience in identifying and analyzing operational, financial and management matters that affect investments. These skills are highly pertinent to his oversight of our business, financial performance and management. In addition, Mr. Press's service as a director of other companies in a variety of industries provides him with a range of experience and enhances his knowledge of effective corporate governance.

### **L.H. Puckett, Jr.**

Mr. Puckett has been a director of Verso since 2006 and was our President and Chief Executive Officer in 2006. He was Executive Vice President of Sales and Marketing at National Envelope Corporation in 2010 until the sale of substantially all of its assets as part of its voluntary Chapter 11 bankruptcy. Mr. Puckett previously worked at International Paper Company from 1999 to 2006, where he was Senior Vice President of the Coated and Supercalendered Papers Division from 2000 to 2006 and Vice President of the Commercial Printing and Imaging Papers businesses from 1999 to 2000. Mr. Puckett worked at Union Camp Corporation from 1974 to 1999 when it was acquired by International Paper Company, serving most recently as Senior Vice President of the Fine Papers business from 1998 to 1999.

Mr. Puckett brings to our board of directors considerable experience in the pulp and paper industry, including a combined seven years serving as the principal executive officer of Verso and our business when it was a division of International Paper Company. Mr. Puckett's management experience provides him with an in-depth understanding of our industry, business and organization which is useful in providing guidance to our management. Mr. Puckett's significant industry experience and in-depth knowledge of our business enhances his oversight of us and provides him with insight into matters of importance to our organization.

### **Reed B. Rayman**

Mr. Rayman has been a director of Verso since March 2014. He is an associate at Apollo Global Management, LLC, a leading global alternative investment manager, where he has worked since 2010. Mr. Rayman previously was employed by Goldman, Sachs & Co. in both its Industrials Investment Banking and Principal Strategies groups from 2008 to 2010.

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Mr. Rayman's background in analyzing, financing and investing in companies provides him with expertise in identifying and analyzing operational, financial and management matters that affect investments. This knowledge enables Mr. Rayman to more successfully oversee our business, financial performance and management.

**David B. Sambur**

Mr. Sambur has been a director of Verso since 2008 and a member of the Compensation Committee since 2008. He also was a member of the Audit Committee from 2008 to 2009. Mr. Sambur is a partner at Apollo Global Management, LLC, a leading global alternative investment manager, where he has worked since 2004. Mr. Sambur previously was employed by Salomon Smith Barney Inc. in its Leveraged Finance group from 2002 to 2004.

Mr. Sambur has been a director of AP Gaming Holdco, Inc., a designer and manufacturer of gaming machines, since 2013; a director of Caesars Entertainment Corporation and Caesars Acquisition Company, affiliated gaming companies, since 2010 and 2013, respectively; a director of Momentive Performance Materials Inc., a producer of silicone, quartz and specialty ceramics materials, since 2010; and a director of Momentive Specialty Chemicals Inc., a producer of thermoset resins and other specialty chemicals, since 2010.

With experience in analyzing, financing and investing in public and private companies, Mr. Sambur has gained substantial expertise in strategic and financial matters which inform his contributions to our board of directors and contribute to his ability to conduct oversight of our business, financial performance and management. In addition, Mr. Sambur was a member of the Apollo team that managed the acquisition of Verso's business from International Paper Company in 2006, which provided him with unique insight into our industry, business and organization. Finally, Mr. Sambur's service on the boards of directors of other companies increases his knowledge of effective corporate governance.

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**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

**Board of Directors Structure**

Our board of directors consists of nine directors who are divided into three classes—Class I, Class II and Class III—with three directors each. The directors in each class serve for staggered three-year terms. Messrs. Gutierrez, Press and Puckett are Class I directors whose terms will expire at our 2015 Annual Meeting of Stockholders. Messrs. Oskin, Paterson and Rayman are Class II directors whose terms will expire at our 2016 Annual Meeting of Stockholders. Messrs. Ducey, Kleinman and Sambur are Class III directors whose terms will expire at our 2017 Annual Meeting of Stockholders.

**Leadership Structure**

The role of our Chairman of the Board is to lead and oversee the board of directors, including ensuring that the board of directors functions effectively and fulfills its responsibilities to Verso and our stockholders. The Chairman of the Board presides at meetings of the board of directors. The role of our Chief Executive Officer is to lead and manage Verso and serve as our primary liaison with the board of directors.

We do not have any policy that requires the roles of Chairman of the Board and Chief Executive Officer to be filled by separate individuals, nor do we have any policy that requires the Chairman of the Board to be selected from a particular group of directors such as non-employee directors or independent directors. The board of directors has the prerogative to adopt such a policy, but has not found it necessary to do so. Instead, the board of directors has the flexibility to determine who should serve as the Chairman of the Board, and whether the Chairman of the Board and the Chief Executive Officer should be separate individuals, in each case based on Verso's needs. The board of directors makes its determination based on the criteria and considerations that it deems appropriate to provide suitable leadership for the board of directors and Verso. The positions of Chairman of the Board and Chief Executive Officer currently are held by different individuals. Our Chairman of the Board is Scott M. Kleinman, a non-employee director who is the Lead Partner for Private Equity at Apollo Global Management, LLC, and our Chief Executive Officer is David J. Paterson, who also serves as a director and our President.

We believe that our current leadership structure, in which the roles of Chairman of the Board and Chief Executive Officer are separated, is appropriate for Verso at this time. This structure enhances the board of directors' oversight of management, because a non-employee Chairman of the Board is more likely to question management actions. The separation of roles also permits the Chairman of the Board to participate in non-management executive sessions of the board of directors, from which he would be excluded if he also were our Chief Executive Officer. Finally, this structure allows the Chief Executive Officer to focus his efforts on the job of leading and managing Verso on a daily basis.

**Director Independence**

The listing standards of the New York Stock Exchange, or NYSE, require that a listed company have a majority of independent directors. However, we are a controlled company as defined in the NYSE's listing standards *i.e.*, a company of which more than 50% of the voting power is held by an individual, group or another company and thus are not required by the NYSE to comply with the majority director independence requirement or to have a compensation committee and a nominating committee composed entirely of independent directors. Nonetheless, our board of directors has determined that four of our nine directors—Messrs. Ducey, Gutierrez, Oskin and Puckett—are independent under the NYSE's listing standards. In making this determination, our board of directors has affirmatively determined that each of these directors meets the objective criteria for independence set forth by the NYSE, as well as the

additional independence requirements imposed by the SEC for audit committee members which are incorporated into the NYSE's listing standards, and that none of them has any relationship, direct or indirect, to us other than as stockholders or through their service as directors of us or, with respect to Mr. Ducey, an affiliate of Verso Paper Management LP, our largest stockholder.

**Table of Contents****Committees of the Board of Directors***Committee Overview*

Our board of directors has three standing committees: an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee, each of which operates under a charter adopted by our board of directors. The charters of these committees are available for review in the Governance section of the Our Company page on our website at [www.versopaper.com](http://www.versopaper.com). The information on our website is not a part of this Proxy Statement.

The following table summarizes the committee structure of our board of directors.

<b>Director</b>	<b>Independent</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Corporate Governance and Nominating Committee</b>
Michael E. Ducey		*		
Thomas Gutierrez				
Scott M. Kleinman			*	*
David W. Oskin				
David J. Paterson				
Eric L. Press				
L.H. Puckett, Jr.				
Reed B. Rayman				
David B. Sambur				

\* Chair of the committee.

*Audit Committee*

The purposes of the Audit Committee are to assist our board of directors in fulfilling its responsibilities regarding

the integrity of our financial statements and other financial information provided to our stockholders and other relevant parties;

the performance of our internal accounting and financial controls;

our system of internal control;

the qualifications, independence and performance of our independent registered public accounting firm;



the function of our internal audit department; and

our process for monitoring compliance with applicable legal and regulatory requirements, including accounting, financial reporting and public disclosure requirements.

Each director serving on the Audit Committee Messrs. Ducey, Gutierrez and Oskin is independent under the NYSE's and SEC's rules, satisfies the NYSE's requirements of being financially literate and possessing accounting or related financial management expertise, and qualifies as an audit committee financial expert under the SEC's rules.

#### *Compensation Committee*

The purposes of the Compensation Committee are to assist our board of directors in fulfilling its responsibilities regarding

review and approval of our compensation philosophy and objectives for our executive officers;

review and approval of the performance goals and objectives relevant to the compensation of our executive officers;

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review and approval of the compensation of our executive officers; and

acting as administrator as may be required by our incentive compensation and equity-related plans in which our executive officers may be participants.

*Corporate Governance and Nominating Committee*

The purposes of the Corporate Governance and Nominating Committee are to assist our board of directors in fulfilling its responsibilities regarding

identification of qualified candidates to become our directors, consistent with criteria approved by our board of directors;

selection of nominees for election as directors at meetings of our stockholders at which directors are to be elected;

selection of candidates to fill vacancies and newly created directorships on our board of directors;

identification of best practices and recommendation of corporate governance principles, including giving proper attention and making effective responses to stockholder concerns regarding corporate governance;

development and recommendation to our board of directors of guidelines setting forth corporate governance principles applicable to us; and

oversight of the evaluation of our board of directors and management.

**Nomination and Evaluation of Director Candidates**

Our board of directors will consider nominating all potential candidates for election as directors who are recommended by our stockholders or board of directors, provided that the recommendation complies with the relevant requirements of our bylaws. All recommendations of candidates for director must be made in accordance with the provisions of Article II, Section 13 of our bylaws, which sets forth requirements concerning the information to be provided about the candidate and the timing for the submission of the recommendation. Any stockholder who desires to recommend a candidate for nomination as a director should send the nomination to Corporate Governance and Nominating Committee, c/o Secretary, Verso Paper Corp., 6775 Lenox Center Court, Suite 400, Memphis, Tennessee 38115-4436.

Our Corporate Governance and Nominating Committee screens every potential director candidate in the same manner, regardless of the source of his or her recommendation. Each director candidate must possess fundamental qualities of intelligence, honesty and strong ethics and standards of integrity, fairness and responsibility. In further evaluating the suitability of director candidates (both new candidates and current directors), the Corporate Governance and Nominating Committee, in recommending candidates for election, and the board of directors, in approving (and, in the

case of vacancies, appointing) such candidates, takes into account many factors, including the candidate s

business judgment and ability to make independent analytical inquiries;

understanding of manufacturing, sales, marketing, product development, finance and other elements relevant to our success in a competitive business environment;

professional background, including experience as a director of a public company and as an officer or former officer of a public company;

experience in our industry and with relevant social policy concerns;

understanding of our business on a technical level; and

educational background, including academic expertise in an area of our operations.

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The Corporate Governance and Nominating Committee and our board of directors also evaluate each director candidate in the context of our board of directors as a whole, with the objective of assembling a group of directors who can best perpetuate the success of our business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas. In determining whether to recommend a director for re-election, the Corporate Governance and Nominating Committee and our board of directors also consider the director's past attendance at meetings of our board of directors, the director's participation in and contributions to the activities of our board of directors, and the results of the most recent board of directors evaluation. Notwithstanding the foregoing criteria, if we are legally required, by contract or otherwise, to permit a party to designate one or more directors to be elected or appointed to our board of directors (*e.g.*, pursuant to rights contained in a certificate of designation of a class of preferred stock), then the nomination or appointment of such directors will be governed by those requirements.

We do not have a formal policy with regard to the consideration of diversity in identifying candidates for election to the board of directors, but the Corporate Governance and Nominating Committee recognizes the benefits associated with a diverse group of directors and takes diversity considerations into account when identifying director candidates. The Corporate Governance and Nominating Committee considers diversity in the broadest context, including the familiar diversity concepts of race, national origin, gender, *etc.*, as well as diversity of professional experience, employment history, and experience on other boards of directors and as management of other companies.

### **Nominees for Election as Class III Directors**

Our board of directors has nominated Messrs. Ducey, Kleinman and Sambur for election as Class III directors at the 2014 Annual Meeting of Stockholders. Each nominee is an incumbent director. Mr. Ducey is a member and the chair of our Audit Committee. Mr. Kleinman is a member and the chair of both our Compensation Committee and our Corporate Governance and Nominating Committee. Mr. Sambur is a member of our Compensation Committee.

### **Director Attendance at Board of Directors and Committee Meetings**

The board of directors and the Audit Committee hold meetings on at least a quarterly basis, and the Compensation Committee and the Corporate Governance and Nominating Committee hold meetings as necessary or appropriate. At times, the board of directors and its committees also act by written consent in lieu of formal meetings. In 2013, the board of directors met six times and acted by written consent four times; the Audit Committee met four times and acted by written consent one time; the Compensation Committee acted by written consent five times; and the Corporate Governance and Nominating Committee acted by written consent one time. In 2013, each director attended all of the meetings of the board of directors and the committees on which he served, except that Thomas Gutierrez, Eric L. Press and Jordan C. Zaken, a former director of Verso who resigned on March 19, 2014, each was absent from two board of directors meetings.

The NYSE's listing standards require that our non-management directors meet regularly in executive session without management present. Our Corporate Governance Guidelines require our non-management directors to meet in executive session without management present at least two times per year. In 2013, our non-management directors held four executive sessions. The presiding director at the executive sessions is Mr. Oskin or, in his absence, a director selected by a majority vote of the non-management directors present. Executive sessions are of no fixed duration, and our non-management directors are encouraged to raise and discuss any issues of concern.

### **Director Attendance at Stockholders Meetings**

We do not maintain a formal policy regarding director attendance at our annual stockholders meetings. One director attended our 2013 Annual Meeting of Stockholders.

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### **Communications with Directors**

Any interested party wishing to communicate with our board of directors, our non-management directors, or a specific director may do so by delivering the written communication in person or mailing it to Board of Directors, c/o Secretary, Verso Paper Corp., 6775 Lenox Center Court, Suite 400, Memphis, Tennessee 38115 4436.

Communications will be distributed to specific directors as directed in the communication. If addressed generally to the board of directors, communications may be distributed to specific members of the board of directors as appropriate, depending on the topic of the communication. For example, if a communication relates to accounting, internal controls or auditing matters, unless otherwise specified, the communication will be forwarded to the chair of the Audit Committee. From time to time, the board of directors may change the process by which stockholders and others may communicate with the board of directors or its members. Please refer to our website for any change in this process.

### **Corporate Governance**

#### *General*

In furtherance of our board of directors' goals of providing effective governance of our business and affairs for the long-term benefit of our stockholders and promoting a culture and reputation of the highest ethics, integrity and reliability, our board of directors has adopted the following corporate governance measures:

Corporate Governance Guidelines

Charters for our Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee

Code of Conduct

Whistleblower Policy

Each of these documents is available, free of charge, in print to any stockholder who requests it and in the Governance section of the Our Company page on our website at [www.versopaper.com](http://www.versopaper.com). The information on our website is not a part of this joint proxy and information statement/prospectus.

#### *Corporate Governance Guidelines*

The Corporate Governance Guidelines set forth the framework within which the board of directors conducts its business. The Corporate Governance Guidelines are intended to assist our board of directors in the exercise of its responsibilities and to serve the interests of Verso and our stockholders. The Corporate Governance Guidelines set forth guiding principles on matters such as

size of the board of directors;

director independence;

meetings of non-management directors;

director qualifications;

matters potentially affecting directors' service on our board of directors, such as serving as directors or audit committee members of other public companies and the impact on management directors of changes in their employment with us;

director responsibilities;

director compensation;

director access to executive management and independent advisors;

meetings of the board of directors and its committees, including matters such as meeting frequency and attendance; and

board of directors participation in the development of management leadership.

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### *Code of Conduct*

Our Code of Conduct is a code of ethics that applies to all of our directors, officers and employees, including our Chief Executive Officer and Chief Financial Officer. The Code of Conduct addresses topics such as

ethical business conduct;

compliance with legal requirements;

confidentiality of our business information;

use of our property;

avoidance of conflicts of interest;

conduct of our accounting operations, preparation of financial reports, and making of public disclosures; and

reporting of any violation of law or the Code of Conduct, unethical behavior, improper or questionable accounting or auditing, or inaccuracy in our financial reports or other public disclosures.

Our employees are encouraged to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Conduct. Any such report may be made anonymously. Amendments to the Code of Conduct, and any waivers from the Code of Conduct granted to directors or executive officers, will be made available through our website.

### *Whistleblower Policy*

The Audit Committee has adopted a Whistleblower Policy that governs the receipt, retention and treatment of complaints received by us regarding accounting, internal controls, auditing matters and questionable financial practices. The Whistleblower Policy is designed to protect the confidential, anonymous submission by our employees of any concerns that they may have regarding questionable accounting or auditing matters. The Whistleblower Policy permits the reporting of those concerns by various means, including email, letter, telephone or a confidential hotline managed by an independent third-party vendor. Complaints will be reviewed under the Audit Committee's direction, with oversight by our General Counsel, Internal Audit Manager, or such other persons as the Audit Committee or the General Counsel determines to be appropriate.

### **Policy Relating to Related-Person Transactions**

Our board of directors' policy, as set forth in the Audit Committee's charter, is that all transactions with related persons, as contemplated in Item 404(a) of the SEC's Regulation S-K, are subject to review and approval by our Audit Committee, regardless of the dollar amount of the transaction. Since January 1, 2013, no transaction between us and



any related person has been reviewed or approved.

### **Transactions with Related Persons**

We have not conducted any reportable transaction with any related person since January 1, 2013.

### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers serves, or in the past has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers who serve on our board of directors or the Compensation Committee. No person who served as a member of our Compensation Committee during 2013 was, at any time in 2013, also a current or former officer or employee of Verso. Each member of our Compensation Committee is a partner or associate at Apollo Global Management, LLC, and we have engaged in transactions in which Apollo and various of its affiliates are related persons. For more information, please refer to Transactions with Related Persons in this joint proxy and information statement/prospectus.

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### **Board of Directors Role in Risk Oversight**

Companies face a variety of risks, including credit risk, liquidity risk and operational risk. Our board of directors believes that an effective risk management system will timely identify the material risks that we face, communicate necessary information with respect to material risks to our senior executives and, as appropriate, to the board of directors or its relevant committee, implement appropriate and responsive risk management strategies, and integrate risk management into our decision-making.

Our management has primary responsibility for risk management, including monitoring, identifying and addressing the risks facing Verso and bringing such risks that may be material to the attention of our board of directors or its appropriate committee. Our board of directors also encourages management to promote a corporate culture that incorporates risk management into our corporate strategy and operations.

Our board of directors is generally responsible for risk oversight. It has full access to our management so that it can maintain open and regular communication that allows it to perform its oversight function and that facilitates identifying, analyzing and addressing risks. Our board of directors and its committees also serve a risk-control function by providing, through oversight of our management, checks and balances on our management's actions.

Each committee of our board of directors has a high-level monitoring role with regard to risks associated with the matters that such committee oversees pursuant to its charter. As appropriate, a committee may identify specific risks to examine in detail, so that it may better evaluate and address those risks.

The Audit Committee is charged with responsibility for specific areas of risk under its charter, including the integrity of our financial statements, our system of internal controls, the performance of our internal audit department, the independence of our independent accountants, and our process for complying with financial, legal and regulatory requirements.

The Compensation Committee monitors risks associated with our compensation philosophy, objectives, plans, arrangements and agreements. The Compensation Committee's role with regard to risk management in these areas is not specifically delineated in its charter or any policy. Rather, the Compensation Committee is attuned to the risks inherent in compensation matters, especially financial incentives, and it considers these risks (including whether incentives encourage excessive risk-taking) as it determines appropriate in making decisions concerning compensation matters.

The Corporate Governance and Nominating Committee has responsibility for several areas that entail potential risk to Verso, including corporate governance, oversight of the board of directors and its effective functioning, and director qualifications. In performing its duties in these areas, the Corporate Governance and Nominating Committee addresses the potential risks that would be associated with poor corporate governance, ineffective board functioning, or unqualified directors.

Each committee of the board of directors has the discretion and flexibility, within the guidelines specified in its charter, to determine the best means to carry out its oversight responsibilities concerning risk. If a committee determines it to be appropriate, the committee, or a representative designated by the committee, will discuss risk-related issues with our management, other internal personnel and third parties, and, if needed, will engage experts and consultants to assist with any review, analysis or investigation related to a particular area of risk. If a committee determines that it is appropriate to review and evaluate an identified risk, the committee will report its findings and recommendations to the board of directors. Our board of directors ultimately is responsible for the adoption of any such recommendations.

The role that our board of directors and its committees plays in risk oversight does not have an impact on the leadership structure of our board of directors. However, we believe that having different individuals serve as our Chairman of the Board and our Chief Executive Officer facilitates risk oversight by providing the board of directors with leadership that is independent from management.

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**AUDIT COMMITTEE REPORT**

Management is responsible for Verso's internal controls and financial reporting process, including our internal control over financial reporting, and for preparing our consolidated financial statements. Deloitte & Touche LLP, an independent registered public accounting firm, is responsible for performing independent audits of our consolidated financial statements and report on internal control in accordance with the standards of the Public Company Accounting Oversight Board and for expressing an opinion on the conformity of our audited consolidated financial statements to accounting principles generally accepted in the United States of America. In this context, the responsibility of the Audit Committee is to oversee our accounting and financial reporting processes and the independent audits of our consolidated financial statements over financial reporting.

In the performance of its oversight function, the Audit Committee reviewed and discussed with management and Deloitte & Touche LLP our audited consolidated financial statements as of and for the year ended December 31, 2013. The Audit Committee also discussed with Deloitte & Touche LLP the matters required to be discussed by *Auditing Standard* No. 16, *Communications with Audit Committees*, issued by the Public Company Accounting Oversight Board.

The Audit Committee received the written disclosures and the letter from Deloitte & Touche LLP required by Independence Standards Board (ISB) Standard No. 1, *Independence Discussions with Audit Committees*, as amended. ISB Standard No. 1 requires our independent registered public accounting firm to disclose in writing to the Audit Committee all relationships between them and us that, in their judgment, reasonably may be thought to bear on independence and to discuss their independence with the Audit Committee. The Audit Committee discussed with Deloitte & Touche LLP its independence and considered in advance whether the provision of any non-audit services by Deloitte & Touche LLP is compatible with maintaining its independence. The Audit Committee also received and reviewed a report by Deloitte & Touche LLP outlining communications required by NYSE listing standards (1) reviewing the firm's internal quality control procedures; (2) describing any material issue raised by (a) the most recent internal quality control review of the firm, (b) peer review of the firm, or (c) any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues; and (3) assessing Deloitte & Touche LLP's independence, including all relationships between Deloitte & Touche LLP and us.

Based on the reviews and discussions of the Audit Committee described above, and in reliance on the unqualified opinion of Deloitte & Touche LLP dated March 5, 2014, regarding our audited consolidated financial statements as of and for the year ended December 31, 2013, and subject to the limitations on the responsibilities of the Audit Committee noted above and in the Audit Committee's charter, the Audit Committee recommended to the board of directors, and the board of directors approved, that such audited and consolidated financial statements be included in our annual report on Form 10-K for the year ended December 31, 2013, that was filed with the SEC.

The foregoing report is provided by the members of the Audit Committee of the board of directors.

Michael E. Ducey (Chair)

Thomas Gutierrez

David W. Oskin



**Table of Contents****AUDIT AND NON-AUDIT SERVICES AND FEES OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Pursuant to the Audit Committee's charter, to help ensure the independence of our independent registered public accounting firm, all auditing services, internal control-related services and permitted non-audit services (including the terms thereof) to be performed for us by our independent registered public accounting firm must be pre-approved by the Audit Committee, subject to the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may delegate to a subcommittee of its members the authority to grant the required approvals, provided that any exercise of such authority by the subcommittee is presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee approved and retained Deloitte & Touche LLP to audit our consolidated financial statements for 2014 and provide other auditing and audit-related services in 2014. The Audit Committee reviewed all services provided by Deloitte & Touche LLP in 2013 and concluded that the services provided were compatible with maintaining its independence in the conduct of its auditing functions.

The following table sets forth the aggregate fees billed by Deloitte & Touche LLP for audit and audit-related services provided to us and our subsidiaries in 2013 and 2012.

<b>Fees</b>	<b>2013</b>	<b>2012</b>
Audit Fees	\$ 1,215,000	\$ 1,372,000
Audit-Related Fees	186,000	140,000
<b>Total</b>	<b>\$ 1,401,000</b>	<b>\$ 1,512,000</b>

*Audit Fees*

Audit fees are the fees that Deloitte & Touche LLP billed us with respect to 2013 and 2012 for auditing our annual financial statements and reviewing our interim financial statements included in our annual and quarterly reports.

*Audit-Related Fees*

Audit-related fees are the fees that Deloitte & Touche LLP billed us with respect to 2013 and 2012 for services related to their audit or review of our financial statements, including compliance attestation and other procedures performed in both years in connection with debt issuances by certain of our subsidiaries.

*Tax Fees*

Deloitte & Touche LLP did not bill us any fees for tax services in 2013 or 2012.

*All Other Fees*

Deloitte & Touche LLP did not bill us any fees for services in 2013 or 2012 not included in the above table.



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**COMPENSATION COMMITTEE REPORT**

The members of the Compensation Committee have reviewed and discussed with Verso's management the Compensation Discussion and Analysis set forth below. Based on such review and their discussions with management and such other matters as the Compensation Committee has deemed relevant and appropriate, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this joint proxy and information statement/prospectus.

The foregoing report is provided by the members of the Compensation Committee of the board of directors.

Scott M. Kleinman (Chair)

Reed B. Rayman

David B. Sambur



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**COMPENSATION DISCUSSION AND ANALYSIS**

**Summary**

Our compensation philosophy is that compensation should serve to attract and retain talented employees and encourage job performance by them that enhances our operational and financial performance and stockholder value. Accordingly, we design our compensation programs for our executive officers, including our Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers, or collectively our named executive officers, with the overall objectives of encouraging them to be committed to us, strive to achieve outstanding operational and financial performance by us, and create value for our stockholders. To effect this compensation philosophy, we have designed our compensation programs for executive officers along these guidelines:

Annual base salaries should be competitive with the marketplace average and create a measure of financial security.

Compensation should consist of a combination of variable annual and long-term incentive compensation that stresses the achievement of short-term and long-term performance objectives and provides the opportunity to earn more than the marketplace average for performance that exceeds targeted levels.

Compensation should permit outstanding individual achievements to be recognized and rewarded.

Incentive compensation opportunities should be targeted at levels that are competitive with those of our peer group companies.

Compensation should take into account internal pay equity that appropriately reflects the respective positions held by our executive officers.

Long-term compensation should include an equity component.

Our compensation philosophy and guidelines drive the specific elements of compensation that we provide to our executive officers, including the named executive officers, as well as our decisions concerning the mix of elements that comprise each person's compensation package. The following table lists the elements of compensation that we provide to our executive officers and indicates the specific objectives that each element of compensation is intended to achieve. How we design these elements of compensation to fit within our compensation philosophy and guidelines is discussed in more detail in Compensation Discussion and Analysis Elements of Executive Compensation.

<b>Element of Compensation</b>	<b>Type of Compensation</b>	<b>Primary Objectives</b>
Base Salary	Fixed cash payment	Attract and retain executive talent

2013 Verso Incentive Plan	Annual, performance-based cash incentive award	Encourage achievement of objectives that enhance operational and financial performance and stockholder value
2012 Bonus Plan	Annual or long-term, performance-based cash incentive award	Attract and retain executive talent Encourage achievement of objectives that enhance operational and financial performance and stockholder value
Discretionary Bonus	Cash bonus	Attract and retain executive talent Recognize and reward superior job performance

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<b>Element of Compensation</b>	<b>Type of Compensation</b>	<b>Primary Objectives</b>
Amended and Restated 2012 Executive Long-Term Incentive Program	Long-term cash retention award	Retain and motivate executive talent
Amended and Restated 2008 Incentive Award Plan	Long-term, performance-based or service-based equity incentive awards consisting of stock options and restricted stock	Encourage achievement of objectives that enhance operational and financial performance and stockholder value
		Align interests of our executive officers with those of our stockholders
		Attract and retain executive talent
Retirement Benefits:		Attract and retain executive talent
Retirement Savings Plan	Tax-qualified, 401(k) defined contribution plan	
Supplemental Salary Retirement Program	Tax-qualified defined contribution program implemented under Retirement Savings Plan	
Deferred Compensation Plan	Nonqualified defined contribution plan	
Executive Retirement Program	Nonqualified defined contribution program implemented under Deferred Compensation Plan	
Insurance and Fringe Benefits:		Attract and retain executive talent
Group medical, dental, life and other insurance plans	Insurance coverage for employees and eligible dependents	
Executive financial counseling policy	Payment of some costs of personal investment, estate planning, tax and other financial services	
Severance Benefits:		Attract and retain executive talent
Severance policy	Termination allowance payable in cash upon certain terminations of employment	
Employment agreement with chief executive officer	Benefits provided upon termination of employment in certain cases	
CNC agreements with other executive officers	Benefits provided upon termination of employment in certain cases	

We strive to set for each of our executive officers, including the named executive officers, an overall compensation package consisting of a base salary, incentive compensation and other benefits at competitive levels that allow us to retain our incumbent executive officers and attract new executive talent. Accordingly, for 2013 we attempted to set salaries, incentive compensation and other benefits for our executive officers that were generally in line with the salaries, incentive compensation and other benefits that we determined our peer group

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offers to executives based on the information set forth in the Compensation Surveys described in Compensation Discussion and Analysis Use of Peer Group Data.

We did not change our executive compensation structure in 2013 significantly from the structure existing in 2012. However, we continued an ongoing process of reviewing and, as we determine to be appropriate, modifying various components of our executive compensation to better align the compensation that we provide for our executives with the compensation that other similar companies provide for their executives, which we have determined by reference to the information set forth in the Compensation Surveys. The compensation modifications that we have made to date are described in Compensation Discussion and Analysis Elements of Executive Compensation.

At our 2011 Annual Meeting of Stockholders, our stockholders approved, on a non-binding, advisory basis, the compensation of the named executive officers as described in our 2011 Proxy Statement. The directors serving on the Compensation Committee are associated with Verso Paper Management LP, our largest stockholder. Their decisions concerning executive compensation take into account the interests of our stockholders and the potential impact of compensation decisions on the value of Verso to our stockholders, but without specifically basing their decisions on the advisory stockholder approval of our 2010 executive compensation. At our 2014 Annual Meeting of Stockholders, our stockholders once again will vote, on a nonbinding, advisory basis, on a proposal to approve the compensation of the named executive officers as described in this joint proxy and information statement/prospectus.

**Incentive Compensation**

In 2013, we provided the following types of incentive compensation to our executive officers, including the named executive officers:

2013 Verso Incentive Plan annual, performance-based incentive award opportunity designed to encourage the achievement of performance objectives capable of enhancing our operational and financial performance and stockholder value; and

Amended and Restated 2008 Incentive Award Plan long-term equity incentive awards, consisting of restricted stock and stock options, which correlate a significant portion of our executive officers' long-term compensation directly to the value of our stock.

In awarding incentive compensation for 2013 to our executive officers, we took into account their ownership of equity in us that was purchased or awarded in prior years. We discuss the incentive compensation that we awarded to our named executive officers in or for 2013 in Compensation Discussion and Analysis Elements of Executive Compensation Verso Incentive Plan and Amended and Restated 2008 Incentive Award Plan. The incentive compensation awarded and payable to our named executive officers for 2013 is set forth in Executive Compensation Summary Compensation Table and Grants of Plan-Based Awards.

For 2013, our named executive officers received incentive compensation consisting of performance-based cash bonuses and equity incentive awards that accounted for approximately 50% of our chief executive officer's total direct compensation and approximately 28% of our other named executive officers' total direct compensation. As used in this joint proxy and information statement/prospectus, an executive officer's total direct compensation means all of his compensation reported in the Summary Compensation table in Executive Compensation except for the compensation reported in the All Other Compensation column of the table.

We have not adopted a policy that would require, in the event of a restatement of our financial statements, any of our executive officers to reimburse us for any incentive compensation previously received by them. However, any awards granted under our 2012 Bonus Plan and our Amended and Restated 2008 Incentive Award Plan may be made subject to the provisions of any claw-back policy implemented by us.

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### **Role of Compensation Committee and Management**

The Compensation Committee has the primary authority and responsibility for determining our compensation philosophy and guidelines and designing our compensation programs for our executive officers, including the named executive officers. The Compensation Committee reviews and considers annually the performance of our Chief Executive Officer individually and our executive officers as a group. Based on that annual review and such other information as it deems relevant, and in line with our compensation philosophy and guidelines, the Compensation Committee determines the compensation for our Chief Executive Officer and recommends the compensation for all of our other executive officers for approval by our board of directors. Our Chief Executive Officer assists the Compensation Committee with establishing the compensation of our other executive officers by providing his performance evaluations and compensation recommendations to the Compensation Committee. Our executive officers participate in annual performance reviews with the Chief Executive Officer in which their job performance and contributions during the year are evaluated.

### **Use of Peer Group Data**

We periodically review our compensation practices with reference to surveys conducted by compensation consulting firms. This data is integral to our decision-making regarding the appropriate levels of executive compensation, but we do not benchmark the components of our executive compensation against a specific group of companies or set compensation levels at designated percentiles of peer group compensation. Instead, we use survey data to provide reference points in establishing our compensation programs and to evaluate whether our compensation is at levels that will allow us to attract, retain and motivate our management. We determine, as part of that evaluation, the percentiles into which our compensation elements fall compared to the compensation information in the survey data, but we do not require that our compensation fall within certain percentiles, nor is the survey data determinative of the types or levels of compensation that we provide.

For our decisions with respect to 2013 executive compensation, we collected and reviewed compensation information from the following sources, which are referred to collectively as the Compensation Surveys :

2012 and 2013 compensation surveys that were commissioned by the Forest Products Industry Compensation Association, or the 2012 FPICA Survey and the 2013 FPICA Survey, respectively, and were conducted by Pearl Meyer Partners, which compiled compensation information from survey responses submitted by companies in the forest and paper products industry; and

a 2012-2013 compensation survey conducted by Mercer LLC, or the Mercer Survey, which compiled compensation information from survey responses submitted by companies in multiple industries, including the forest and paper products industry.

We reviewed the information that we obtained from the Compensation Surveys to determine how our executive compensation structure, including the types and levels of executive compensation, compared with those of the respondents to the Compensation Surveys. For purposes of our analysis, we categorized the survey respondents into various groups by size and industry, and we evaluated the compensation information in terms of overall compensation levels, the percentage mix of compensation components (including the balance between cash and equity compensation), and the distribution of compensation among the five most highly compensated executives as compared to each other. We also reviewed the compensation information in the 2012 FPICA Survey and the 2013 FPICA Survey to determine year-over-year trends in peer group compensation in the forest and paper products industry. In

establishing the compensation of our executive officers, we structured the level and mix of compensation of each person based on his position and duties, with a view toward creating a compensation package that was competitive (especially as compared to the compensation provided by companies in our industry or similar in size to us) with the level and mix of compensation that the Compensation Surveys indicated was typically received by persons holding similar positions and/or having similar duties.



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Set forth below is a list of the peer group members that participated in the 2013 FPICA Survey. The list does not include many manufacturing and other companies outside the forest and paper products industry that participated in the Mercer Survey.

Boise Cascade, LLC	Nippon Paper Industries
Boise Inc.	Norbord Inc.
Buckeye Technologies Inc.	Norbord Industries, Inc.
Caraustar Industries, Inc.	Packaging Corporation of America
Cascade Tissues Group	Potlatch Corporation
Clearwater Paper Corporation	Plumb Creek Timber Company, Inc.
Deltic Timber Corporation	Resolute Forest Products Inc.
Domtar Corporation	Resource Management Service
Evergreen Packaging Inc.	Rock-Tenn Company
Graphic Packaging International, Inc.	Roseburg Forest Products Co.
Green Diamond Resource	Rayonier, Inc.
Hancock Forest Management Inc.	Sappi Fine Paper North America
Hood Industries, Inc.	SCA Americas, Inc.
Interfor Pacific, Inc.	Simpson Investment Company
International Paper Company	Stimson Lumber Company
KapStone Paper and Packaging Corporation	Swanson Group, Inc.
Longview Fibre Company	SP Fiber Technologies
Louisiana-Pacific Corporation	Timber Products Company
MeadWestvaco Corporation	UPM-Kymmene, Inc.
Mendocino Forest Products Company, LLC	West Fraser Timber Co. Ltd.
NewPage Corporation	The Westervelt Company

**Elements of Executive Compensation**

In this section, we provide detailed information about the elements of compensation for our executive officers, including the named executive officers. See Compensation Discussion and Analysis Summary for a list and summary of these compensation elements.

*Base Salary*

We determine the base salaries of our executive officers based on their positions and responsibilities. In doing so, we take into account the base salary ranges for comparable positions and positions with similar responsibilities as reported in the Compensation Surveys. We intend the base salaries of our executive officers to be competitive with the market average for base salaries within our peer group in order to allow us to effectively attract and retain talented executive officers.

Typically, no later than April of each year, we review and make appropriate adjustments in the base salaries of our executive officers. Effective as of April 1, 2013, we increased the base salaries of our named executive officers as follows: Mr. Paterson from \$625,000 to \$643,750; Mr. Fellows from \$369,513 to \$380,598; Mr. Mundy from \$351,457 to \$362,000; Mr. Weinhold from \$336,362 to \$346,453; and Mr. Kesser from \$290,721 to \$299,442. In determining the amounts by which to increase the base salaries of our named executive officers, we evaluated each person's position and functional responsibilities, considered the person's performance and contributions in 2012, reviewed the person's base salary in comparison to the base salaries of similar positions with similar functional responsibilities as shown in

the Compensation Surveys, compared the person's base salary to those of our other executive officers for internal equity purposes, and considered Verso's financial position and our resources available for compensation purposes. We took these factors into account in

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developing 2013 base salaries that we believe are appropriate for our named executive officers and are competitive for executive talent.

*2013 Verso Incentive Plan*

The 2013 Verso Incentive Plan, or 2013 VIP, provides for our executives and other key employees to receive an annual incentive award opportunity based on our operational and financial performance in 2013. The 2013 VIP entails the quantitative measurement of our actual performance against a series of operational and financial performance objectives established at the beginning of 2013. It also involves a qualitative assessment of the contributions of each person and his or her department or functional group to the achievement of our performance objectives. The 2013 VIP is designed to motivate the participants toward higher achievement that leads to outstanding business results for us. The 2013 VIP, which is a sub-plan of our 2012 Bonus Plan as it relates to our executive officers, is administered by the Compensation Committee.

In March 2013, the Compensation Committee approved and adopted the 2013 VIP. The 2013 VIP sets forth our performance objectives for 2013, the relative weighting of the performance objectives against each other, the threshold, target and maximum achievement levels of our performance objectives, and the funding associated with achieving the performance objectives at the various achievement levels. In establishing the performance objectives, their relative weighting, and their achievement levels, the Compensation Committee considered information provided by management concerning our operational and financial goals for 2013, with the purpose of reflecting those goals in the 2013 VIP. In establishing the funding levels, the Compensation Committee considered the other incentive compensation provided to our executive officers and senior managers, with the aim of establishing total incentive compensation that was competitive but not excessive. Taking these matters into consideration, the Compensation Committee approved the elements of the 2013 VIP as shown in the following table.

<b>Performance Objective</b>	<b>Relative Weighting</b>	<b>Potential Achievement Levels</b>		<b>Funding Level</b>
Adjusted EBITDA <sup>(1)</sup>	22.5%	Threshold:	\$113 million	70%
		Target:	\$151 million	100%
		Maximum:	\$181 million	200%
Total Sales Volume <sup>(2)</sup>	5.0%	Threshold:	1,632,000 tons	70%
		Target:	1,674,000 tons	100%
		Maximum:	1,717,000 tons	200%
Subtotal Ops <sup>(3)</sup>	12.5%	Threshold:	\$34 million	70%
		Target:	\$40 million	100%
		Maximum:	\$47 million	200%
Cash Flow <sup>(4)</sup>	5.0%	Threshold:	-\$13 million	70%
		Target:	-\$7 million	100%
		Maximum:	\$1 million	200%
Credit as Percentage of Adjusted Gross Sales <sup>(5)</sup>	5.0%	Threshold:	0.4%	70%
		Target:	0.3%	100%
		Maximum:	0.2%	200%

(1)

Adjusted EBITDA is our earnings before interest, taxes, depreciation and amortization, adjusted to exclude unusual items and other pro forma adjustments permitted in calculating covenant compliance in the indentures governing our debt securities.

- (2) Total Sales Volume is the total volume, measured in tons, of the products that we sold in 2013.
- (3) Subtotal Ops is the net year-over-year change, measured in dollars, of improvements (i.e., increases in productivity and decreases in costs) in various areas of our operations that we identified for improvement in 2013.
- (4) Cash Flow is the difference between our cash balances at December 31, 2012, and December 31, 2013.

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(5) Credits as Percentage of Adjusted Gross Sales is the total dollar amount of the credits that we gave to customers for product quality issues in 2013 as a percentage of the total dollar amount of our sales in 2013.

Under the 2013 VIP, the total amount of incentive awards for all participants, or the incentive pool, is determined initially by adding together the dollar amounts attributable to each participant's target-level incentive award. A participant's target-level incentive award is the dollar equivalent of a specified percentage of the participant's base salary. The total dollar amount resulting from this exercise represents the amount of the incentive pool at the target achievement level of performance, which also is referred to as the target-level incentive pool. If the incentive pool were to be funded at the threshold achievement level, the amount of the incentive pool would be equal to 70% of the target-level incentive pool. If, on the other hand, the incentive pool were to be funded at the maximum achievement level, the amount of the incentive pool would be equal to 200% of the target-level incentive pool. For 2013, the threshold, target and maximum funding levels of the incentive pool were approximately \$6.0 million, \$8.6 million and \$17.2 million, respectively.

After determining the target-level incentive pool, the next step in determining the funding of the incentive pool is to consider the levels of achievement of Verso's performance objectives. The extent to which group/ individual performance objectives are achieved does not affect the funding of the incentive pool; instead, insofar as incentive pool funding is concerned, the aggregate achievement level of the group/individual performance objectives is deemed to vary symmetrically with the aggregate achievement level of Verso's performance objectives. After year-end, we calculate the achievement level and factor in the relative weighting of each of our performance objectives. By way of illustration, if we had achieved the Adjusted EBITDA performance objective at the threshold level of achievement, then 70% of 22.5%, or a net of 15.75%, of the target-level incentive pool would have been funded. For any performance objective that is achieved at a level between the threshold and target achievement levels or between the target and maximum achievement levels, we use linear interpolation to determine the appropriate incentive pool funding percentage attributable to such performance objective. This methodology is used to determine the incentive pool funding percentage attributable to the achievement of each of our performance objectives, and the results are added together. Next, by virtue of the 50% weighting of both Verso's performance objectives and the group/individual performance objectives, the total incentive pool funding percentage is determined by multiplying by two the cumulative funding percentage attributable to the achievement of Verso's performance objectives. Then, the actual amount of the incentive pool is determined by multiplying the total incentive pool funding percentage by the amount of the target-level incentive pool. Finally, the Compensation Committee may exercise its discretion to increase or decrease the amount of the incentive pool to take into account extraordinary or unforeseen events and circumstances that affected our operational and financial performance during the year.

In February 2014, the Compensation Committee, applying the methodology set forth in the 2013 VIP, funded the incentive pool at approximately \$8.4 million, representing a funding percentage of approximately 82% of the target-level incentive pool. The Compensation Committee determined the funding of the incentive pool based on the following actual levels of achievement of Verso's performance objectives as set forth in the 2013 VIP:

<b>Performance Objective</b>	<b>Relative Weighting</b>	<b>Actual Achievement Levels</b>	<b>Funding Level</b>
Adjusted EBITDA	22.5%	\$130 million	83%
Total Sales Volume	5.0%	1,690,877 tons	137%
Subtotal Ops	12.5%	\$36.3 million	84%
Cash Flow	5.0%	-\$53 million	
Credit as Percentage of Adjusted Gross Sales	5.0%	0.31%	97%

82%

The amount of a participant's incentive award under the 2013 VIP is determined by reference to his or her target-level incentive award percentage. A participant's target-level incentive award percentage is the percentage

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of his or her base salary that the participant would receive as an incentive award under the 2013 VIP in the event that the incentive pool were to be funded at the target level of 100%. The target-level incentive award percentages range from 15% to 100% of a participant's base salary at the end of the year, depending on the participant's employment grade level with us. The target-level incentive award percentages of our named executive officers are 100% of base salary for Mr. Paterson, 80% of base salary for Mr. Fellows, and 75% of base salary for Messrs. Mundy, Weinhold and Kesser. The target-level incentive award percentages reflect our assessment of a participant's ability, considering his or her position with us, to affect our operational and financial performance. They also take into account the other compensation to which a participant is entitled, the market average compensation for his or her position, and, in the case of Mr. Paterson, the relevant provisions of his employment agreement with us.

The amount of a participant's incentive award under the 2013 VIP can be affected by the level of achievement of his or her group/individual performance objectives. A participant's group/individual performance objectives, which are established at the beginning of the year in consultation with his or her supervisor, are intended to be linked to and supportive of the achievement of our performance objectives. The requirement to develop group/individual performance objectives applies to all participants in the 2013 VIP other than our chief executive officer. Accordingly, our named executive officers other than Mr. Paterson developed their group/individual performance objectives in early 2013, and Mr. Paterson reviewed and assessed their level of achievement of such objectives in early 2014. While the Compensation Committee has the discretion to make adjustments to a participant's incentive award to take into account extraordinary or unforeseen events and circumstances, Mr. Paterson did not recommend, and the Compensation Committee did not make, any adjustments in the 2013 VIP incentive awards payable to our named executive officers. With respect to Mr. Paterson, his 2013 VIP incentive award was based solely on the level of achievement of Verso's performance objectives.

In summary, the incentive pool for the 2013 VIP was funded at approximately \$8.4 million, representing a funding percentage of approximately 82% of the target-level incentive pool, and each of our named executive officers received 2013 VIP incentive awards equal to 82% of their respective target-level incentive awards. See the Executive Compensation Non-Equity Incentive Plan Compensation column of the Summary Compensation table in Executive Compensation for more information about the 2013 VIP incentive awards paid to our named executive officers.

### *2012 Bonus Plan*

The 2012 Bonus Plan was authorized, approved and adopted by our board of directors on March 6, 2012, and was approved by our stockholders at our 2012 Annual Meeting of Stockholders on May 23, 2012. The 2012 Bonus Plan is designed to allow us to provide incentives for superior work by our executives, including the named executive officers, to motivate them toward higher achievement and business results, to tie their goals and interests with ours, and to enable us to attract and retain highly qualified executives. The 2012 Bonus Plan generally allows us to make bonus payments to our executives upon the attainment of performance objectives that are established by the Compensation Committee and are related to operational, financial or other metrics applicable to us. To this end, we established the 2013 VIP as a sub-plan under the 2012 Bonus Plan to provide our executives and other key employees with an annual incentive award opportunity based on our operational and financial performance in 2013. See

Compensation Discussion and Analysis Elements of Executive Compensation 2013 Verso Incentive Plan. The 2012 Bonus Plan provides that the Compensation Committee may require that any bonuses paid under the 2012 Bonus Plan be subject to the provisions of any claw-back policy implemented by us.

### *Discretionary Bonus*

The Compensation Committee has the discretion to award bonuses to our executive officers, including the named executive officers, in recognition of their superior job performance and for other reasons that are not





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specifically provided for in the 2012 Bonus Plan and our other incentive plans and programs. On February 28, 2014, we paid a cash bonus to Mr. Mundy to recognize his superior job performance in 2013. The bonus was awarded at the discretion of the Compensation Committee and was not made pursuant to the 2012 Bonus Plan or any other incentive plan or program. See the Bonus column of the Summary Compensation table in Executive Compensation for more information about the discretionary bonus paid to Mr. Mundy.

*Amended and Restated 2012 Executive Long-Term Incentive Program*

The Amended and Restated 2012 Executive Long-Term Incentive Program, or LTIP, was adopted by the Compensation Committee on December 7, 2012. The LTIP was designed to retain our highly qualified executives, including the named executive officers, to provide an incentive for their continued superior work, and to motivate them toward even higher achievement and business results. Under the LTIP, each of our executives, other than Mr. Paterson, was eligible to receive a long-term cash retention award equal to the base salary paid or payable to the participant in 2012 and 2013. A participant's LTIP award was subject to vesting as follows: 50% of the award, referred to as the 2012 Tranche, would vest on December 31, 2012, if the participant was employed by us continuously during all of 2012; and 50% of the award, referred to as the 2013 Tranche, would vest on December 31, 2013, if the participant was employed by us continuously throughout 2013. The vested portions of a participant's LTIP award were paid as follows: 70% of the 2012 Tranche was paid on December 31, 2012; and the remaining 30% of the 2012 Tranche, plus 100% of the 2013 Tranche, were paid on January 31, 2014. See the Bonus column of the Summary Compensation table in Executive Compensation for more information about the LTIP awards of our named executive officers. In addition, see Executive Compensation Potential Payments upon Termination of Employment or Change in Control for information about the provisions of the LTIP dealing with such circumstances.

*Amended and Restated 2008 Incentive Award Plan*

The Amended and Restated 2008 Incentive Award Plan, or the Incentive Award Plan, allows us to grant long-term equity incentive awards to our employees, consultants and directors. We have utilized the Incentive Award Plan to grant restricted stock and stock options to our executives and senior managers, including the named executive officers, restricted stock to our non-employee directors, and stock options to certain of our non-employee directors. The awards granted under the Incentive Award Plan may vest upon the passage of time or upon the attainment of performance goals based on objective performance criteria chosen from among those set forth in the Incentive Award Plan. The Incentive Award Plan provides that its administrator may require that any awards granted under the Incentive Award Plan be subject to the provisions of any claw-back policy implemented by us. The Incentive Award Plan is administered by the Compensation Committee or, in the case of awards granted to our non-employee directors, the board of directors.

We believe that providing our executive officers with long-term incentive compensation, whether cash-based or equity-based, serves to link their long-term compensation to our long-term financial performance and thereby encourages them to work toward achieving operational and financial performance by us that enhances value for our stockholders. We generally believe that equity-based incentive compensation, as opposed to the cash-based variety, better encourages our executive officers to consider their decisions from the perspective of our stockholders. For this reason, we consider it important to include equity-based compensation in the compensation packages of our executive officers.

In alignment with this compensation philosophy, in March 2013, we granted to our named executive officers long-term equity incentive awards consisting of restricted stock and stock options, which together accounted for a total of 266,081 shares of our common stock. In establishing the mix of restricted stock and stock options to be granted, the Compensation Committee balanced its goal of creating a strong incentive for the award recipient

(restricted stock) against the benefit to us of offsetting some of the cost of the awards (stock options, which result in payment of the exercise price to us). Based on its analysis, the Compensation Committee determined that the appropriate mix of shares of common stock covered by the equity incentive awards was approximately 40%

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restricted stock and 60% stock options. In determining the total numbers of shares of common stock to be covered by the equity incentive awards, the Compensation Committee considered each named executive officer's position and responsibilities and the kind and amount of his other employment compensation. The fair value of the equity incentive awards granted in 2013 accounted for approximately 8% of our chief executive officer's total direct compensation and approximately 5% of our other named executive officers' total direct compensation. See Executive Compensation Grants of Plan-Based Awards for more information concerning the equity incentive awards granted to our named executive officers under the Incentive Award Plan.

*Retirement Benefits*

We provide retirement benefits to our eligible employees, including the named executive officers, under the retirement plans and programs listed below as a means of attracting and retaining qualified employees.

Retirement Savings Plan, a tax-qualified, 401(k) defined contribution plan;

Supplemental Salary Retirement Program, a tax-qualified defined contribution program implemented under the Retirement Savings Plan;

Deferred Compensation Plan, a nonqualified defined contribution plan; and

Executive Retirement Program, a nonqualified defined contribution program implemented under the Deferred Compensation Plan.

We attempt to ensure that these retirement benefits are competitive with those provided by comparable companies as shown in the Compensation Surveys. Our contributions for 2013 on behalf of our named executive officers under the Retirement Savings Plan, the SSRP, the Deferred Compensation Plan, and the ERP are set forth in the Summary Compensation table in Executive Compensation.

***Retirement Savings Plan.*** The Retirement Savings Plan is a tax-qualified, 401(k) defined contribution plan which in 2013 permitted eligible employees to defer the receipt of up to the lesser of 85% or \$17,500 of their employment compensation on a pre-tax basis, or if an employee is age 50 or over, to defer up to \$5,500 in additional compensation up to a limit of \$23,000. Employees also may defer amounts of their employment compensation in excess of these limits on an after-tax basis. The employee deferrals of employment compensation are subject to certain limits imposed by the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. In addition, we make matching contributions for employees who defer a portion of their employment compensation under the Retirement Savings Plan. We match 70% of the first 4%, and 60% of the second 4%, of the employees' deferrals. The employee deferrals under the Retirement Savings Plan are immediately and fully vested and nonforfeitable. For employees hired by us before January 1, 2009, our matching contributions under the Retirement Savings Plan are fully vested and nonforfeitable. For employees hired by us on or after January 1, 2009, our matching contributions under the Retirement Savings Plan are subject to three-year cliff vesting measured from the date on which an employee's employment with us commences, such that after the employee has been continuously employed by us for three years, all of our past and future matching contributions become fully vested and nonforfeitable.

**Supplemental Salary Retirement Program.** The Supplemental Salary Retirement Program, or SSRP, is a tax-qualified defined contribution program implemented under the Retirement Savings Plan. Under the SSRP, we make an annual contribution to each eligible employee's account under the Retirement Savings Plan. The SSRP contribution is equal to either 2.75% or 5% of an employee's eligible compensation, which consists of the employee's salary, bonus and cash incentive compensation paid during the immediately preceding year. The SSRP contribution percentage varies depending on the employee's cumulative years of service with us and our predecessors. For all of our employees, the SSRP contributions are subject to three-year cliff vesting measured from the date on which an employee's employment with us commences, such that after the employee has been continuously employed by us for three years, all of our past and future contributions become fully vested and nonforfeitable.

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***Deferred Compensation Plan.*** The Deferred Compensation Plan is a nonqualified defined contribution plan that permits eligible employees to defer the receipt of up to 85% of their base salary and up to 100% of their incentive compensation, by contributing such amounts to their accounts under the plan. The Deferred Compensation Plan also permits us to make matching contributions and discretionary contributions to employees' accounts under the plan. We match 70% of the first 4%, and 60% of the second 4%, of the employees' deferrals under the Deferred Compensation Plan, subject to certain restrictions and limitations, including the requirement that the employee must not qualify for our matching contributions under the Retirement Savings Plan. Until they are distributed from the Deferred Compensation Plan, the employees' deferrals, our contributions, and any earnings on the invested funds are held in a rabbi trust funded by us.

***Executive Retirement Program.*** The Executive Retirement Program, or ERP, is a nonqualified defined contribution program implemented under the Deferred Compensation Plan for the benefit of our executives and selected senior managers. Under the ERP, we may make an annual discretionary contribution to each eligible employee's account under the Deferred Compensation Plan. Our ERP contribution is equal to between 4% and 10% of an employee's eligible compensation, depending on the employee's employment pay grade with us. An employee's eligible compensation consists of the employee's base salary and target-level incentive award under the Verso Incentive Plan, in each case determined as of January 1 of the year for which our ERP contribution is made.

***Insurance and Fringe Benefits***

We provide group medical, dental, life and other insurance coverage for all of our eligible employees, including our named executive officers. In addition, under our executive financial counseling policy, we pay the costs of personal investment, estate planning, tax and other financial counseling services, subject to an annual cap of \$6,500 or \$9,500 (depending on the executive's position with us), for our executive officers, including our named executive officers. We believe that these benefits serve as a means of attracting and retaining qualified personnel, and we attempt to ensure that they are competitive with those provided by comparable companies.

***Severance Benefits***

***Severance Policy.*** We have adopted and implemented a severance policy for the benefit of our salaried employees, including the named executive officers, and specific groups of hourly employees whose employment with us is terminated under certain circumstances. The severance policy applies in the event that we terminate the employee's employment without cause (as defined in the policy), we eliminate the employee's position, or we take certain other specified job-related actions that effectively result in an involuntary end to the employment relationship. The principal benefit under the severance policy is a termination allowance payable in cash to the terminated employee, which is based on the employee's years of applicable service with us and his or her annual base salary or wages in effect immediately prior to the termination of employment. The termination allowance is equal to two weeks of eligible pay for each full or partial year of applicable service, subject to a minimum of four weeks and a maximum of 52 weeks of eligible pay. We also have the discretion under the severance policy to provide a terminated employee with other benefits, including prorated and/or reduced amounts of incentive awards under our incentive plans and programs, subsidized medical and dental insurance coverage for a specified period after the termination of employment, and outplacement services appropriate for the employee's position with us. We believe that the benefits provided under the severance policy support our compensation objective of attracting and retaining qualified employees and are competitive with similar severance benefits provided by comparable companies.

***Employment Agreement with Chief Executive Officer.*** Our employment agreement with Mr. Paterson requires us to provide him with certain severance benefits if his employment is terminated under certain circumstances, including a termination by us without cause, by him for good reason, or due to his death or disability. The severance benefits to be

provided to Mr. Paterson are intended to be in line with the types and amounts of severance benefits provided by comparable companies to their chief executive officers. See

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Executive Compensation Potential Payments upon Termination of Employment or Change in Control Employment Agreement with Chief Executive Officer and Estimated Payments in Connection with Termination of Employment or Change in Control for more information about the severance benefits provided under Mr. Paterson's employment agreement.

**CNC Agreements with Other Executive Officers.** Our confidentiality and non-competition agreements, or CNC agreements, with each of our executive officers, other than our chief executive officer, require us to provide them with certain severance benefits upon the termination of their employment by either party and for any reason. The benefits to be provided under the CNC agreements are in consideration for, and are contingent upon, the compliance by the executive officers with their confidentiality and non-competition obligations under the CNC agreements. See

Executive Compensation Potential Payments upon Termination of Employment or Change in Control CNC Agreements with Other Executive Officers and Estimated Payments in Connection with Termination of Employment or Change in Control for more information about the severance benefits provided under the CNC agreements. As we have done in the past, we continue to evaluate the severance benefits provided under the CNC agreements in an effort to ensure that they are competitive with those provided by comparable companies to their executive officers.

## **Tax and Accounting Treatment of Compensation**

We believe that it is in our best interests to satisfy the requirements for tax deductibility of the compensation that we provide, including the requirements of Section 162(m) of the Internal Revenue Code. However, we also believe that it is important to maintain the flexibility to provide compensation that is not tax-deductible in order to allow us to consider other factors in determining what compensation is appropriate for our management. We have structured our compensation plans and programs in a manner intended to meet the requirements of Section 162(m), but we may from time to time provide compensation that is not tax-deductible by us.

Section 409A of the Internal Revenue Code imposes significant tax and interest penalties on any executive officer who defers compensation under a plan that does not meet the requirements of Section 409A. We have structured our compensation plans and programs and individual agreements with our executive officers in a manner intended to comply with the requirements of Section 409A.

Section 280G of the Internal Revenue Code disallows a company's tax deduction for certain payments to employees called excess parachute payments, and Section 4999 of the Internal Revenue Code imposes a nondeductible excise tax on any person who receives an excess parachute payment. Excess parachute payments are payments that exceed a threshold set forth in Section 280G and that are made in the context of a change in control. If we were to make an excess parachute payment, we would not be able to take a tax deduction for the payment, and the recipient of the payment would owe the excise tax imposed by Section 4999. Our chief executive officer's employment agreement and our other named executive officers' CNC agreements include provisions that reduce payments as necessary to avoid categorization as excess parachute payments.

We have adopted the fair value recognition provisions of FASB ASC Topic 718, *Compensation - Stock Compensation*. Under the fair value recognition provisions, we recognize stock-based compensation based on the fair value at the grant date net of an estimated forfeiture rate, and we recognize compensation expense for only those shares expected to vest over the requisite service period of the award.

## **Risk Considerations**

We use compensation, in part, to motivate and reward our executive officers and other employees for achieving performance objectives that help us achieve our overall business goals. We realize that by rewarding our executives

and other employees with compensation for achieving goals, we could cause them to take actions that achieve the goals but expose us to undue risk. However, we believe that the risks that could result from our compensation plans, programs, policies and practices, including those described in this Compensation



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Discussion and Analysis, are unlikely to have a material adverse effect on us, primarily because our compensation structure

contains elements that effectively link incentive compensation to operational and financial objectives that enhance our value to stockholders;

includes a mix of compensation elements for our executive officers, who are best positioned to have an impact on our operational and financial performance, that is appropriately balanced between short-term and long-term incentives, such that their compensation does not encourage them to take short-term risks at the expense of long-term results;

provides the Compensation Committee with the discretion to decrease or eliminate cash incentive awards triggered by the achievement of short-term performance objectives under our annual incentive plan, thereby giving the Compensation Committee the ability to reduce or withhold an incentive award if it determines that inappropriate risks were taken to earn it; and

includes a significant portion of equity compensation, which provides our executive officers with an incentive to achieve results that enhance stockholder value and discourages them from excessive risk-taking that could reduce stockholder value.

**Frequency of Advisory Votes on Executive Compensation**

In 2011, our stockholders approved, on a non-binding advisory basis, holding an advisory stockholder vote on the compensation of our named executive officers once every three years. The initial advisory vote on executive compensation was held at our 2011 Annual Meeting of Stockholders. The next advisory vote on executive compensation will be held at our 2014 Annual Meeting of Stockholders.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table presents information regarding the compensation of our named executive officers for their services during 2013, 2012 and 2011.

*Non-Equity Incentive Plan Compensation*

Name and Principal Position	Year	Salary <sup>(2)</sup>	Restricted Bonus <sup>(3)</sup>	Stock <sup>(4)</sup>	Stock Options <sup>(5)</sup>	Non-Equity Incentive Plan Compensation			Total
						2013	2009	All Other Compensation <sup>(6)</sup>	
David J. Paterson <sup>(1)</sup> President and Chief Executive Officer	2013	\$ 639,062	\$	\$ 45,150	\$ 60,450	\$ 527,875	\$	\$ 198,186	\$ 1,470,723
	2012	398,237	230,000		773,500	274,653		56,075	1,732,465
Stylye J. Fellows Senior Vice President of Manufacturing and Energy	2013	377,827	377,827	23,785	25,575	249,672		124,921	1,179,607
	2012	366,821	455,505	22,126	241,450	206,927		148,903	1,441,732
	2011	356,563		87,468	92,071	246,820	123,424	154,905	1,061,251
Robert P. Mundy Senior Vice President and Chief Financial Officer	2013	359,364	384,364	21,524	22,329	222,630		119,682	1,129,893
	2012	348,897	427,975	20,022	217,549	184,515		136,540	1,335,498
	2011	333,465		79,154	80,386	220,087	114,492	144,792	972,376
Michael A. Weinhold Senior Vice President of Sales, Marketing and Product Development	2013	343,930	343,930	21,511	22,332	213,068		111,036	1,055,807
	2012	333,912	359,140	20,010	217,551	176,590		131,090	1,238,293
	2011	324,574		79,106	80,394	210,634	119,770	107,565	922,043
Peter H. Kesser Senior Vice President, General Counsel and Secretary	2013	297,262	297,262	20,975	20,925	184,157		84,799	905,380
	2012	288,262	288,263	16,260	184,425	152,628		77,048	1,006,886
	2011	278,189		64,281	62,775	157,017	94,280	63,494	720,036

(1) Mr. Paterson was elected and began service as our President and Chief Executive Officer on May 14, 2012.

(2) Effective as of April 1, 2013, we increased the base salaries of our named executive officers as follows:

Mr. Paterson from \$625,000 to \$643,750; Mr. Fellows from \$369,513 to \$380,598; Mr. Mundy from \$351,457 to \$362,000; Mr. Weinhold from \$336,362 to \$346,453; and Mr. Kesser from \$290,721 to \$299,442.

(3) On December 31, 2013, the 2013 Tranches under the LTIP vested, entitling our named executive officers, other than Mr. Paterson, to the following LTIP payments: Mr. Fellows \$377,827; Mr. Mundy \$359,364; Mr. Weinhold \$343,930; and Mr. Kesser \$297,262. In addition, on February 28, 2014, we paid a discretionary bonus of \$25,000 to Mr. Mundy for his superior job performance in 2013.

(4) On March 6, 2013, we granted the following shares of restricted stock to our named executive officers:

Mr. Paterson 35,000 shares; Mr. Fellows 18,438 shares; Mr. Mundy 16,685 shares; Mr. Weinhold 16,675 shares; and

Mr. Kesser 16,260 shares. The fair value of the restricted stock on the grant date, computed in accordance with FASB ASC Topic 718, was \$1.29 per share, which was the closing sale price per share of common stock on the NYSE on such date.

- (5) On March 6, 2013, we granted the following stock options, at an exercise price of \$1.29 per share, to our named executive officers: Mr. Paterson 65,000 shares; Mr. Fellows 27,500 shares; Mr. Mundy 24,010 shares; Mr. Weinhold 24,013 shares; and Mr. Kesser 22,500 shares. The fair value of the stock options on the grant date, computed in accordance with FASB ASC Topic 718, was \$0.93 per share. Our method of valuing stock options, including our assumptions, is set forth in Note 12 to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, which we filed with the SEC on March 6, 2014.
- (6) The other compensation paid to or for the benefit of our named executive officers for 2013 consists of
- (a) our matching contributions under the Retirement Savings Plan as follows: Mr. Paterson \$13,260; Mr. Fellows \$13,260; Mr. Mundy \$13,260; Mr. Weinhold \$11,431; and Mr. Kesser \$13,260;
  - (b) our contributions under the SSRP as follows: Mr. Paterson \$25,127; Mr. Fellows \$33,672; Mr. Mundy \$31,148; Mr. Weinhold \$27,287; and Mr. Kesser \$12,372;

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- (c) our matching contributions under the Deferred Compensation Plan as follows: Mr. Paterson \$27,815; Mr. Fellows \$6,597; Mr. Mundy \$15,641; Mr. Weinhold \$14,969; and Mr. Kesser \$9,083;
- (d) our contributions under the ERP as follows: Mr. Paterson \$125,000; Mr. Fellows \$66,512; Mr. Mundy \$49,204; Mr. Weinhold \$47,091; and Mr. Kesser \$40,701;
- (e) premiums (grossed up to cover taxes in the amounts shown in parentheses) paid on life and long-term disability insurance coverage as follows: Mr. Paterson \$5,446 (\$1,538); Mr. Fellows \$3,220 (\$910); Mr. Mundy \$3,064 (\$865); Mr. Weinhold \$2,930 (\$828); and Mr. Kesser \$2,533 (\$716); and
- (f) payments under our executive financial counseling policy as follows: Mr. Paterson \$0; Mr. Fellows \$750; Mr. Mundy \$6,500; Mr. Weinhold \$6,500; and Mr. Kesser \$6,134.

**Compensation of Named Executive Officers**

The Summary Compensation table quantifies the value of the different forms of compensation received by our named executive officers in and for 2013, 2012 and 2011. The elements of executive compensation consist primarily of base salary, annual and long-term cash incentive awards, and long-term equity incentive awards. The named executive officers also received other compensation as set forth in the All Other Compensation column of the Summary Compensation table.

The Summary Compensation table should be read in conjunction with the tables and narratives below. A description of the material terms of Mr. Paterson's employment agreement follows this paragraph. The Grants of Plan-Based Awards table sets forth information for 2013 regarding the potential cash incentive awards payable to our named executive officers under the 2013 VIP and the grants of restricted stock and stock options to our named executive officers under the Incentive Award Plan. The Outstanding Equity Incentive Awards at Fiscal Year-End table provides information about the unvested shares of restricted stock and the unexercised stock options held by our named executive officers as of December 31, 2013. The Stock Option Exercises and Restricted Stock Vested table sets forth information regarding the number and value of the shares of restricted stock granted to our named executive officers that vested in 2013. The Nonqualified Deferred Compensation table provides information about the participation by our named executive officers in 2013 in defined contribution plans and programs that provide for the deferral of compensation on a basis that is not tax-qualified. The discussion in Potential Payments upon Termination of Employment or Change in Control explains the potential severance benefits to which our named executive officers may be entitled upon a termination of their employment or a change in control of Verso.

**Employment Agreement with Chief Executive Officer**

We entered into an employment agreement with Mr. Paterson effective as of May 14, 2012. The initial term of the agreement is three years, which will automatically renew for successive one-year periods unless he or we provide notice of non-renewal. The principal components of Mr. Paterson's compensation under the agreement are as follows:

a base salary currently set at \$643,750, subject to further increase at the discretion of our board of directors;

an incentive award payable under our annual, performance-based incentive plan, with a target-level award amount equal to 100% of his base salary and a maximum award amount equal to 200% of his base salary;

a stock option granted on May 14, 2012, entitling him to purchase 650,000 shares of our common stock at an exercise price of \$1.66 per share, the fair market value per share on the grant date, which vests in equal

installments over three years and is exercisable, to the extent vested, for seven years after the grant date;

a conditional right to be granted a stock option entitling him to purchase an additional 200,000 shares of our common stock at an exercise price equal to the fair market value per share on the grant date,

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upon the consummation of any merger, acquisition or other business combination that is material to our business;

the right to participate in our employee benefit plans, programs and arrangements; and

severance benefits if his employment is terminated under certain circumstances, including a termination by us without cause, by him for good reason, or due to his death or disability.

The provisions of Mr. Paterson's employment agreement that relate to severance benefits payable upon the termination of his employment or a change in control of Verso are described in more detail in Executive Compensation Potential Payments upon Termination of Employment or Change in Control.

**Grants of Plan-Based Awards**

The following table sets forth information for 2013 regarding the potential cash incentive awards payable to our named executive officers under the 2013 VIP and the actual grants of equity incentive awards, consisting of restricted stock and stock options, made to our named executive officers under the Incentive Award Plan.

Name	Grant Date	Potential Awards Under Non-Equity Incentive Plan <sup>(1)</sup>			Shares of Restricted Stock	Shares of Underlying Stock Options	Exercise Price of Stock Options	Grant Date Fair Value of Restricted Stock and Options <sup>(2)</sup>
		Threshold	Target	Maximum				
David J. Paterson	N/A	\$ 450,625	\$ 643,750	\$ 1,287,500				
Cash incentive awards	03-06-2013 03-06-2013				35,000		\$ 45,150	
Restricted stock								
Stock options						65,000	\$ 1.29 60,450	
Lyle J. Fellows	N/A	213,135	304,478	608,957				
Cash incentive awards	03-06-2013 03-06-2013				18,438		23,785	
Restricted stock								
Stock options						27,500	1.29 25,575	
Robert P. Mundy	N/A	190,050	271,500	543,000				
Cash incentive awards	03-06-2013 03-06-2013				16,685	24,010	1.29 21,524 22,329	

Restricted stock						
Stock options						
Michael A. Weinhold	N/A	181,888	259,840	519,679		
	03-06-2013				16,675	21,511
Cash incentive awards	03-06-2013					
Restricted stock						
Stock options					24,013	1.29
Peter H. Kesser	N/A	157,207	224,582	449,163		22,332
Cash incentive awards	03-06-2013				16,260	20,975
	03-06-2013					
Restricted stock						
Stock options					22,500	1.29
						20,925

- (1) The amounts are the potential cash incentive awards payable to our named executive officers under the 2013 VIP. The actual amounts paid to the named executive officers under the 2013 VIP are reported in the 2013 Verso Incentive Plan column of the Summary Compensation table.
- (2) The amounts are the fair values, computed in accordance with FASB ASC Topic 718, of the restricted stock and stock options on the date that they were granted to our named executive officers. Our methods of valuing the equity incentive awards are described in footnotes 4 and 5 to the Summary Compensation table.

#### Description of Plan-Based Awards

The material terms of the annual, performance-based cash incentive awards granted to our named executive officers under the 2013 VIP are described in Compensation Discussion and Analysis Elements of Executive Compensation 2013 Verso Incentive Plan. The material terms of the long-term cash retention awards provided to certain of our named executive officers under the LTIP are described in Compensation Discussion and

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Analysis Elements of Executive Compensation Amended and Restated 2012 Executive Long-Term Incentive Program. The material terms of the long-term equity incentive awards, consisting of restricted stock and stock options, granted to our named executive officers under the Incentive Award Plan are described in Compensation Discussion and Analysis Elements of Executive Compensation Amended and Restated 2008 Incentive Award Plan.

**Outstanding Equity Incentive Awards at Fiscal Year-End**

The following table provides information about the unvested shares of restricted stock and the unexercised stock options held by our named executive officers as of December 31, 2013.

Name	Grant Date	Restricted Stock <sup>(1)</sup>		Stock Options <sup>(1)</sup>			
		Unvested Shares of Restricted Stock	Market Value of Unvested Shares of Restricted Stock <sup>(2)</sup>	Shares Underlying Unexercised Stock Options		Stock Option Exercise Price	Stock Option Expiration Date
David J. Paterson	03-06-2013	35,000	\$ 22,050		65,000	\$ 1.29	03-06-2020
	05-14-2012			216,666	433,334	1.66	05-14-2019
Lyle J. Fellows	03-06-2013	18,438	\$ 11,616		27,500	\$ 1.29	03-06-2020
	07-23-2012			66,000	132,000	1.47	07-23-2019
	03-06-2012	12,292	7,744	9,166	18,334	1.20	03-06-2019
	03-02-2011	4,918	3,098	14,666	7,334	5.93	03-02-2018
	03-26-2010			16,667		3.01	03-26-2017
	09-21-2009			40,000		3.69	09-21-2016
Robert P. Mundy	03-06-2013	16,685	\$ 10,512		24,010	\$ 1.29	03-06-2020
	07-23-2012			59,666	119,334	1.47	07-23-2019
	03-06-2012	11,124	7,008	8,003	16,007	1.20	03-06-2019
	03-02-2011	4,450	2,804	12,804	6,404	5.93	03-02-2018
	03-26-2010			12,222		3.01	03-26-2017
	09-21-2009			37,000		3.69	09-21-2016
Michael A. Weinhold	03-06-2013	16,675	\$ 10,505		24,013	\$ 1.29	03-06-2020
	07-23-2012			59,666	119,334	1.47	07-23-2019
	03-06-2012	11,117	7,004	8,004	16,009	1.20	03-06-2019
	03-02-2011	4,448	2,802	12,806	6,404	5.93	03-02-2018
	03-26-2010			12,222		3.01	03-26-2017
	09-21-2009			38,000		3.69	09-21-2016
Peter H. Kesser	03-06-2013	16,260	\$ 10,244		22,500	\$ 1.29	03-06-2020
	07-23-2012			51,000	102,000	1.47	07-23-2019
	03-06-2012	9,034	5,691	6,250	12,500	1.20	03-06-2019
	03-02-2011	3,614	2,277	10,000	5,000	5.93	03-02-2018
	03-26-2010			8,333		3.01	03-26-2017
	09-21-2009			33,000		3.69	09-21-2016



- (1) We have granted long-term equity incentive awards, consisting of restricted stock and stock options, to our named executive officers under the Incentive Award Plan. The restricted stock and stock options vest in three equal, annual installments starting one year after their grant dates.
- (2) The market value of the unvested shares of restricted stock is computed based on the \$0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

**Table of Contents****Stock Option Exercises and Restricted Stock Vested**

None of our named executive officers exercised any stock options in 2013. The following table sets forth information regarding the number and value of the shares of restricted stock granted to our named executive officers that vested in 2013.

Name	Restricted Stock	
	Shares that Vested in 2013	Value Realized on Vesting*
David J. Paterson		\$
Lyle J. Fellows	14,767	17,758
Robert P. Mundy	12,726	15,267
Michael A. Weinhold	12,720	15,260
Peter H. Kesser	9,981	11,953

\* The value of the shares of restricted stock that vested in 2013 is computed based on the closing sale price per share of our common stock on the NYSE on the applicable vesting dates.

**Nonqualified Deferred Compensation**

The following table provides information about the participation by our named executive officers in 2013 in defined contribution plans and programs that provide for the deferral of compensation on a basis that is not tax-qualified. The information presented relates to our named executive officers' participation in the Deferred Compensation Plan, the ERP and, to an extent, the SSRP, the material terms of which are described in Compensation Discussion and Analysis Elements of Executive Compensation Retirement Benefits.

Name	Executive Contributions	Employer Contributions <sup>(1)</sup>	Aggregate Earnings or (Loss) <sup>(2)</sup>	Aggregate Withdrawals and Distributions	Aggregate Balance as of December 31, 2013
David J. Paterson	\$ 42,792	\$ 170,930	\$ 31,527	\$	\$ 301,779
Lyle J. Fellows	10,149	94,031	48,037	142,721	339,468
Robert P. Mundy	24,063	83,243	109,731	147,964	433,663
Michael A. Weinhold	23,030	76,597	96,163	116,355	372,796
Peter H. Kesser	13,974	55,143	73,429		340,617

(1) Our contributions for 2013 are reported as compensation in the All Other Compensation column of the Summary Compensation table and consist of the following:

- (a) We made the following matching contributions under the Deferred Compensation Plan to the accounts of our named executive officers thereunder: Mr. Paterson \$27,815; Mr. Fellows \$6,597; Mr. Mundy \$15,641; Mr. Weinhold \$14,969; and Mr. Kesser \$9,083.
- (b) We made the following contributions under the ERP to the accounts of our named executive officers under the Deferred Compensation Plan: Mr. Paterson \$125,000; Mr. Fellows \$66,512; Mr. Mundy \$49,204; Mr. Weinhold \$47,091; and Mr. Kesser \$40,701.

- (c) To comply with contribution limits applicable to the Retirement Savings Plan, we made the following contributions under the SSRP to the accounts of our named executive officers under the Deferred Compensation Plan: Mr. Paterson \$18,115; Mr. Fellows \$20,922; Mr. Mundy \$18,398; Mr. Weinhold \$14,537; and Mr. Kesser \$5,359.
- (2) Earnings on deferred compensation are not reported as compensation in the Summary Compensation table, because they are not at above-market rates.

**Potential Payments upon Termination of Employment or Change in Control**

The following narrative provides information about our named executive officers' potential benefits upon the termination of their employment or a change in control of Verso under our plans, programs, policies and agreements that were in effect in 2013.

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### **Severance Policy**

We have adopted and implemented a severance policy for the benefit of our salaried employees, including the named executive officers, and specific groups of hourly employees whose employment with us is terminated under certain circumstances. The severance policy applies when an eligible employee's employment is terminated under the following circumstances:

we terminate the employee's employment without cause as defined in the policy;

we eliminate the employee's position;

we relocate the employee's principal place of work to a site that is 50 or more miles farther from the employee's residence than his or her current principal place of work and, as of the relocation date, the employee has not accepted such relocation;

we close the facility that is the employee's principal place of work and, of the closing date, we have not offered the employee a suitable position at another facility; or

we sell the facility that is the employee's principal place of work (or the entity that owns such facility) and, as of the sale date, the purchaser has not offered the employee a suitable position at such facility.

The principal benefit under the severance policy is a termination allowance payable in cash to the terminated employee, which is computed on the basis of the employee's years of applicable service with us and his or her base salary or annual wages in effect immediately prior to the termination of employment. The termination allowance is equal to two weeks of eligible pay for each full or partial year of applicable service, subject to a minimum of four weeks and a maximum of 52 weeks of eligible pay. We also have the discretion under the severance policy to provide a terminated employee with other benefits, including prorated and/or reduced amounts of incentive awards under our incentive plans and programs, subsidized medical and dental insurance coverage for a specified period after the termination of employment, and outplacement services appropriate for the employee's position with us.

#### *Employment Agreement with Chief Executive Officer*

We have an employment agreement with David J. Paterson, our President and Chief Executive Officer. The agreement provides that Mr. Paterson's employment may be terminated by us for or without cause (as defined in the agreement), by Mr. Paterson's resignation for or without good reason (as defined in the agreement), and due to his death or disability.

Under the agreement, if Mr. Paterson's employment is terminated for any reason, we are required to provide him (or his estate) with the following benefits:

any unpaid base salary;

any unpaid annual bonus for any calendar year completed before the termination date;

any unpaid reimbursable business expense;

a payment in lieu of any accrued but unused vacation; and

any amount arising from his participation in, and any benefit provided under, our employee benefit plans, programs and arrangements.

If we terminate Mr. Paterson's employment without cause or if he resigns for good reason, we also are required to provide him with the following benefits, subject to Mr. Paterson's execution of our customary waiver and release of claims and to his compliance with certain post-employment covenants:

1.5 times his base salary, payable in 18 equal monthly installments after the termination date;

1.5 times his annual bonus, if any, paid or payable with respect to the calendar year immediately preceding the calendar year in which the termination date occurred, payable in 18 equal monthly installments after the termination date;

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a prorated portion of his annual bonus for the calendar year in which the termination date occurred; and

continued coverage for him and his eligible dependents under our employee health and welfare plans for 18 months after the termination date.

If Mr. Paterson's employment terminates due to his death, we also are required to provide the following benefits to his estate:

a lump-sum payment of his base salary; and

a prorated portion of his annual bonus for the calendar year in which the termination date occurred.

If we terminate Mr. Paterson's employment due to his disability, we also are required to provide him with a prorated portion of his annual bonus for the calendar year in which the termination date occurred.

*CNC Agreements with Other Executive Officers*

We have confidentiality and non-competition agreements, or CNC agreements, with each of our executive officers other than our chief executive officer. The CNC agreements, which have substantially identical terms, require each executive officer to comply with a perpetual confidentiality covenant as well as non-competition and non-solicitation/non-hire covenants extending for 12 months after the termination of his employment for any reason.

Under each CNC agreement, if the executive officer's employment is terminated by either party and for any reason, we are required to provide him (or his estate) with the following benefits, subject to the executive officer's execution of our customary waiver and release of claims and to his compliance with his obligations under the CNC agreement:

any unpaid base salary;

a payment in lieu of any accrued but unused vacation;

any unpaid reimbursable business expense;

any amount arising from his participation in, and any benefit provided under, our employee benefit plans, programs and arrangements;

any unpaid incentive award under our annual, performance-based incentive plan for any calendar year completed on or before the termination date;

a prorated portion of his incentive award under our annual, performance-based incentive plan for the calendar year in which the termination date occurred;

a payment equal to 180% (for Mr. Fellows) or 175% (for Messrs. Mundy, Weinhold and Kesser) of his base salary, representing the sum of his base salary and his target-level incentive award under our annual, performance-based incentive plan, payable in 12 equal monthly installments;

subsidized medical and dental insurance coverage for him and his eligible dependents for up to two years after the termination date, grossed up to cover applicable income taxes;

reimbursement of the cost of converting his group life insurance coverage to an individual policy and the premiums on the individual policy for up to two years after the termination date, grossed up to cover applicable income taxes; and

a contribution to his account under the Deferred Compensation Plan in an amount equal to the projected value of certain lost retirement benefits consisting of our contributions under the Retirement Savings Plan, SSRP, Deferred Compensation Plan, and ERP that we would have made if he had remained actively employed with us for two years after the termination date.

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*2013 Verso Incentive Plan*

The 2013 VIP, our annual, performance-based incentive plan, allowed us the discretion to pay a prorated portion of a participant's incentive award in the event that the participant's employment terminated during the plan year because of his or her death, disability or retirement. In such event, the participant would be entitled to receive a prorated incentive award only if it is approved by the Administration Committee constituted under the 2013 VIP.

*Amended and Restated 2012 Executive Long-Term Incentive Program*

Under the LTIP, our long-term executive retention program, if a participant's employment terminated on or before December 31, 2013, by reason of his death, disability, termination without cause, or resignation for good reason, then any vested but unpaid portion of the participant's LTIP award would be paid and any unvested portion of his LTIP award would vest and be paid. If a participant's employment terminated on or before December 31, 2013, for any other reason, he would not be entitled to receive any unpaid portion of his LTIP award. In addition, if a participant's employment terminated after December 31, 2013, for any reason other than cause, he would be entitled to receive any vested but unpaid portion of his LTIP award.

*Vacation Policy*

We have a vacation policy that, among other things, provides for a payment in lieu of any accrued but unused vacation upon the termination of an eligible employee's employment under certain circumstances. Under the policy, we will provide vacation pay to a terminated employee if the termination of employment is (a) by the employee (referred to as a *voluntary* termination) and the employee gives us at least two weeks of prior notice, (b) by us (referred to as an *involuntary* termination) and occurs after at least six months of employment, or (c) due to the employee's retirement, death or disability. Under such circumstances, a terminated employee is entitled to receive a payment equal to the daily equivalent of his or her base salary multiplied by the number of accrued but unused vacation days during the calendar year in which the termination date occurred. In addition, if the termination of employment is due to the employee's retirement or death, we will provide special vacation pay to the employee or his or her estate in an amount equal to 4-12% of the employee's year-to-date base salary, with the specific percentage being determined based on the number of weeks of vacation to which the employee was entitled under the policy.

*Amended and Restated 2008 Incentive Award Plan*

We have granted equity incentive awards consisting of restricted stock and stock options to our named executive officers under the Incentive Award Plan. The Incentive Award Plan, together with the grant notices and award agreements thereunder, contain provisions addressing the effects on the equity incentive awards of the termination of an executive officer's employment with us and a change in control of Verso.

***Termination of Employment.*** As a general rule, upon the termination of an executive officer's employment, any unvested portion of the restricted stock and stock options will cease vesting and be forfeited. However, (a) if the executive officer's employment is terminated by us without cause before or on the consummation of a change in control of Verso, or due to his death or disability, then a prorated percentage of any unvested portion of the restricted stock and stock options will vest based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date; and (b) if the executive officer's employment is terminated within six months after the consummation of a change in control of Verso either by us without cause or by him by reason of an involuntary termination (a concept similar to good reason), then any unvested portion of the restricted stock and stock options will vest in full. In addition, as a general rule, any vested portion of the executive officer's stock options may be exercised for three months after the termination of his employment. However, the



exercise period will expire (a) one year after the termination date if his employment is terminated due to his death or disability, or (b) at the end of the original seven-year exercise period if his employment is terminated by reason of his retirement.

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***Change in Control of Verso.*** In the event of a change in control of Verso, unless otherwise provided by the administrator of the Incentive Award Plan in accordance with its terms, we will require that the executive officer's restricted stock and stock options either be (a) assumed by the successor or survivor corporation or its parent or subsidiary or (b) substituted for by similar awards covering the stock of the successor or survivor corporation or its parent or subsidiary, with appropriate adjustments made to the awards.

***Special Provisions for Initial Stock Option Granted to David J. Paterson.*** In the event of a termination of employment or change in control of Verso, the treatment of the initial stock option for 650,000 shares of common stock granted to Mr. Paterson upon the commencement of his employment with us on May 14, 2012, differs from the treatment of the restricted stock and stock options subsequently granted to him and the restricted stock and stock options granted to our other named executive officers.

As a general rule, upon the termination of Mr. Paterson's employment, any unvested portion of his initial stock option will cease vesting and be forfeited. However, if Mr. Paterson's employment is terminated before the consummation of a change in control of Verso either by us without cause, by him for good reason, or due to his death or disability, then a prorated percentage of any unvested portion of the stock option will vest based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. In addition, as a general rule, any vested portion of Mr. Paterson's stock option may be exercised for three months after the termination of his employment. However, the exercise period will expire (a) on the termination date if his employment is terminated by us for cause, (b) six months after the termination date if his employment is terminated by us without cause, by him for good reason, or by reason of our non-extension of the term of his employment agreement, (c) one year after the termination date if his employment is terminated due to his death or disability, or (d) at the end of the original seven-year exercise period if his employment is terminated by reason of his retirement.

In the event of a change in control of Verso, any unvested portion of Mr. Paterson's initial stock option will vest in full immediately before the occurrence of the change in control.

**Deferral of Payment of Nonqualified Deferred Compensation due to Section 409A**

Any compensation or benefit payable to a named executive officer under his employment agreement (in the case of Mr. Paterson) or CNC agreement (in the case of Messrs. Fellows, Mundy, Weinhold and Kesser), or under any policy, plan or program in which the named executive officer participates, that constitutes nonqualified deferred compensation as contemplated in Section 409A of the Internal Revenue Code (and not qualifying for any exception) will be delayed for a six-month period following the termination of the executive officer's employment if he is deemed to be a specified employee within the meaning of Section 409A.

**Estimated Payments in Connection with Termination of Employment or Change in Control**

The first four tables in this section set forth the estimated amounts of the payments and benefits to which each of our named executive officers would have become entitled if his employment had terminated under the indicated circumstances on December 31, 2013. The fifth table in this section sets forth the estimated intrinsic value that Mr. Paterson would have received in the event of a change in control of Verso on December 31, 2013, and the estimated intrinsic values that our named executive officers would have received in the event of the termination of their employment under certain circumstances on December 31, 2013, in connection with a change in control of Verso. Due to a number of factors that affect the nature and amount of the payments and benefits provided upon these events, including the time during the year of any such event, the amount of any such payment or benefit actually provided may be different from that shown in the tables.



**Table of Contents***Termination Without Cause or Resignation for Good Reason*

<b>Name</b>	<b>Salary<sup>(1)</sup></b>	<b>Bonus<sup>(2)</sup></b>	<b>Incentive Awards<sup>(3)</sup></b>	<b>Termination Allowance<sup>(4)</sup></b>	<b>Retirement and Insurance Benefits<sup>(5)</sup></b>	<b>Accelerated Vesting of Equity Incentive Awards<sup>(6)</sup></b>	<b>Total</b>
David J. Paterson	\$ 965,625	\$	\$ 939,854	\$ 49,519	\$ 86,823	\$ 5,512	\$ 2,047,333
Lyle J. Fellows	685,076	487,873	249,672	380,598	467,512	8,131	2,278,862
Robert P. Mundy	633,501	464,034	222,630	362,000	410,604	7,357	2,100,126
Michael A. Weinhold	606,292	444,104	213,068	266,502	386,728	7,353	1,924,047
Peter H. Kesser	524,024	383,741	184,157	92,136	319,108	6,402	1,509,568

- (1) The amounts are determined by reference to the base salaries of the named executive officers as follows: Mr. Paterson 1.5 times his base salary; Mr. Fellows 180% of his base salary; and Messrs. Mundy, Weinhold and Kesser 175% of their respective base salaries.
- (2) The amounts are the sum of 30% of the 2012 Tranche and 100% of the 2013 Tranche under the LTIP payable to the named executive officers other than Mr. Paterson.
- (3) The amounts are determined by reference to the incentive awards paid and/or payable to the named executive officers under Verso's annual, performance-based incentive plans as follows: Mr. Paterson 1.5 times his 2012 VIP award, plus his 2013 VIP award; and Messrs. Fellows, Mundy, Weinhold and Kesser their respective 2013 VIP awards.
- (4) The amount of the termination allowance is equal to two weeks of base salary for each full or partial year of applicable service, subject to a minimum of four weeks and a maximum of 52 weeks of base salary. The named executive officers' full and partial years of applicable service as of December 31, 2013, were as follows: Mr. Paterson 2 years; Mr. Fellows 33 years; Mr. Mundy 31 years; Mr. Weinhold 20 years; and Mr. Kesser 8 years.
- (5) For Mr. Paterson, the amount is the sum of our SSRP contribution for 2013, the cost of continued medical and dental insurance coverage for him and his eligible dependents, and the cost of outplacement services. For each of Messrs. Fellows, Mundy, Weinhold and Kesser, the amount is the sum of our SSRP contribution for 2013, his lost retirement benefits, the cost of continued medical and dental insurance coverage for him and his eligible dependents (grossed up to cover income taxes), the cost of life insurance conversion and coverage (grossed up to cover income taxes), and the cost of outplacement services.
- (6) The amounts are the intrinsic value to the named executive officers resulting from the accelerated vesting of a prorated percentage of any unvested portion of their equity incentive awards based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. The accelerated vesting of the equity incentive awards arises when, among other things, a named executive officer's employment is terminated by us without cause and, in the case of the initial stock option granted to Mr. Paterson, by his resignation for good reason. The intrinsic value is computed based on the \$0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

*Termination due to Death*

<b>Name</b>	<b>Salary<sup>(1)</sup></b>	<b>Bonus<sup>(2)</sup></b>	<b>Incentive Awards<sup>(3)</sup></b>	<b>Termination Allowance</b>	<b>Retirement and Insurance Benefits<sup>(4)</sup></b>	<b>Accelerated Vesting of Equity Incentive Awards<sup>(5)</sup></b>	<b>Total</b>
David J. Paterson	\$ 643,750	\$	\$ 527,875	\$	\$ 1,377,502	\$ 5,512	\$ 2,554,639
Lyle J. Fellows	685,076	487,873	249,672		1,154,319	8,131	2,585,071
Robert P. Mundy	633,501	464,034	222,630		1,080,188	7,357	2,407,710
Michael A. Weinhold	606,292	444,104	213,068		1,026,644	7,353	2,297,461
Peter H. Kesser	524,024	383,741	184,157		842,830	6,402	1,941,154

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- (1) The amounts are determined by reference to the base salaries of the named executive officers as follows: Mr. Paterson 100% of his base salary; Mr. Fellows 180% of his base salary; and Messrs. Mundy, Weinhold and Kesser 175% of their respective base salaries.
- (2) The amounts are the sum of 30% of the 2012 Tranche and 100% of the 2013 Tranche under the LTIP payable to the named executive officers other than Mr. Paterson.
- (3) The amounts are the incentive awards payable to the named executive officers under the 2013 VIP.
- (4) For Mr. Paterson, the amount is the sum of our SSRP contribution for 2013, his special vacation pay, and his life insurance proceeds. For each of Messrs. Fellows, Mundy, Weinhold and Kesser, the amount is the sum of our SSRP contribution for 2013, his special vacation pay, his life insurance proceeds, his lost retirement benefits, and the cost of continued medical and dental insurance coverage for his eligible dependents (grossed up to cover income taxes).
- (5) The amounts are the intrinsic value to the named executive officers resulting from the accelerated vesting of a prorated percentage of any unvested portion of their equity incentive awards based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. The accelerated vesting of the equity incentive awards arises when, among other things, a named executive officer's employment is terminated upon his death. The intrinsic value is computed based on the \$0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

*Termination due to Disability*

Name	Salary <sup>(1)</sup>	Bonus <sup>(2)</sup>	Incentive Awards <sup>(3)</sup>	Termination Allowance	Retirement and Insurance Benefits <sup>(4)</sup>	Accelerated Vesting of Equity Incentive Awards <sup>(5)</sup>	Total
David J. Paterson	\$	\$	\$ 527,875	\$	\$ 505,127	\$ 5,512	\$ 1,038,514
Lyle J. Fellows	685,076	487,873	249,672		912,512	8,131	2,343,264
Robert P. Mundy	633,501	464,034	222,630		855,604	7,357	2,183,126
Michael A. Weinhold	606,292	444,104	213,068		831,728	7,353	2,102,545
Peter H. Kesser	524,024	383,741	184,157		764,108	6,402	1,862,432

- (1) The amounts are determined by reference to the base salaries of the named executive officers as follows: Mr. Paterson none; Mr. Fellows 180% of his base salary; and Messrs. Mundy, Weinhold and Kesser 175% of their respective base salaries.
- (2) The amounts are the sum of 30% of the 2012 Tranche and 100% of the 2013 Tranche under the LTIP payable to the named executive officers other than Mr. Paterson.
- (3) The amounts are the incentive awards payable to the named executive officers under the 2013 VIP.
- (4) For Mr. Paterson, the amount is the sum of our SSRP contribution for 2013 and his disability benefits. For each of Messrs. Fellows, Mundy, Weinhold and Kesser, the amount is the sum of our SSRP contribution for 2013, his disability benefits, his lost retirement benefits, the cost of continued medical and dental insurance coverage for him and his eligible dependents (grossed up to cover income taxes), and the cost of life insurance conversion and coverage (grossed up to cover income taxes).

- (5) The amounts are the intrinsic value to the named executive officers resulting from the accelerated vesting of a prorated percentage of any unvested portion of their equity incentive awards based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. The accelerated vesting of the equity incentive awards arises when, among other things, a named executive officer's employment is terminated upon his disability. The intrinsic value is computed based on the \$0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

**Table of Contents***Termination due to Any Other Reason*

<b>Name</b>	<b>Salary<sup>(1)</sup></b>	<b>Bonus</b>	<b>Incentive Awards<sup>(2)</sup></b>	<b>Termination Allowance</b>	<b>Retirement and Insurance Benefits<sup>(3)</sup></b>	<b>Accelerated Vesting of Equity Incentive Awards</b>	<b>Total</b>
David J. Paterson	\$	\$	\$ 527,875	\$	\$ 25,127	\$	\$ 53,002
Lyle J. Fellows	685,076		249,672		432,512		1,367,260
Robert P. Mundy	633,501		222,630		375,604		1,231,735
Michael A. Weinhold	606,292		213,068		351,728		1,171,088
Peter H. Kesser	524,024		184,157		284,108		992,289

- (1) The amounts are determined by reference to the base salaries of the named executive officers as follows: Mr. Paterson none; Mr. Fellows 180% of his base salary; and Messrs. Mundy, Weinhold and Kesser 175% of their respective base salaries.
- (2) The amounts are the incentive awards payable to the named executive officers under the 2013 VIP.
- (3) For Mr. Paterson, the amount is our SSRP contribution for 2013. For each of Messrs. Fellows, Mundy, Weinhold and Kesser, the amount is the sum of our SSRP contribution for 2013, his lost retirement benefits, the cost of continued medical and dental insurance coverage for him and his eligible dependents (grossed up to cover income taxes), and the cost of life insurance conversion and coverage (grossed up to cover income taxes). In addition, if Mr. Fellows or Mr. Mundy had retired on December 31, 2013, he would have been entitled to receive special vacation pay under our vacation policy in the amount of \$45,672 or \$43,440, respectively, which is not reflected in the table.

*Change in Control*

Our named executive officers, with one exception, will not receive any benefit solely upon the occurrence of a change in control of Verso. The single exception is that upon a change in control the unvested portion of Mr. Paterson's initial stock option for 650,000 shares of common stock that we granted to him upon the commencement of his employment on May 14, 2012, will vest immediately.

If, in addition to a change in control of Verso, a named executive officer's employment with us is terminated under certain circumstances, the vesting of any unvested portion of the equity incentive awards that we have granted to him may be affected. If the executive officer's employment is terminated by us without cause upon the consummation of the change in control, then a prorated percentage of any unvested portion of his equity incentive awards will vest based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. If the executive officer's employment is terminated within six months after the consummation of the change in control either by us without cause or by him by reason of an involuntary termination (a concept similar to good reason), then any unvested portion of his equity incentive awards will vest in full.

The following table sets forth the intrinsic values arising from the accelerated vesting of our named executive officers equity incentive awards in the event of (a) a change in control of Verso occurring on December 31, 2013, (b) the termination of their employment under the circumstances described above on December 31, 2013, following a change



in control of Verso that occurred within the prior six months, and (c) the termination of their employment under the circumstances described above and a change in control of Verso both occurring on December 31, 2013. The intrinsic value is computed based on the \$0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

**Table of Contents***Accelerated Vesting of Equity Incentive Awards*

<b>Name</b>	<b>Accelerated Vesting of Equity Incentive Awards Termination of Employment Under Certain Circumstances On December 31, 2013, with Change in</b>	
	<b>Change in Control of Verso On December 31, 2013</b>	<b>Control of Verso Within Prior Six Months On December 31, 2013</b>
David J. Paterson	\$	\$ 2,050
Lyle J. Fellows		22,458
Robert P. Mundy		20,323
Michael A. Weinhold		20,311
Peter H. Kesser		18,212

**Table of Contents****DIRECTOR COMPENSATION****Elements of Director Compensation**

We pay the following annual cash compensation to our non-employee directors:

\$55,000 to each director for serving on the board of directors;

\$5,000 to the Chair of our Audit Committee;

\$5,000 to the Chair of our Compensation Committee;

\$2,000 to each director for each board of directors meeting attended in person or by telephone; and

\$1,000 to each committee member for each committee meeting attended in person or by telephone.

We also grant to each non-employee director an annual restricted stock award with a fair market value of \$20,000 on the grant date and which vests in three equal annual installments. In addition, we reimburse each non-employee director for his reasonable, out-of-pocket expenses incurred to attend meetings of the board of directors and its committees.

The compensation paid and provided to Mr. Paterson, who also is our President and Chief Executive Officer, is described in Executive Compensation. He is not entitled to receive any additional compensation for his service as a director of Verso.

**2013 Director Compensation**

The following table shows the compensation that we paid and provided to our non-employee directors for their services in 2013.

<b>Name</b>	<b>Cash Fees</b>	<b>Restricted Stock<sup>(1)</sup></b>	<b>Total</b>
Michael E. Ducey	\$ 76,000	\$ 20,000	\$ 96,000
Thomas Gutierrez	67,000	20,000	87,000
Scott M. Kleinman	72,000	20,000	92,000
David W. Oskin	71,000	20,000	91,000
Eric L. Press	63,000	20,000	83,000
L.H. Puckett, Jr.	67,000	20,000	87,000
David B. Sambur	67,000	20,000	87,000
Jordan C. Zaken <sup>(2)</sup>	63,000	20,000	83,000

- (1) On March 6, 2013, we granted to each non-employee director an equity incentive award of 15,503 shares of restricted stock, which had an aggregate value of approximately \$20,000 based on the \$1.29 closing sale price per share of our common stock on the NYSE on the grant date.
- (2) On March 19, 2014, Mr. Zaken resigned as a director of Verso and a member of the Compensation Committee of our board of directors. On the same date, the board of directors filled the resulting vacancies by electing Reed B. Rayman to serve as a director of Verso and a member of the Compensation Committee.

**Table of Contents****Outstanding Equity Incentive Awards at Fiscal Year-End**

The following table provides information about the equity incentive awards held by our non-employee directors as of December 31, 2013.

<b>Name</b>	<b>Restricted Stock</b>	<b>Stock Options</b>	<b>Partnership Units<sup>(1)</sup></b>
Michael E. Ducey	32,169		
Thomas Gutierrez	32,169	15,200	
Scott M. Kleinman	32,169		23,190
David W. Oskin	32,169		
Eric L. Press	32,169	15,200	
L.H. Puckett, Jr.	32,169		
David B. Sambur	32,169		23,187
Jordan C. Zaken <sup>(2)</sup>	32,169		23,190

- (1) The units represent limited partner interests in Verso Paper Management LP, our largest stockholder, and may be exchanged for an equal number of shares of our common stock owned by Verso Paper Management LP.
- (2) On March 19, 2014, Mr. Zaken resigned as a director of Verso and a member of the Compensation Committee of our board of directors. On the same date, the board of directors filled the resulting vacancies by electing Reed B. Rayman to serve as a director of Verso and a member of the Compensation Committee.

**Table of Contents****COMPARATIVE PER SHARE DATA**

The following table shows, for the year ended December 31, 2013, and the three months ended March 31, 2014, historical and pro forma equivalent per share data for NewPage common stock and historical and pro forma combined per share data for Verso common stock. The information in the table is derived from Verso's historical consolidated financial statements included herein and NewPage's historical consolidated financial information included herein, as well as the unaudited pro forma condensed combined financial information included elsewhere herein.

The pro forma equivalent information shows the effect of the Merger from the perspective of an owner of NewPage common stock. The information was computed by multiplying the pro forma combined net loss per share for the three months ended March 31, 2014, and the year ended December 31, 2013 and the pro forma combined book value per share as of March 31, 2014 by the ratio (1.97) of the total number of shares of Verso common stock to be issued as part of the Merger Consideration, which we have assumed to be 13,983,670 shares, to the number of outstanding NewPage shares as of March 31, 2014, and December 31, 2013 (7,092,477 and 7,087,239 shares, respectively). The actual number of shares of Verso common stock to be issued as part of the Merger Consideration depends on the number of outstanding shares of Verso common stock at the closing of the offering and is subject to certain adjustments. See Merger Agreement Merger Consideration. These computations exclude any potential benefit to NewPage's stockholders from receiving any amount of cash or New First Lien Notes as components of the Merger Consideration.

The pro forma combined data below is presented for illustrative purposes only. The pro forma adjustments to the statement of income data are based on the assumption that the Merger was completed on January 1, 2013, and the pro forma adjustments to the balance sheet data are based on the assumption that the Merger was completed on March 31, 2014.

Either company's actual historical financial condition and results of operations may have been different had the companies always been combined. You should not rely on this information as being indicative of the historical financial condition and results of operations that would have actually been achieved or of the future results of Verso after the completion of the Merger.

You should read the information below together with the historical consolidated financial statements and related notes of each of Verso and NewPage and with the information under the heading Unaudited Pro Forma Condensed Combined Financial Information beginning on page 101.

	NewPage Common Stock		Verso Common Stock	
	Historical	Pro Forma Equivalent	Historical	Pro Forma Combined
<b>Net Income (Loss) Per Share</b>				
Basic				
Three Months Ended March 31, 2014	\$ (10.01)	\$ (3.14)	\$ (1.70)	\$ (1.59)
Year Ended December 31, 2013	\$ (0.27)	\$ (4.35)	\$ (2.09)	\$ (2.20)
Diluted				
Three Months Ended March 31, 2014	\$ (10.01)	\$ (3.14)	\$ (1.70)	\$ (1.59)
Year Ended December 31, 2013	\$ (0.27)	\$ (4.35)	\$ (2.09)	\$ (2.20)
<b>Book Value Per Share</b>				
March 31, 2014	\$ 101.52	\$ (10.95)	\$ (9.51)	\$ (5.55)

**Cash Dividends**

Three Months Ended March 31, 2014	\$ 34.35	\$	\$	\$
Year Ended December 31, 2013	\$	\$	\$	\$

**Table of Contents****MARKET PRICE AND DIVIDEND INFORMATION**

Verso's common stock is listed for trading on the New York Stock Exchange under the trading symbol VRS. The following table sets forth, for the periods indicated, the high and low sales prices per share of Verso's common stock on the New York Stock Exchange Composite Transactions Tape. For current price information, you are urged to consult publicly available sources.

	<b>Verso Common Stock</b>	
	<b>High</b>	<b>Low</b>
<b>YEAR ENDED DECEMBER 31, 2011</b>		
Quarter ended March 31, 2011	\$ 6.37	\$ 3.43
Quarter ended June 30, 2011	5.44	2.51
Quarter ended September 30, 2011	3.16	1.65
Quarter ended December 31, 2011	1.95	0.85
<b>YEAR ENDED DECEMBER 31, 2012</b>		
Quarter ended March 31, 2012	3.36	0.91
Quarter ended June 30, 2012	2.05	1.03
Quarter ended September 30, 2012	2.38	1.16
Quarter ended December 31, 2012	1.70	0.99
<b>YEAR ENDING DECEMBER 31, 2013</b>		
Quarter ended March 31, 2013	1.68	0.98
Quarter ended June 30, 2013	1.39	1.03
Quarter ended September 30, 2013	1.15	0.61
Quarter ended December 31, 2013	0.92	0.52
QUARTER ENDED MARCH 31, 2014	5.55	0.62
QUARTER ENDED JUNE 30, 2014	3.24	1.60

The closing sale price of Verso common stock as of July 7, 2014 was \$2.81 per share.

Because there is no established trading market for shares of any class of NewPage capital stock, information with respect to the market prices of NewPage stock has been omitted.



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**VERSO SPECIAL MEETING**

**Joint Proxy and Information Statement/Prospectus**

This joint proxy and information statement/prospectus is being furnished to Verso stockholders in connection with the solicitation of proxies by the Verso board of directors in connection with the special meeting of Verso stockholders.

This joint proxy and information statement/prospectus and the enclosed proxy card are first being sent to Verso stockholders on or about July 11, 2014.

**Date, Time and Place of the Verso Special Meeting**

The Verso special meeting will be held at 10:00 a.m., Central Time, on July , 2014, at Verso s office located at 6775 Lenox Center Court, Memphis, Tennessee.

**Purpose of the Verso Special Meeting**

At the Verso special meeting, holders of Verso common stock as of the record date will be asked to consider and vote on the following proposals:

- Proposal 1. approve the issuance of shares of Verso common stock to the NewPage stockholders as part of the Merger Consideration pursuant to the Merger Agreement;
- Proposal 2. approve the issuance of Verso Warrants to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration;
- Proposal 3. approve the issuance of Verso Warrants to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration;
- Proposal 4. approve Verso s Amended and Restated 2008 Incentive Award Plan;
- Proposal 5. approve and adopt the amendment of Verso s Amended and Restated Certificate of Incorporation to change its corporate name to Verso Corporation effective upon the consummation of the Merger; and
- Proposal 6. approve any adjournment of the Verso special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve Proposal 1 at the time of the Verso special meeting.

**Record Date, Quorum and Voting**

Only holders of record of Verso common stock at the close of business on July 2, 2014, which is the record date, will be entitled to notice of and to vote at the Verso special meeting. On the record date, there were 53,327,441 shares of Verso common stock outstanding and entitled to vote at the Verso special meeting, held by 31 holders of record. Each share of Verso common stock issued and outstanding on the record date is entitled to one vote on each proposal to be voted upon at the Verso special meeting.



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The quorum requirement for holding the Verso special meeting and transacting business at the Verso special meeting is the presence, in person or by proxy, of a majority of the issued and outstanding shares of Verso common stock as of the record date entitled to vote at the Verso special meeting. The shares may be present in person or represented by proxy at the Verso special meeting.

If your proxy card is properly executed and received by Verso in time to be voted at the Verso special meeting, the shares of Verso common stock represented by your proxy (including those given electronically via the Internet or by telephone) will be voted in accordance with the instructions that you mark on your proxy card. Executed but unvoted proxies will be voted in accordance with the recommendations of the Verso board of directors.

## **Vote Required**

***Proposal 1 Approval of Issuance of Shares of Verso Common Stock as Part of Merger Consideration pursuant to Merger Agreement.*** The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and entitled to vote at the Verso special meeting is required to approve the issuance of shares of Verso common stock to the NewPage stockholders as part of the Merger Consideration pursuant to the Merger Agreement (see The Merger Agreement Transaction Consideration for more details). Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal.

***Proposal 2 Approval of Issuance of Verso Warrants and Shares of Verso Common Stock Issuable upon Mandatory Conversion of such Verso Warrants pursuant to Second Lien Notes Exchange Offer.*** The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and entitled to vote at the Verso special meeting is required to approve the issuance of Verso Warrants to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration (see Description of Other Indebtedness Exchange Offer Transactions for more details). Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal.

***Proposal 3 Approval of Issuance of Verso Warrants and Shares of Verso Common Stock Issuable upon Mandatory Conversion of such Verso Warrants pursuant to Subordinated Notes Exchange Offer.*** The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and entitled to vote at the Verso special meeting is required to approve the issuance of Verso Warrants to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration (see Description of Other Indebtedness Exchange Offer Transactions for more details). Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal.

***Proposal 4 Approval of Verso s Amended and Restated 2008 Incentive Award Plan.*** The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and

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entitled to vote at the Verso special meeting is required to approve Verso's Amended and Restated 2008 Incentive Award Plan. Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal.

***Proposal 5 Approval and Adoption of Amendment of Verso's Amended and Restated Certificate of Incorporation to Change Corporate Name to Verso Corporation Effective Upon Consummation of Merger.*** The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and entitled to vote at the Verso special meeting is required to approve and adopt the amendment of Verso's Amended and Restated Certificate of Incorporation to change its corporate name to Verso Corporation effective upon the consummation of the Merger. Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal.

***Proposal 6 Approval of Adjournment of Verso Special Meeting.*** The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and entitled to vote at the Verso special meeting is required to approve any adjournment of the Verso special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve Proposal 1 at the time of the Verso special meeting. Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal. In accordance with the Verso Bylaws, a vote to approve the proposal to adjourn the Verso special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the Verso special meeting to approve Proposal 1 may be taken in the absence of a quorum.

## **Recommendation of Verso Board of Directors**

The Verso board of directors unanimously recommends that the Verso stockholders vote **FOR** each of Proposals 1-6.

Verso stockholders should carefully read this joint proxy and information statement/prospectus in its entirety for more detailed information concerning the Merger Agreement and the Merger. In particular, Verso stockholders are directed to the section titled "The Merger Agreement" and to the Merger Agreement itself, which is attached as Annex A hereto.

## **Voting Electronically or by Telephone**

If your shares of Verso common stock are registered directly in your name with Verso's transfer agent, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent to you directly by Verso. As a stockholder of record, you have the right to grant your voting proxy directly to the persons named as proxies, David J. Paterson, Peter H. Kesser and Charles D. Hamlett, or to vote in person at the Verso special meeting. A proxy card has been enclosed for you to use. You may also vote on electronically via the Internet or by telephone.

If your shares of Verso common stock are held by a broker, bank or other nominee, you are considered the beneficial owner of the shares held in street name and these proxy materials are being forwarded to you by your broker, bank or

other nominee who is considered, with respect to those shares, the stockholder of record. As

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the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares and are also invited to attend the Verso special meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Verso special meeting. Your broker, bank or other nominee has enclosed a voting instruction card for you to use in directing your broker, bank or other nominee as to how to vote your shares. You may also vote electronically via the Internet or by telephone.

You can ensure your shares of Verso common stock are represented at the Verso special meeting by promptly submitting your proxy electronically via the Internet or by telephone or marking, signing, dating and returning the appropriate proxy card in the envelope provided. Each valid proxy received in time will be voted at the Verso special meeting according to the choice specified, if any. A proxy may be revoked at any time before the proxy is voted, as outlined below.

## **Revocability of Proxies**

You may revoke a proxy or change your voting instructions at any time prior to the vote at the Verso special meeting. You may enter a new vote electronically via the Internet or by telephone or by mailing a new proxy card or new voting instruction card bearing a later date (which will automatically revoke your earlier voting instructions) or by attending the Verso special meeting and voting in person. Your attendance at the Verso special meeting in person will not cause your previously granted proxy to be revoked unless you specifically so request. You may deliver written notice of revocation of a proxy to Verso's Secretary at any time before the Verso special meeting by sending such revocation to the Secretary, 6775 Lenox Center Court, Suite 400, Memphis, Tennessee 38115-4436, in time for the Secretary to receive it before the Verso special meeting.

## **Inspector of Election**

A representative of Verso's Law Department will tabulate the vote and act as the inspector of election at the Verso special meeting.

## **Attending the Verso Special Meeting**

You are entitled to attend the Verso special meeting only if you are a stockholder of record of Verso or you hold your shares of Verso beneficially in the name of a broker, bank or other nominee as of the record date, or you hold a valid proxy for the Verso special meeting.

If you are a stockholder of record of Verso and wish to attend the Verso special meeting, please so indicate on the appropriate proxy card or as prompted by the Internet or telephone voting system. Your name will be verified against the list of stockholders of record prior to your being admitted to the Verso special meeting.

If a broker, bank or other nominee is the record owner of your shares of Verso common stock, you will need to have proof that you are the beneficial owner as of the record date to be admitted to the Verso special meeting. A recent statement or letter from your broker, bank or other nominee confirming your ownership as of the record date, or presentation of a valid proxy from a broker, bank or other nominee that is the record owner of your shares, would be acceptable proof of your beneficial ownership.

You should be prepared to present photo identification for admittance. If you do not provide photo identification or comply with the other procedures outlined above upon request, you may not be admitted to the Verso special meeting.

## **Voting Procedures**

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You may vote your shares of Verso common stock by proxy electronically via the Internet, by telephone, by completing and sending in the appropriate paper proxy card or in person at the Verso special meeting.



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Whether you vote your proxy electronically via the Internet, by telephone, by mail or in person, Verso will treat your proxy the same way. The individuals appointed as proxies will be David J. Paterson, Peter H. Kesser and Charles D. Hamlett. The shares of Verso common stock represented by valid proxies that are received in time for the Verso special meeting will be voted as specified in such proxies. Valid proxies include all properly executed, written paper proxy cards received pursuant to this solicitation that are not later revoked. Executed proxies submitted without direction pursuant to this solicitation will be voted **FOR** each of Proposals 1-6.

## **Proxy Solicitations**

Verso is soliciting proxies for the Verso special meeting from Verso stockholders. Verso will reimburse brokers, banks, institutions and others holding common stock of Verso as nominees for their expenses in sending proxy solicitation material to the beneficial owners of such common stock of Verso and obtaining their proxies.

**Stockholders should not send stock certificates or other evidence of shares in book-entry form with their proxies. A letter of transmittal and instructions for the surrender of Verso stock certificates will be mailed to Verso stockholders shortly after the completion of the Merger, if approved and completed.**

If you need assistance in completing your proxy card or have questions regarding the Verso special meeting, please contact Peter H. Kesser at [peter.kesser@versopaper.com](mailto:peter.kesser@versopaper.com) (e-mail) or call (901) 369-4105.

## **Householding**

Some brokers, banks and other nominees may be participating in the practice of **householding** proxy statements and annual reports. This means that only one copy of this joint proxy and information statement/prospectus may have been sent to multiple stockholders in your household. Verso will promptly deliver a separate copy of either or both documents to you if you write or call Peter H. Kesser at [peter.kesser@versopaper.com](mailto:peter.kesser@versopaper.com) (e-mail) or call (901) 369-4105.

**Table of Contents****NEWPAGE STOCKHOLDERS****Security Ownership of Management and Certain Beneficial Owners**

The following table sets forth information with respect to the beneficial ownership of NewPage as of June 30, 2014 by:

each person who is known by us to beneficially own 5% or more of the NewPage common stock;

each member of the board of directors of NewPage;

each of the Executives; and

all directors and executive officers of NewPage.

Beneficial ownership is determined in accordance with the rules of the SEC and includes stock options that could be exercised within 60 days. To our knowledge, each of the holders listed below has sole voting and investment power as to the NewPage common stock owned unless otherwise noted.

	Number of Shares Beneficially Owned (1)(9)	Percentage of Shares Outstanding
Oaktree Capital Management (3)	1,367,192	19.3%
Franklin Resources, Inc. (2)	1,129,180	15.9%
Centerbridge Partners (6)	1,022,092	14.4%
The Goldman Sachs Group (4)	884,740	12.5%
J.P. Morgan Asset Management (5)	699,704	9.9%
The Capital Group Companies, Inc. (7)	440,120	6.2%
Blackrock, Inc. (8)	391,140	5.5%
Jay A. Epstein	18,954	*
Glenn R. Grill	2,417	*
George F. Martin	36,516	*
David L. Santez	5,094	*
Linda M. Sheffield	2,425	*
Mark A. Angelson		
Robert M. Amen	132	*
Robert J. Bass	161	*
Lisa J. Donahue	126	*
Paul E. Huck	147	*
John F. McGovern	142	*
Eric D. Muller		

Directors and executive officers as a group (15 persons)	96,789	1.3%
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\* Less than 1%

- (1) For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, pursuant to which a person or group of persons is deemed to have beneficial ownership of the shares of common stock that the person has the right to acquire within 60 days of the date of determination, as well as the shares of common stock underlying vested restricted stock units (RSUs) and vested stock options. For purposes of computing the percentage of outstanding shares of common stock held by each person or group of persons named above, all the shares the person or persons has (have) the right to acquire within 60 days, as well as the shares of common stock underlying vested RSUs and vested stock options, are deemed outstanding, but are deemed not to be outstanding for the purpose of computing the percentage ownership of any other person or group. All numbers listed above represent sole investment and voting power unless otherwise noted.

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- (2) The address for Franklin Resources, Inc. is One Franklin Parkway, San Mateo, CA 94403. We observed that there are two entities that operate as separate entities, each of which hold less than 10% of NewPage common stock. We have reported combined ownership in this table.
- (3) The address for Oaktree Capital Management is 333 S. Grand Avenue, 28<sup>th</sup> Floor, Los Angeles, CA 90071.
- (4) The address for The Goldman Sachs Group is 200 West Street, New York, NY 10282.
- (5) The address for J.P. Morgan Asset Management is 500 Stanton Christiana Road, Newark, DE 19713. We observed that there are two entities that operate as separate entities, each of which hold less than 10% of NewPage Holdings common stock. We have reported combined ownership in this table.
- (6) The address for Centerbridge Partners is 375 Park Avenue, 12<sup>th</sup> Floor, New York, NY 10152.
- (7) The address for Capital Group Companies, Inc. is 11100 Santa Monica Blvd, Los Angeles, CA 90025.
- (8) The address for Blackrock, Inc. is 55 East 52<sup>nd</sup> Street, New York, NY 10055.
- (9) Shares related to stock options that are exercisable or shares related to stock options or restricted stock units for which a person may acquire common stock within 60 days of June 30, 2014 are treated as beneficially owned and the number of shares for each person is listed below. The exercise price reflects the grant date exercise price of \$108.72 and \$197.80, each reduced by the Recapitalization Dividend per share amount of \$34.35 which became effective February 14, 2014, in accordance with the Merger Agreement.

<b>Individual or Group</b>	<b>Options Exercisable (\$74.37 Exercise Price)</b>	<b>Options Exercisable (\$163.45 Exercise Price)</b>	<b>Total Shares Treated as Beneficially Owned</b>
Mr. Epstein	13,295	4,091	17,386
Mr. Grill	1,699	522	2,221
Mr. Martin	25,567	7,867	33,434
Mr. Santez	3,579	1,101	4,680
Ms. Sheffield	1,699	522	2,221
Directors and Executive Officers as a Group	67,316	20,712	88,028

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**PROPOSALS SUBMITTED TO VERSO STOCKHOLDERS**

**Proposal 1 Approval of Issuance of Shares of Verso Common Stock as Part of Merger Consideration Pursuant to Merger Agreement**

Verso is requesting that its stockholders vote to approve the issuance of shares of Verso common stock to the New Page stockholders as part of the Merger Consideration pursuant to the Merger Agreement (see The Merger Agreement Transaction Consideration for more details).

**The Verso board of directors unanimously recommends that its stockholders vote FOR Proposal 1.**

**Proposal 2 Approval of Issuance of Verso Warrants and Shares of Verso Common Stock Issuable upon Mandatory Conversion of such Verso Warrants pursuant to Second Lien Notes Exchange Offer**

Verso is requesting that its stockholders vote to approve the issuance of Verso Warrants to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration (see Description of Other Indebtedness Exchange Offer Transactions for more details).

**The Verso board of directors unanimously recommends that its stockholders vote FOR Proposal 2.**

**Proposal 3 Approval of Issuance of Verso Warrants and Shares of Verso Common Stock Issuable upon Mandatory Conversion of such Verso Warrants pursuant to Subordinated Notes Exchange Offer**

Verso is requesting that its stockholders vote to approve the issuance of Verso Warrants to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration (see Description of Other Indebtedness Exchange Offer Transactions for more details).

**The Verso board of directors unanimously recommends that its stockholders vote FOR Proposal 3.**

**Proposal 4 Approval of Verso's Amended and Restated 2008 Incentive Award Plan**

Verso is requesting that its stockholders vote to approve Verso's Amended and Restated 2008 Incentive Award Plan.

Verso's original 2008 Incentive Award Plan was approved on May 8, 2008, by Verso's sole stockholder at the time, Verso Paper Management LP. Verso's existing Amended and Restated 2008 Incentive Award Plan, or Amended and Restated Plan, was adopted on April 11, 2012. The proposed Amended and Restated Plan would increase the aggregate number of shares of Verso common stock issuable under the Amended and Restated Plan by 4,750,000 shares from 6,250,000 shares to a total of 11,000,000 shares, or approximately 8.9% of the outstanding shares of Verso common stock as of June 30, 2014. Verso's board of directors believes that it is desirable to increase the total number of shares of common stock available under the Amended and Restated Plan in order to attract, motivate and retain employees and non-employee directors of, and consultants to, Verso, taking into account the equity incentive awards that Verso has granted to its employees in 2013 and that it plans to grant to certain executives upon the closing of the Merger and to its employees as it customarily would over the next few years.

The Amended and Restated Plan meets the qualified performance-based compensation requirements of Section 162(m) and allows Verso a tax deduction for incentive-based compensation without limitation under Section 162(m) on the amount of the compensation. One such requirement of Section 162(m) necessitates that

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Verso obtains its stockholders' approval of the Amended and Restated Plan, including the performance goals set forth in the plan. Approval of the Amended and Restated Plan by Verso's stockholders also will constitute approval of the performance goals set forth in the plan.

Verso also is seeking its stockholders' approval of the Amended and Restated Plan to comply with a listing rule of the NYSE that requires that material changes to any equity compensation plan of a NYSE-listed company be approved by the company's stockholders.

If the stockholders approve the Amended and Restated Plan, it will be effective as of the date of the Verso special meeting. If they do not approve it, the Amended and Restated Plan, in its current form, will remain in effect. The Amended and Restated Plan is currently the only plan under which Verso grants equity-based compensation awards.

### ***Plan Description***

Summarized below are the material features of the Amended and Restated Plan. This summary is qualified in its entirety by the full text of the plan, which is included in Annex K to this joint proxy and information statement/prospectus.

### ***Purpose***

The purpose of the Amended and Restated Plan is to attract, retain and motivate selected employees, consultants and directors of Verso and its subsidiaries through the granting of incentive compensation awards to them, to promote and enhance Verso's value.

### ***Administration***

The Compensation Committee, consisting of not less than two directors that qualify as outside directors, as that term is defined under Section 162(m), will administer the Amended and Restated Plan, pursuant to the board of directors' delegation of authority to the Compensation Committee to administer the plan. Verso's board of directors retains the authority to administer the plan itself or delegate administration to any other applicable committee of the board of directors. In addition, the Compensation Committee may delegate administration to one or more members of Verso's board of directors. However, with respect to awards of stock granted to Verso's independent directors, such awards may only be granted by Verso's board of directors. In this description of the Amended and Restated Plan, the Compensation Committee, Verso's board of directors, or any other director or committee of directors administering the plan is referred to as the plan administrator.

The plan administrator has the power to interpret the Amended and Restated Plan and adopt rules for its administration, interpretation and application consistent with the plan, including, without limitation:

which individuals are to be granted awards;

the types of awards to be granted;

the number of shares subject to awards; and

the terms and conditions of awards.

***Eligibility***

The plan administrator determines the basis for participation in the Amended and Restated Plan. Persons eligible for participation include Verso's and Verso's subsidiaries' employees, consultants and directors. However, incentive stock options may be granted only to employees. As of the date of this joint proxy and



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information statement/prospectus, there are approximately 230 potential participants in the Amended and Restated Plan.

### ***Limitation of Benefits***

A participant may not receive awards exceeding 2,125,000 shares of Verso common stock per calendar year. The maximum aggregate amount of cash that may be paid in a calendar year under awards is \$2 million.

### ***Types of Awards***

The plan administrator may grant to any eligible participant a variety of equity-based compensation awards and performance-based cash and equity awards. The performance-based awards available under the plan typically will have pre-established performance goals that relate to the achievement of Verso's business objectives. Awards may include nonqualified stock options, or NSOs, incentive stock options, or ISOs, within the meaning of Section 422 of the Internal Revenue Code, restricted stock, dividend equivalents, stock payments, deferred stock, restricted stock units, stock appreciation rights, and performance awards (including cash bonuses, stock bonuses, and other performance or incentive awards paid in cash, stock or a combination of both), except that only Verso or Verso's subsidiaries' employees may be granted ISOs.

### ***Stock Options***

Stock options, including NSOs and ISOs, may be granted under the Amended and Restated Plan. No stock option will qualify as an ISO if the aggregate fair market value of the stock (determined as of the grant date) subject to all of the holder's ISOs granted under the Amended and Restated Plan, and exercisable for the first time during any calendar year, exceeds \$100,000, even if the stock option is designated as an ISO. Any stock option failing to qualify as an ISO will be deemed to be an NSO.

The plan administrator sets the per share exercise price of stock options, subject to the following conditions:

in the case of ISOs and NSOs, the per share exercise price of the stock option may not be less than 100% of the fair market value per share of Verso common stock on the grant date; and

for any persons owning (within the meaning of Section 424(d) of the Internal Revenue Code) more than 10% of the total combined voting power of all classes of Verso or any of Verso's subsidiaries' capital stock, the per share exercise price of the stock option may not be less than 110% of the fair market value per share of Verso common stock on the grant date.

The term of a stock option is set by the plan administrator, subject to the following conditions:

the term of a stock option may not be longer than ten years from its grant date; and

the term of an ISO granted to a person owning more than 10% of the total combined voting power of all classes of Verso capital stock may not be longer than five years from its grant date.

Upon termination of a stock option holder's services with Verso, the plan administrator will determine if the holder may exercise his or her stock option within the period of time specified in the stock option grant, to the extent that the stock option was vested at the time of termination.

***Restricted Stock***

Restricted stock may be granted under the Amended and Restated Plan. A restricted stock award is the grant of shares of common stock, at the price, if any, determined by the plan administrator. Restricted stock is nontransferable and may be subject to substantial risk of forfeiture until specific conditions, which may be based on continuing service or achievement of performance goals, are met. During the period of restriction, all shares

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of restricted stock will be subject to the restrictions and vesting requirements established by the plan administrator. The restrictions will lapse in accordance with a schedule or other conditions determined by the plan administrator. Restricted stock may not be sold or encumbered until all restrictions lapse or are terminated.

***Performance Awards***

Performance-based awards may be granted under the Amended and Restated Plan in the form of cash bonus awards, stock bonus awards, and other performance or incentive awards paid in cash, stock or a combination of both. Performance awards may be payable upon the attainment of objective performance goals established by the plan administrator that relate to one or more of the following financial, operational or other criteria pertaining to Verso or any of its subsidiaries:

net earnings, either before or after interest, taxes, depreciation and amortization;

gross or net sales or revenue net income, either before or after taxes;

net income, either before or after taxes;

operating earnings or profit;

cash flow, including, but not limited to, operating cash flow and free cash flow;

return on assets;

return on stockholders' equity;

return on sales;

gross or net profit or operating margin;

costs;

funds from operations;

expenses;

working capital;

earnings per share;

price per share of Verso common stock;

regulatory body approval for commercialization of a product;

implementation or completion of capital projects;

market share;

objective measures of productivity;

operating efficiency;

economic value-added;

cash flow return on capital; and

return on net assets.

Any of the above performance criteria may be measured in absolute terms, or as compared to any incremental increase or decrease, results of a peer group or market performance indicators or indices. The plan administrator has the discretion to specify a performance goal in any manner appropriate for the type of award granted. In addition, when the plan administrator sets a performance goal, the plan administrator may consider

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any criteria that it deems relevant in light of the nature of the performance goal or the assumptions made by it in setting such goal.

For awards under the Amended and Restated Plan that are intended to qualify as performance-based compensation under Section 162(m), no later than 90 days following the commencement of any performance period or any designated fiscal period or period of service (or such earlier time as may be required under Section 162(m)), the plan administrator will, in writing, (1) designate one or more holders, (2) select the performance criteria applicable to the performance period, (3) establish the performance goals, and amounts of such awards which may be earned for the performance period based on the performance criteria, and (4) specify the relationship between performance criteria and the performance goals and the amounts of the awards to be earned by each employee for such performance period. After the end of the performance period, the plan administrator will certify in writing whether and the extent to which the performance goals were met.

The plan administrator may provide that one or more objectively determinable adjustments will be made to one or more of the performance goals. The adjustments may be based on any one or more of the following:

items relating to a change in accounting principle;

items related to financing activities;

expenses for restructuring or productivity initiatives;

other non-operating items;

items related to acquisitions;

items attributable to the business operations of any entity acquired by Verso during a performance period;

items related to the disposal of a business or segment of a business;

items related to discontinued operations that do not qualify as a segment of business under United States generally accepted accounting principles;

items attributable to any stock dividend, stock split, combination or exchange of shares occurring during a performance period;

items relating to unusual or extraordinary corporate transactions, events or developments;

items related to amortization of acquired intangible assets;

items that are outside the scope of Verso's core, ongoing business activities; and

items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions.

For awards under the plan intended to qualify as performance-based compensation under Section 162(m), the adjustments will be made within the time prescribed by and otherwise in compliance with Section 162(m).

***Dividend Equivalents***

Dividend equivalents may be granted under the Amended and Restated Plan, except that no dividend equivalents may be payable with respect to stock options or SARs under the Amended and Restated Plan. A dividend equivalent is the right to receive the equivalent value of dividends paid on shares of stock. Dividend equivalents are credited as dividend payments as of the dates during the period between the date that the award is granted and the date that the award vests, is exercised, is distributed or expires, all as determined by the plan administrator. Dividend equivalents will be converted to cash or additional shares of stock by such formula, at such time and subject to such limitations as may be determined by the plan administrator.

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### ***Stock Payments***

Stock payments may be granted under the Amended and Restated Plan. A stock payment is a payment in the form of stock or a stock option or other right to purchase stock, as part of a bonus, deferred compensation or other arrangement. The number or value of shares of any stock payment will be determined by the plan administrator and may be based on achieving one or more of the performance criteria set forth in the Amended and Restated Plan, or any other specific criteria determined by the plan administrator. Stock payments may, but are not required to, be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to any individual who is eligible to receive awards under the Amended and Restated Plan.

### ***Deferred Stock***

Deferred stock may be granted under the Amended and Restated Plan. The number of shares of deferred stock will be determined by the plan administrator and may be based on achieving one or more of the performance criteria set forth in the Amended and Restated Plan, or other specific criteria determined by the plan administrator, in each case on a specified date or dates or over any period or periods determined by the plan administrator. Stock underlying a deferred stock award will not be issued until the award has vested pursuant to a vesting schedule or other conditions set by the plan administrator. Unless otherwise provided by the administrator, a holder of deferred stock shall have no rights as a company stockholder until the deferred stock award vests and the common stock underlying the award has been issued to the holder. Deferred stock may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, and there may be certain tax consequences if the requirements of Section 409A of the Code are not met.

### ***Restricted Stock Units***

Restricted stock units may be granted under the Amended and Restated Plan. A restricted stock unit provides for the issuance of stock at a future date upon the satisfaction of specific conditions set forth in the applicable restricted stock unit award agreement. The plan administrator will determine the terms and conditions of the restricted stock units and will specify the date or dates on which the restricted stock units will become fully vested and nonforfeitable, and may specify such conditions to vesting as the plan administrator deems appropriate, including conditions based on achieving one or more of the performance criteria set forth in the Amended and Restated Plan, or other specific criteria determined by the plan administrator. The plan administrator will specify, or permit the restricted stock unit holder to elect, the conditions and distribution dates upon which the stock underlying the restricted stock units will be issued, which distribution dates may not be earlier than the date as of which the restricted stock units vest and become nonforfeitable, and which conditions and distribution dates will be subject to compliance with Section 409A of the Code. On the distribution dates, Verso will transfer to the holder one unrestricted, fully transferable share of Verso common stock for each vested and nonforfeitable restricted stock unit.

### ***Stock Appreciation Rights***

Stock appreciation rights, or SARs, may be granted under the Amended and Restated Plan. An SAR entitles its holder, upon exercise of all or a portion of the SAR, to receive an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the SAR from the fair market value on the date of exercise of the SAR by the number of shares with respect to which the SAR has been exercised, subject to any limitations imposed by the plan administrator. The exercise price per share subject to an SAR will be set by the plan administrator, and, except with respect to certain substitute awards, may not be less than 100% of the fair market value on the date the SAR is granted. The plan administrator determines the period during which the right to exercise the SAR vests in the holder. No portion of an SAR which is unexercisable at the time the holder's employment terminates will thereafter become exercisable, except as may be otherwise provided by the plan administrator. SARs may be exercised as determined by

the Administrator, but in no event may an SAR have a term extending beyond the tenth anniversary of the date of grant. Payment of the SAR may be in cash, stock, or a combination of both, as determined by the plan administrator.



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### ***Payment Methods***

The plan administrator will determine the methods by which payments by any award holder with respect to any awards granted under the Amended and Restated Plan may be made, including, without limitation: (1) cash or check; (2) shares of Verso common stock issuable pursuant to the award or held for such period of time as may be required by the plan administrator in order to avoid adverse accounting consequences and having a fair market value on the date of delivery equal to the aggregate payments required; (3) delivery of a notice that the award holder has placed a market sell order with a broker with respect to shares of Verso common stock then issuable upon exercise or vesting of an award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to Verso in satisfaction of the aggregate payments required, provided that payment of such proceeds is then made to Verso upon settlement of such sale; or (4) any other form of legal consideration acceptable to the plan administrator. However, no award holder who is a member of Verso board of directors or an executive officer within the meaning of Section 13(k) of the Securities Exchange Act of 1934 will be permitted to make payment with respect to any awards granted under the Amended and Restated Plan, or continue any extension of credit with respect to such payment in any method that would violate the prohibitions on loans made or arranged by Verso as set forth in such Section 13(k).

### ***Adjustment Provisions***

If a stock dividend, stock split, combination, merger, consolidation or other change affects Verso common stock (other than an equity restructuring, as defined in the Amended and Restated Plan), the plan administrator may equitably adjust any one or more of:

the aggregate number of, and kind of, shares of Verso stock subject to the Amended and Restated Plan;

the number of, and kind of, shares of Verso stock subject to outstanding awards under the Amended and Restated Plan;

the terms and conditions of any outstanding awards, including performance targets or criteria; and

the grant or exercise price per share of Verso common stock for any outstanding awards under the Amended and Restated Plan.

In connection with any such transaction or event or any other unusual or nonrecurring transaction or event that affects Verso or any of its affiliates or its financial statements or those of its affiliates, or any changes in applicable law, regulations or accounting principles, to prevent a dilution or enlargement of benefits or potential benefits under the Amended and Restated Plan, facilitate such transaction, or give effect to such changes in law, regulations or accounting principles, as determined by the plan administrator, the plan administrator may provide for any one or more of the following:

termination of an award in exchange for an amount of cash, if any, that is equal to the amount that would have been payable upon the exercise of such award or realization of the participant's rights under the award as of the date of the transaction or event;

the replacement of the award with other rights or property having an aggregate value not exceeding the amount that would have been payable upon the exercise of such award or realization of the participant's rights under the award as of the date of the transaction or event;

after the occurrence of the transaction, that an award cannot vest, be exercised or become payable

that an award will be exercisable or payable or fully vested with respect to all shares covered by the award, notwithstanding anything to the contrary in the Amended and Restated Plan or the applicable award agreement;

that an award will be assumed, or an equivalent award, right or other property will be substituted for it by a successor to Verso, with appropriate adjustments as to the number and kind of shares and prices; and

adjustment in the number and type of shares of Verso stock subject to outstanding awards and/or in the terms and conditions and criteria included in outstanding awards and awards which may be granted in the future.

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In the event of an equity restructuring, as defined in the Amended and Restated Plan, the number and type of securities subject to each outstanding award and the exercise price or grant price thereof, if applicable, will be equitably adjusted. Such adjustments will be nondiscretionary and final and binding on the participant and Verso. In addition, the plan administrator will make such equitable adjustments, if any, as it may in its discretion deem appropriate to reflect such equity restructuring, to the number and kind of shares that may be issued under the Amended and Restated Plan.

Any such action may be effected by the terms of the applicable award agreement or by action of the board of directors or plan administrator taken prior to the occurrence of such transaction or event.

***Amendment and Termination***

Verso may amend or terminate the Amended and Restated Plan at any time. Such amendment will require the stockholders' approval if any of the following apply:

the amendment increases the number of shares of Verso common stock that may be issued under the Amended and Restated Plan or the maximum number of shares that may be issued to a participant under the Amended and Restated Plan in a calendar year;

the amendment decreases the exercise price of any outstanding stock option or stock appreciation right; and

Verso's stockholders' approval is required by applicable law, rule or regulation.

***Claw-Back***

The plan administrator may require that any awards granted under the Amended and Restated Plan be subject to the provisions of any compensation claw-back policy implemented by Verso.

***New Plan Benefits***

The plan administrator may grant awards to eligible participants on a discretionary basis. Verso has not determined all of the awards that will be granted in 2014. In 2013, Verso granted awards as indicated in the table below. These awards do not necessarily indicate the types or amounts of awards that Verso may grant in the future.

<b>Name and Position</b>	<b>Stock Options</b>		<b>Restricted Stock</b>	
	<b>Dollar Value</b>	<b>Number of Shares Subject to Stock Options</b>	<b>Dollar Value</b>	<b>Number of Shares of Restricted Stock</b>
David J. Paterson President and Chief Executive Officer	\$ 1.29	65,000	\$ 1.29	35,000
Lyle J. Fellows Senior Vice President of Manufacturing and	\$ 1.29	27,500	\$ 1.29	18,438

Energy				
Robert P. Mundy	\$ 1.29	24,010	\$ 1.29	16,685
Senior Vice President and Chief Financial Officer				
Officer				
Michael A. Weinhold	\$ 1.29	24,013	\$ 1.29	16,675
Senior Vice President of Sales, Marketing and				
Product Development				
Peter H. Kesser	\$ 1.29	22,500	\$ 1.29	16,260
Senior Vice President, General Counsel and				
Secretary				
All executive officers as a group (including executive officers named above)	\$ 1.29	195,623	\$ 1.29	127,224
Non-executive directors as a group	\$ 1.29		\$ 1.29	124,024
All employees, excluding executive officers, as a group.	\$ 1.29	368,819	\$ 1.29	44,088

**Table of Contents*****Equity Compensation Plan Information***

The Amended and Restated Plan is currently the only plan under which Verso grants equity-based compensation and under which Verso has authorized securities for future issuance as compensation. The table below sets forth information regarding the number of shares of common stock to be issued upon the exercise of outstanding stock options granted under the plan and the shares of common stock remaining available for future issuance under the plan, as of December 31, 2013.

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Outstanding Stock Options</b>	<b>Weighted-Average Exercise Price of Outstanding Stock Options</b>	<b>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plan*</b>
Equity compensation plans approved by security holders	4,433,706	\$ 2.38	690,457
Equity compensation plans <u>not</u> approved by security holders		\$	
<b>Total</b>	<b>4,433,706</b>	<b>\$ 2.38</b>	<b>690,457</b>

\* Excludes securities to be issued upon exercise of outstanding stock options.

***Tax Information***

Section 162(m) generally limits to \$1 million the amount that a publicly-held corporation is allowed each year to deduct for the compensation paid to its Chief Executive Officer and its three other most highly compensated officers other than its principal financial officer. However, qualified performance-based compensation is not subject to this \$1 million limit on deduction. The Amended and Restated Plan is designed, and Verso intends to implement it, in a manner that is intended to permit Verso to grant qualified performance-based compensation under it and to satisfy the following requirements under Section 162(m): (1) performance measures will be determined by a compensation committee consisting solely of outside directors, as defined in Section 162(m); (2) the material terms under which compensation under the plan may be paid, including the performance goals for awards, will be approved by Verso's stockholders; and (3) a compensation committee consisting solely of outside directors will certify that the performance goals and any other material award terms are satisfied before Verso pays any performance-based compensation.

Summarized below are the United States federal income tax aspects of awards that may be granted under the Amended and Restated Plan, based on existing U.S. federal income tax laws as of the date of this joint proxy and information statement/prospectus. This summary describes basic tax rules and is not intended as, and should not be relied upon, as tax guidance for participants in the plan. It does not describe the implications, if any, of a number of special tax rules, such as the alternative minimum tax, the golden parachute tax rules under Sections 280G and 4999 of the Internal Revenue Code, and foreign, state and local tax laws. In addition, this summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Internal Revenue Code regarding nonqualified deferred compensation. Changes to the tax laws could alter the tax consequences described below.

***Incentive Stock Options***

The grant of an incentive stock option will not be a taxable event for the participant or for Verso. A participant will not recognize taxable income upon exercise of an incentive stock option (except that the alternative minimum tax may apply), and any gain realized upon a disposition of common stock received pursuant to the exercise of an incentive stock option will be taxed as long-term capital gain if the participant holds the shares of common stock for at least two years after the date of grant and for one year after the date of exercise; called here the holding period requirement. Verso will not be entitled to any business expense deduction with respect to the exercise of an incentive stock option, except as discussed below. For the exercise of

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a stock option to qualify for the foregoing tax treatment, the participant generally must exercise the stock option while the participant is a Verso employee or an employee of one of Verso's subsidiaries or, if the participant has terminated employment, no later than three months after the participant terminated employment.

If all of the foregoing requirements are met except the holding period requirement, the participant will recognize ordinary income upon the disposition of the common stock in an amount generally equal to the excess of the fair market value of the common stock at the time the stock option was exercised over the stock option's exercise price (but not in excess of the gain realized on the sale). The balance of the realized gain, if any, will be capital gain. Verso will generally be allowed a business expense deduction when and to the extent that the participant recognizes ordinary income, subject to the restrictions of Section 162(m).

### ***Nonqualified Stock Options***

The grant of a nonqualified stock option will not be a taxable event for the participant or Verso. Upon exercising a nonqualified stock option, a participant will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common stock on the date of exercise. Upon a subsequent sale or exchange of shares acquired pursuant to the exercise of a nonqualified stock option, the participant will have taxable capital gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the shares of common stock (generally, the amount paid for the shares plus the amount treated as ordinary income at the time the stock option was exercised). Subject to the restrictions of Section 162(m), Verso will be entitled to a business expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

### ***Restricted Stock***

A participant who is awarded restricted stock will not recognize any taxable income for federal income tax purposes in the year of the award, provided that the shares of common stock are subject to restrictions (that is, the restricted stock is nontransferable and subject to a substantial risk of forfeiture). However, the participant may elect under Section 83(b) of the Internal Revenue Code to recognize ordinary income in the year of the award in an amount equal to the fair market value of the common stock on the date of the award (less the purchase price, if any), determined without regard to the restrictions. If the participant does not make a Section 83(b) election, the fair market value of the common stock on the date that the restrictions lapse (less the purchase price, if any) will be treated as ordinary income to the participant and will be taxable in the year that the restrictions lapse. A participant who is awarded shares that are not subject to restrictions will recognize ordinary income equal to the fair market value of the shares on the date of the award. Subject to the restrictions of Section 162(m), Verso will be entitled to a business expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

### ***Stock Appreciation Rights***

There are no immediate tax consequences resulting from the grant of an award of stock appreciation rights. Upon exercising a stock appreciation right, a participant will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common stock on the date of exercise. Subject to the restrictions of Section 162(m), Verso will be entitled to a business expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

### ***Other Equity-Based Awards and Cash Awards***

The taxation of other types of equity-based awards and cash awards (e.g., performance cash bonuses) will depend on the specific terms of the award. Generally, the grant of these awards will have no federal income tax consequences for

the participant or Verso, but payment of the award will be taxable to a participant as ordinary



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income. Subject to the restrictions of Section 162(m), Verso will be entitled to a business expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

***Recommendation of Board of Directors***

**The Verso board of directors unanimously recommends that its stockholders vote FOR Proposal 4.**

**Proposal 5 Approval and Adoption of Amendment of Verso's Amended and Restated Certificate of Incorporation to Change Corporate Name to Verso Corporation Effective Upon Consummation of Merger**

Verso is requesting that its stockholders vote to approve and adopt the amendment of Verso's Amended and Restated Certificate of Incorporation to change its corporate name to Verso Corporation effective upon the consummation of the Merger.

**The Verso board of directors unanimously recommends that its stockholders vote FOR Proposal 5.**

**Proposal 6 Approval of Adjournment of Verso Special Meeting**

The Verso special meeting may be adjourned to another time or place, if necessary, to permit, among other things, further solicitation of proxies if necessary to obtain additional votes to approve Proposal 1.

If, at the Verso special meeting, the number of shares of Verso common stock present or represented and voting in favor of Proposal 1 is insufficient to approve such proposal, Verso intends to move to adjourn the Verso special meeting in order to solicit additional proxies for the approval of Proposal 1. In accordance with the Verso Bylaws, a vote to approve the proposal to adjourn the Verso special meeting, if necessary, to solicit additional proxies if there are insufficient votes to approve Proposal 1 at the time of the Verso special meeting also may be taken in the absence of a quorum. Verso does not intend to call a vote on this proposal if Proposal 1 has been approved at the Verso special meeting.

Verso is requesting that its stockholders vote to approve any adjournment of the Verso special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve Proposal 1 at the time of the Verso special meeting. If the Verso stockholders approve this adjournment proposal, Verso could adjourn the Verso special meeting and any adjourned session of the Verso special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Verso stockholders who have previously voted. However, the Merger Agreement contains certain restrictions on the ability of Verso to adjourn the Verso special meeting, as described under "The Merger Agreement Verso Special Meeting."

**The Verso board of directors unanimously recommends that its stockholders vote FOR Proposal 6.**

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**THE MERGER**

*This section of the joint proxy and information statement/prospectus describes certain material aspects of the proposed Merger. This section may not contain all of the information that is important to you. You should carefully read this entire joint proxy and information statement/prospectus, including the full text of the Merger Agreement, which is attached as Annex A, for a more complete understanding of the Merger. In addition, important business and financial information about Verso is contained in this joint proxy and information statement/prospectus and additional information is included in the Annexes hereto. See *Where You Can Find More Information* beginning on page 415.*

**Effects of the Merger**

Upon completion of the Merger, Merger Sub, an indirect, wholly owned subsidiary of Verso, will merge with and into NewPage. NewPage will be the Surviving Corporation in the Merger and will become an indirect, wholly owned subsidiary of Verso.

***Treatment of NewPage Common Stock***

Subject to certain conditions being met, between the signing of the Merger Agreement and the closing of the Merger, the NewPage Term Loan Facility was funded, and NewPage paid the Recapitalization Dividend to stockholders as a portion of the Transaction Consideration (with the remaining proceeds of the NewPage Term Loan used to refinance NewPage's former \$500 million term loan facility and a small portion was funded into escrow to satisfy at closing obligations to holders of NewPage in-the-money stock options and NewPage restricted stock units).

At the effective time of the Merger, each share of NewPage common stock issued and outstanding immediately prior to the effective time of the Merger (other than treasury shares of NewPage and any shares of NewPage common stock owned by Verso or any subsidiary of Verso (including Merger Sub) or NewPage, and other than shares of NewPage common stock as to which dissenters' rights have been properly exercised pursuant to the DGCL) will be cancelled and converted automatically into the right to receive, in accordance with the terms of the Merger Agreement, the amount of aggregate Merger Consideration allocable to one share of NewPage common stock (other than the amount already paid through the pre-closing payment from the proceeds of the NewPage Term Loan Facility, as described above). See *The Merger Agreement* Transaction Consideration.

***Treatment of NewPage Stock Options and NewPage Restricted Stock Units***

***NewPage Stock Options***

When NewPage paid the Recapitalization Dividend to its stockholders, as described in *The Merger* Treatment of NewPage Common Stock above, it adjusted the exercise price of each outstanding option by reducing it by the amount payable in respect of one share of NewPage common stock. As of the effective time of the Merger, each outstanding option that is an in-the-money option (which are all outstanding options immediately prior to the effective time that had an exercise price of \$108.72 as of the date of the Merger Agreement) will become fully vested and, as of the closing of the Merger, will be automatically cancelled and converted into the right of the optionholder to receive consideration equal to the difference between (i) the per share aggregate Transaction Consideration and (ii) the exercise price of such in-the-money option (determined without regard to any adjustment in respect of the Recapitalization Dividend described in the preceding sentence). In the event an optionholder executes an optionholder acknowledgement, the form of consideration such holder will be entitled to receive will be a combination of cash consideration, note consideration and share consideration as determined by the board of directors of NewPage based

on the proportionate amount of each form of consideration payable in respect of one share of NewPage's common stock, taking into account the cash paid in connection with the Recapitalization Dividend. In the event an optionholder does not execute the

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optionholder acknowledgement, the form of consideration such holder will be entitled to receive will be a combination of cash consideration, note consideration and share consideration as determined by the board of directors of NewPage based on the proportionate amount of each form of consideration payable in respect of one share of NewPage's common stock at closing. Each form of consideration payable to optionholders will be reduced on a pro rata basis by amounts that are required to be withheld under any applicable tax laws. The Surviving Corporation or its subsidiaries will be required to issue the consideration payable to the former optionholders as soon as reasonably practicable following the closing date, subject to their execution of a stockholder consent and release. All options that are not in-the-money options will be automatically cancelled and terminated without payment as of the effective time of the Merger.

***Restricted Stock Unit Awards***

Each holder of NewPage restricted stock units (each, an RSU) that were outstanding on the date the Recapitalization Dividend was paid to NewPage stockholders, is entitled to receive a dividend equivalent equal to the amount payable in respect of one share of NewPage common stock in connection with the Recapitalization Dividend. Such dividend equivalent payable in respect of each RSU will be paid to its holder, less any amounts that are required to be withheld under applicable tax laws, on the date on which NewPage's common stock underlying the RSU is distributed to the holder in accordance with the applicable RSU award agreement. Upon the closing of the Merger, each holder of RSUs will be entitled to receive payment of any outstanding and unpaid dividend equivalents in respect of the RSUs held by such individual.

As of the effective time of the Merger, each RSU, whether vested or unvested, will become fully vested. At the closing of the Merger, each RSU will be cancelled and automatically converted into the right of the holder of each RSU outstanding immediately prior to the effective time of the Merger to receive, promptly following the closing of the Merger, the cash consideration, note consideration and share consideration to which one share of NewPage common stock is entitled at closing, reduced on a pro rata basis by the amounts that are required to be withheld or deducted under any applicable tax laws. The surviving corporation or its subsidiaries will be required to issue such consideration to the former RSU holders subject to their execution of a stockholder consent and release.

Because certain NewPage stock options and RSUs had not vested at the time the Recapitalization Dividend was paid to NewPage stockholders, NewPage deposited an amount into escrow that is sufficient to satisfy NewPage's obligation to the holders of such options and RSUs. In this regard, the Merger Agreement provides that in connection with the payment of the Recapitalization Dividend to NewPage stockholders, an amount reasonably determined by the NewPage board of directors which is not less than (a) the product of (i) the number of RSUs outstanding as of the record date of the Recapitalization Dividend, multiplied by (ii) the amount of the per share Recapitalization Dividend, plus (b) \$3 million plus (c) the cash actually received by NewPage in respect of any exercises of NewPage stock options between the signing of the Merger Agreement and the closing of the Merger, was funded into escrow and paid to holders of in-the-money options and RSUs in connection with the closing of the Merger or, with respect to RSUs, upon the earlier settlement of the underlying RSUs.

**Financing for the Merger**

As described above, on January 3, 2014, in connection with the entry into the Merger Agreement, Verso entered into the Credit Agreement Amendments. Under the Credit Agreement Amendments, (a) the lenders under each of Verso's Existing ABL Facility and Existing Cash Flow Facility consented to the Merger and the other transactions contemplated by the Merger Agreement, including the incurrence of certain indebtedness in connection therewith, (b) the lenders consented to amendments to allow the sale and/or financing of certain non-core assets, and (c) the parties agreed to amend Verso's Existing ABL Facility and Verso's Existing Cash Flow Facility to allow for certain

other transactions upon the consummation of the Merger and the other transactions contemplated by the Merger Agreement. The pricing terms, maturities and commitments under Verso's Existing ABL Facility and Verso's Existing Cash Flow Facility remain unchanged.

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On February 11, 2014, NewPage borrowed \$750 million under the NewPage Term Loan Facility and refinanced its former \$500 million term loan facility and replaced its former \$350 million asset-based loan facility.

At the time of the closing of the Merger, Verso expects to issue \$650 million in aggregate principal amount of New First Lien Notes to the current shareholders of NewPage as part of the Merger Consideration.

The issuers and guarantors of Verso's debt securities (including the New First Lien Notes) and the borrower and guarantors of Verso's credit facilities do *not* guarantee the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility, and the borrower and guarantors under the NewPage Term Loan Facility and the NewPage ABL Facility will *not* guarantee the obligations under Verso's debt securities and credit facilities. As a result, following the consummation of the Merger, the holders of Verso's debt securities (including the New First Lien Notes) will be structurally subordinated to the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility to the extent of the value of the assets of the NewPage Subsidiaries. Upon the consummation of the Merger, NewPage Holdings Inc. (but not the NewPage Subsidiaries) will guarantee Verso's debt securities (other than any remaining Old Second Lien Notes and Old Subordinated Notes) and Verso's credit facilities.

While Verso has received commitments from lenders for the proposed facilities, there can be no assurance that Verso and NewPage will enter into such facilities.

## **Exchange Offer Transactions**

On July 2, 2014, the Verso Issuers launched offers to exchange (a) New Second Lien Notes and Verso Warrants for any and all outstanding Old Second Lien Notes and (b) New Subordinated Notes and Verso Warrants for any and all outstanding Old Subordinated Notes.

In connection with the Exchange Offers, the Verso Issuers are also soliciting consents to amend the Old Second Lien Notes, the Old Subordinated Notes and the indentures governing the Old Second Lien Notes and the Old Subordinated Notes. The proposed amendments, which require the consent of a majority in outstanding aggregate principal amount of the Old Second Lien Notes and Old Subordinated Notes, respectively, will eliminate or waive substantially all of the restrictive covenants, eliminate certain events of default, modify covenants regarding mergers and transfer of assets, and modify or eliminate certain other provisions. In addition, the consents with respect to the Old Second Lien Notes will authorize a release of the liens and security interests in the collateral securing the Old Second Lien Notes. In order to be effected, the collateral release must be consented to by the holders of at least two-thirds in outstanding aggregate principal amount of the Old Second Lien Notes.

Prior to the consummation of the Merger, (i) the New Second Lien Notes will have substantially the same terms as the Old Second Lien Notes in that the New Second Lien Notes will have their original principal amount, will bear interest at a rate of 8.75% per annum, will mature on February 1, 2019 and will be governed by covenants that are substantially the same as the covenants currently governing the Old Second Lien Notes, and (ii) the New Subordinated Notes will have substantially the same terms as the Old Subordinated Notes in that the New Subordinated Notes will have their original principal amount, will bear interest at a rate of 11  $\frac{3}{8}$ % per annum, will mature on August 1, 2016 and will be governed by covenants that are substantially the same as the covenants currently governing the Old Subordinated Notes. If the Merger does not occur, the New Second Lien Notes and the New Subordinated Notes will retain their original principal amount and these same terms.

Upon the consummation of the Merger, (i) the principal amount of the outstanding New Second Lien Notes will be adjusted such that a holder of \$1,000 principal amount of New Second Lien Notes immediately prior to the Merger will hold \$668.75 principal amount of New Second Lien Notes immediately following the Merger, subject to

adjustment based on participation in the Second Lien Notes Exchange Offer (as described below), and

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the principal amount of the outstanding New Subordinated Notes will be adjusted such that a holder of \$1,000 principal amount of New Subordinated Notes immediately prior to the Merger will hold \$681.875 principal amount of New Subordinated Notes immediately following the Merger, subject to adjustment based on participation in the Subordinated Notes Exchange Offer (as described below), (ii) the maturity date of the New Second Lien Notes will be extended to August 1, 2020 and the maturity date of the New Subordinated Notes will be extended to August 1, 2021, (iii) the New Second Lien Notes interest rate will be adjusted such that the New Second Lien Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus Second Lien Notes PIK Interest, (iv) the New Subordinated Notes interest rate will be adjusted such that the New Subordinated Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus Subordinated Notes PIK Interest, (v) certain other amendments to the terms of the New Second Lien Notes and New Subordinated Notes will be effected and (vi) the Verso Warrants will have been mandatorily converted into shares of Verso common stock.

The principal amount of New Second Lien Notes following the Merger per \$1,000 principal amount of New Second Lien Notes prior to the Merger will be adjusted based on participation in the Second Lien Notes Exchange Offer as follows:

Percentage of Aggregate Principal Amount of Old Second Lien Notes Participating in the Second Lien Notes	Principal Amount of New Second Lien Notes Following the Merger per \$1,000 Principal Amount of New Second Lien Notes Prior to the Merger
75%	593.75
80%	608.75
85%	623.75
90%	638.75
95%	653.75
100%	668.75

If holders in the aggregate tender a percentage of Old Second Lien Notes that is not set forth in the table above, holders will receive the principal amount set forth next to the highest percentage set forth above that is below the actual amount tendered.

The principal amount of New Subordinated Notes following the Merger per \$1,000 principal amount of New Subordinated Notes prior to the Merger will be adjusted based on participation in the Subordinated Notes Exchange Offer as follows:

Percentage of Aggregate Principal Amount of Old Subordinated Notes Participating in the Subordinated Notes	Principal Amount of New Subordinated Notes Following the Merger per \$1,000 Principal Amount of New Subordinated
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Exchange Offer	Notes Prior to the Merger
75%	606.875
80%	621.875
85%	636.875
90%	651.875
95%	666.875
100%	681.875

If holders in the aggregate tender a percentage of Old Subordinated Notes that is not set forth in the table above, holders will receive the principal amount corresponding to the closest lower percentage (e.g., if 87.5% of the Old Subordinated Notes are tendered, holders will receive the principal amount corresponding to 85%).

The Verso Warrants will be issued pursuant to the Warrant Agreement as of the date of the consummation of the Second Lien Notes Exchange Offer and the Subordinated Notes Exchange Offer. The Verso Warrants will entitle an eligible holder to acquire shares of Verso common stock representing, as of immediately after the

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consummation of the Merger, such holder's pro rata portion (based on such holder's pro rata portion of the Old Second Lien Notes or Old Subordinated Notes) of 15% or 4.774%, respectively, of the total number of outstanding shares of Verso common stock, determined on a fully diluted basis. Each Verso Warrant will be convertible into one share of Verso common stock. The Verso Warrants will be mandatorily convertible into shares of Verso common stock without payment of consideration (and will not otherwise be convertible) immediately prior to the closing of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration. No fractional shares of Verso common stock will be issued upon conversion of the Verso Warrants. If, upon conversion of the Verso Warrants, a holder would be entitled to receive a fractional interest in a share, such fractional interest will be rounded up to the nearest whole number of shares of Verso common stock to be issued to the Verso Warrant holder. If the Merger is terminated, the Verso Warrants will be void and of no value and will cease to be convertible into shares of Verso common stock.

Neither the Verso Warrants nor the shares of Verso common stock issuable in respect of such Verso Warrants have been registered under the Securities Act or any other securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The consummation of the Second Lien Notes Exchange Offer is conditioned upon, among other things, the valid tender, and not withdrawal, of at least 75% in aggregate principal amount of outstanding Old Second Lien Notes.

The consummation of the Subordinated Notes Exchange Offer is conditioned upon, among other things, the valid tender, and not withdrawal, of at least 75% in aggregate principal amount of outstanding Old Subordinated Notes.

It is not a condition of the Second Lien Notes Exchange Offer that the Subordinated Notes Exchange Offer is consummated, and it is not a condition of the Subordinated Notes Exchange Offer that the Second Lien Notes Exchange Offer is consummated.

Additionally, the New Second Lien Notes and the New Subordinated Notes will be subject to registration rights agreements.

Unless otherwise specified in this joint proxy and information statement/prospectus, we have assumed that all outstanding Old Second Lien Notes and all outstanding Old Subordinated Notes will be exchanged, that \$396.0 million aggregate principal amount of New Second Lien Notes and \$142.5 million aggregate principal amount of New Subordinated Notes will be issued in the Exchange Offer Transactions, and that approximately 16.6 million shares of Verso common stock will be issued upon the mandatory conversion of the Verso Warrants immediately prior to the closing of the Merger. Verso's management does not believe that any changes have occurred in the terms of the Exchange Offer Transactions since the date of delivery of the opinions of Evercore Group L.L.C. or Goldman Sachs (or are anticipated to occur before the Verso stockholder meeting) such that the Exchange Offer Transactions would be consummated on terms materially less favorable to Verso than those reflected in the projected financial data prepared by management of Verso and provided to Evercore Group L.L.C. and Goldman Sachs. Accordingly, the assumption in the opinion of Evercore Group L.L.C. and the related projections prepared by Verso's management, to the extent related to the terms of the Exchange Offers, have not been rendered invalid as a result of the terms of the Exchange Offers.

As of the date of this joint proxy and information statement/prospectus, Verso has not obtained the Verso Junior Noteholder Consent or consummated the Exchange Offer Transactions, and Verso may not be able to obtain the Verso Junior Noteholder Consent or consummate the Exchange Offer Transactions on the current terms or at all, in which case the Merger may not close.

**Background of the Merger**

Prior to NewPage's emergence from bankruptcy on December 21, 2012, Verso and representatives of Apollo, with advice from Evercore Group L.L.C., held numerous discussions with certain holders of first-lien senior secured notes of NewPage Corporation and proposed to acquire NewPage in a transaction in exchange for a combination of Verso notes, common stock and cash. In August 2012, NewPage filed a standalone plan of

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reorganization. In the late summer and the fall of 2012, as part of the informal second lien creditor group, representatives of Apollo and Verso submitted a mediation statement and accompanying documents to a court-appointed mediator to attempt to demonstrate the merits of a plan of reorganization for NewPage that involved a merger with Verso and the benefits that would accrue to all constituents in such a transaction. A committee of NewPage's creditors, whose approval would have been necessary for NewPage to enter into a transaction with Verso prior to its emergence from bankruptcy, indicated that it was not willing to support the transaction then proposed by Verso.

Since its emergence from bankruptcy, NewPage's board of directors has actively considered NewPage's strategic alternatives, including the possibilities of an initial public offering of NewPage common stock, as contemplated by NewPage's stockholders agreement, and a sale of NewPage. NewPage retained Sullivan & Cromwell as its outside legal advisor and Goldman Sachs as its financial advisor to assist it in this process, which included an analysis of potential counterparties, including strategic counterparties in the paper industry who might have the financial capacity and desire to acquire NewPage. This analysis identified Verso, among others, as a potential counterparty.

During January 2013, Mark Angelson, Chairman of the Board of NewPage, and Kristopher Wood, consultant to NewPage, initiated preliminary, high-level conversations with Scott Kleinman, Chairman of the Board of Verso and a partner of Apollo (which controls the controlling stockholder of Verso), and David Sambur, a member of the board of directors of Verso and a partner of Apollo, to assess whether Verso remained interested in a transaction with NewPage following NewPage's emergence from bankruptcy and to discuss potential transactions in which Verso would acquire NewPage in exchange for a combination of Verso notes, preferred stock and common stock warrants. The parties discussed that the form of consideration that Verso could offer in any potential transaction would be subject to the constraints of Verso's existing capital structure and, in particular, the restrictive covenants contained in the indentures for Verso's outstanding debt securities.

In January and February of 2013, Mr. Angelson and Mr. Wood also commenced preliminary, high-level conversations with representatives of the largest stockholder of another potential transaction counterparty ( Company A ) and later with representatives of Company A directly concerning a possible transaction in which Company A would acquire NewPage. In mid-February of 2013, NewPage entered into a confidentiality and exclusivity agreement with Company A's largest stockholder, and NewPage later entered into a confidentiality and exclusivity agreement with Company A directly, both of which restricted NewPage from pursuing a transaction with an alternative counterparty. In February and March of 2013, while their discussions were ongoing, NewPage and Company A agreed to extend the exclusivity agreement twice, with the last extension expiring in mid-April of 2013, at which time NewPage and Company A mutually determined to abandon discussions relating to a potential transaction because they were unable to agree on terms. NewPage's board of directors received numerous updates concerning the status of NewPage's strategic alternatives process and its discussions with Verso and Company A in the first quarter of 2013.

Following the termination of its exclusivity commitment to Company A, NewPage continued its consideration of potential strategic alternatives. In July and August 2013, Mr. Angelson and Mr. Wood had further, non-exclusive discussions with representatives of Company A's largest stockholder regarding a potential transaction between NewPage and Company A, but the parties were unable to agree on an equity valuation of NewPage. Mr. Angelson and Mr. Wood also had additional discussions with Mr. Kleinman, Mr. Sambur and Reed Rayman, an associate at Apollo, regarding a potential transaction between NewPage and Verso. Mr. Angelson also contacted other potential counterparties to ascertain whether they would have any interest in completing a transaction with NewPage, but none of the other potential counterparties expressed a serious intent to engage in negotiations with NewPage regarding such a transaction. During the third quarter of 2013, NewPage's board of directors received updates concerning the status of NewPage's discussions with potential counterparties.

The valuation of the transaction between Verso and NewPage proposed by Apollo in July 2013 contemplated a total enterprise value of \$1.356 billion, with merger consideration consisting of a combination of cash, Verso notes and Verso common stock. Negotiations between Mr. Angelson, Mr. Wood, Mr. Kleinman, Mr. Sambur, and Mr. Rayman resulted in multiple changes to the total potential transaction value over several weeks

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in July and August 2013 until the parties preliminarily agreed to proceed to negotiate other terms of a potential transaction with a total enterprise value of approximately \$1.4 billion. The proposed consideration in July and August 2013 consisted of a combination of notes, common stock and cash; however, the precise amount and form of the notes, common stock and cash consideration that NewPage's stockholders would receive varied throughout the course of negotiations until the signing as alternate structures were proposed and the parties analyzed the constraints of Verso's existing capital structure and, in particular, the restrictive covenants contained in the indentures for Verso's outstanding debt securities. Throughout the course of negotiations leading up to the signing date, NewPage's board of directors, with the advice of Sullivan & Cromwell and Goldman Sachs, considered the potential value and liquidity of each form of consideration, Verso's ability to finance the cash component of the consideration under the different structures, and the risks associated with each combination of consideration.

Additionally, in light of the fact that Verso is a highly leveraged company in an industry that is in secular decline, and that NewPage's stockholders would be receiving debt and equity of Verso as merger consideration, NewPage insisted that Verso agree to reduce the aggregate amount and extend the maturities of its outstanding indebtedness. Verso agreed to this requirement, and it was reflected in the first draft of the Merger Agreement circulated in October 2013. To accomplish this debt reduction, Verso agreed to undertake the Exchange Offer Transactions, and the closing of the Merger was conditioned on the completion of the Exchange Offer Transactions.

On August 25, 2013, NewPage and Verso entered into a mutual confidentiality agreement.

During September 2013, Mr. Angelson, Mr. Wood, Mr. Kleinman, Mr. Sambur, Mr. Rayman, and their respective legal and financial advisors discussed various structures for a potential transaction, and NewPage and Verso began mutual due diligence in connection with a potential transaction. On September 24, 2013, NewPage's board of directors met to, among other things, review the status of NewPage's consideration of its strategic alternatives and the status of NewPage's discussions with Verso and Apollo. The principal strategic alternatives that NewPage's board of directors considered around that time were the following: continuing to operate NewPage as a private company on a stand-alone basis, both with and without a dividend recapitalization; consummating an initial public offering of NewPage's common stock; acquiring other assets or companies and selling NewPage or portions of NewPage's assets to other potential acquirers. In considering the possibility of an initial public offering during the summer and fall of 2013, NewPage's board of directors, with the advice of Goldman Sachs, considered the feasibility of an initial public offering, the potential terms of such an offering, and the extent to which NewPage would be reasonably likely to be able to return capital to its stockholders over time in light of management's projections, among other factors. NewPage's board of directors discussed that the Merger was reasonably likely to result in a higher net present value per share and create a better opportunity for NewPage stockholders to monetize that value in the near term as compared to an initial public offering or continuing to operate as a private company on a stand-alone basis, due to (among other reasons) the potential for the combined company to realize substantial pre-tax total cost synergies. NewPage's board of directors also discussed the difficulty of identifying potential purchasers of NewPage assets in transactions that would be tax-efficient given the secular decline of the paper manufacturing industry and the prevalence of competition from imports, among other factors. Given that no other potential counterparties appeared to be interested in acquiring NewPage in its entirety at that time, NewPage's board of directors authorized Mr. Angelson, Mr. Wood and NewPage's advisors to continue to pursue negotiations with Verso.

During October 2013, Mr. Angelson, Mr. Wood, Mr. Kleinman, Mr. Sambur, Mr. Rayman, and their respective legal and financial advisors continued to discuss possible alternatives and exchanged drafts of a term sheet containing the principal terms of the potential transaction. On October 4, 2013 and October 18, 2013, NewPage's board of directors met to receive an update regarding the potential transaction with Verso. On October 24, 2013, Verso's legal advisors sent NewPage's legal advisors a draft of the Merger Agreement contemplating the Merger in which NewPage stockholders would receive a potential combination of cash, New First Lien Notes and Verso common stock.



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During November 2013, Mr. Angelson, Mr. Wood, Mr. Kleinman, Mr. Sambur, Mr. Rayman, and their respective legal and financial advisors continued to negotiate key terms of the transaction and possible alternative transaction structures and forms of the Transaction Consideration, and exchanged comments on the draft Merger Agreement. Among other issues, Mr. Angelson, Mr. Wood, Mr. Kleinman, Mr. Sambur, Mr. Rayman, and their respective legal and financial advisors discussed the timing of the delivery of the cash portion of the Transaction Consideration, the terms of the debt financing, the terms of the indenture for the New First Lien Notes, and Verso's ability to increase the cash component of the Merger Consideration by selling additional New First Lien Notes to the public prior to the closing of the Merger. More specifically, the parties considered whether Verso had any ability, under the terms of the indentures for its existing debt securities, to provide cash merger consideration or a form of indebtedness that would be more senior to the existing debt securities in Verso's capital structure. Verso and NewPage also discussed potential structures in which Verso would be required to sell New First Lien Notes to third-parties for cash that would be paid as a portion of the Merger Consideration, rather than issuing New First Lien Notes to NewPage's stockholders in the Merger. In such a structure, Verso and NewPage also discussed that the parties would only implement a bifurcated structure that would keep NewPage and Verso debt segregated after the Merger if Verso was unable to sell New First Lien Notes to third-parties between signing and closing due to market conditions or otherwise. NewPage and Verso also discussed the difficulty of how to assess and mutually agree when market conditions or other factors would give Verso a unilateral right to alter the mix of merger consideration to be received by NewPage's stockholders. In addition, NewPage and Verso discussed the feasibility of structuring the transaction in a manner that would not require registration of the securities to be issued by Verso as merger consideration, and whether and to what extent NewPage's stockholders could act by written consent without a meeting immediately after the execution of the Merger Agreement for the transaction such that NewPage would have limited, if any, ability to accept a topping bid from a third party should another potential acquirer emerge between signing and closing.

On November 10 and November 30 of 2013, NewPage's board of directors met to receive an update regarding the status of discussions regarding the potential transaction with Verso and to review certain information concerning the proposed Transaction Consideration.

During December 2013, NewPage entered into confidentiality agreements with certain of its largest stockholders in order to disclose confidential information about the potential transaction to them for the purpose of entering into support agreements with holders of a majority of shares of NewPage common stock by which the holders would agree to support the potential transaction, and entering into an amendment to the NewPage Stockholders Agreement with holders of at least 66  $\frac{2}{3}$ % of NewPage's common stock to allow NewPage to enter into the Merger Agreement. Verso indicated that each of the support agreements and the amendment to NewPage's Stockholders Agreement were preconditions to Verso's willingness to enter into the Merger Agreement. Verso's rationale for seeking the support agreements was to ensure that NewPage's largest stockholders would vote or execute written consents to approve the Merger and to agree to tender any Verso Junior Notes in the Exchange Offer, thereby removing a potential source of uncertainty from the transaction. Prior to its amendment, the NewPage Stockholders Agreement required the approval of a majority of stockholders in order for NewPage to enter into the Merger Agreement. The rationale for the amendment to remove this requirement was to streamline the process around which the Merger Agreement could be signed and announced.

In December 2013, Verso and NewPage's respective legal advisors also exchanged drafts of other transaction documents, including a draft indenture for the New First Lien Notes and draft commitment letters with respect to the NewPage Term Loan Facility. In connection with their review of the potential transaction, certain NewPage stockholders who received confidential information about the potential transaction requested certain changes to the terms of the potential transaction as preconditions for their entering into support agreements and the amendment to the NewPage Stockholders Agreement. Mr. Angelson, Mr. Wood, and NewPage's legal and financial advisors discussed these proposed changes with representatives of these stockholders on multiple occasions in December, and



representatives of certain of these stockholders also discussed their proposed changes directly with Apollo. The requested changes included: (a) requests to add an

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additional economic incentive for Verso to obtain necessary regulatory approvals as soon as reasonably practicable, which ultimately resulted in the inclusion in the Merger Agreement of the concept that Verso will be required to pay NewPage's stockholders a ticking fee in the form of additional Verso common stock if the transaction does not close by August 31, 2014, and (b) requests to change the indenture for the New First Lien Notes to prevent certain types of restricted payments and other actions that are otherwise permitted under the indenture governing the Existing First Lien Notes, designed to enhance the security package and other rights of holders of New First Lien Notes relative to holders of other debt securities issued by Verso. These requests resulted in the indenture governing the New First Lien Notes, as compared to the indenture for the Existing First Lien Notes, placing additional restrictions on Verso's ability to undertake transactions with affiliates and to repay junior debt, and a requirement that NewPage distribute to Verso (on whose assets holders of New First Lien Notes will have a first lien security interest) the proceeds from borrowings at NewPage (the assets of which would secure the NewPage ABL Facility and NewPage Term Loan Facility used to finance the Recapitalization Dividend), subject to certain conditions. All NewPage stockholders who signed confidentiality agreements with respect to the transaction received updates concerning the status of the transaction and revised drafts of the principal transaction agreements on multiple occasions in late December of 2013.

During November and December of 2013, in addition to the issues described above, negotiations with respect to the Merger Agreement, financing arrangements and other transaction agreements also included discussions of, and the various drafts exchanged between the parties reflected changes to, the following terms, among others:

The degree of conditionality under, and term of, the debt commitment letters relating to the NewPage Term Loan Facility and NewPage ABL Facility;

NewPage's ability to pre-pay the NewPage Term Loan Facility at par in the event the Merger is not consummated;

The circumstances under which NewPage's board of directors could effect a change of recommendation to NewPage's stockholders in respect of the Merger;

The parties' potential remedies for breaches of the Merger Agreement;

The circumstances under which each party would be obligated to pay the other a termination fee, and the amount and form of such termination fee;

The inclusion of, and scope of, the closing adjustment provision relating to certain restricted payments prior to the closing of the Merger;

The level of efforts required to be undertaken by the parties to secure requisite regulatory approvals in connection with the transaction; and

The scope of restrictions on Apollo and its affiliates' ability to buy and sell debt or equity securities of Verso and the scope of Apollo's and its affiliates' obligations to support the transactions contemplated by the Merger Agreement.

On December 5, 2013, December 8, 2013, December 15, 2013, December 18, 2013, December 22, 2013 and December 29, 2013, NewPage's board of directors met to consider the potential transaction with Verso. At these meetings, NewPage's board of directors received updates on the status of negotiations relating to the transaction documents, presentations on the fiduciary duties of the NewPage board of directors in considering a possible business combination, presentations regarding NewPage's due diligence investigation of Verso, presentations regarding the proposed structure of the transaction and tax implications flowing from the proposed structure and a summary of the proposed financing for the transaction. NewPage's board of directors also received presentations and advice from Goldman Sachs with respect to the financial aspects of the potential transaction. Murray Devine also delivered to NewPage's board of directors Murray Devine's initial solvency report on the pro forma combined company as of the closing of the potential transaction.

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On January 1, 2014, NewPage's board of directors met with Sullivan & Cromwell and Goldman Sachs to discuss the status of the potential transaction negotiations and the associated transaction agreements. Representatives of Goldman Sachs presented the NewPage board of directors with its financial analyses of the transaction and, following such presentation, provided its oral opinion, which was subsequently confirmed by delivery of a written opinion to the effect that based upon and subject to the factors and assumptions set forth therein, the Per Share Closing Cash Consideration, the Per Share Closing Note Consideration and the Per Share Closing Share Consideration, each as defined in the Merger Agreement, taken in the aggregate, to be paid to holders (other than Verso and its affiliates) of shares of NewPage common stock pursuant to the Merger Agreement was fair from a financial point of view to such holders. Such opinion is attached as Annex B.

The NewPage board of directors then considered and discussed the factors set forth under Recommendation of the NewPage Board of Directors and NewPage's Reasons for the Merger. After reviewing substantially final versions of the transaction documents, NewPage's board of directors unanimously determined (with one director absent) that the Merger Agreement and the transactions contemplated thereby are fair to and in the best interests of NewPage and its stockholders. NewPage's board of directors further authorized and directed its authorized officers to enter into the Merger Agreement, subject to the execution of the amendment to the NewPage Stockholders Agreement.

Between January 1, 2014 and January 3, 2014, despite NewPage's board of directors' support for the potential transaction with Verso in its then current form, representatives of certain NewPage stockholders that entered into confidentiality agreements with NewPage continued on multiple occasions to seek changes to enhance the terms of the potential transaction, primarily by requesting changes to the indenture governing the New First Lien Notes that were intended to enhance the trading value of the New First Lien Notes, and representatives of certain of these stockholders also discussed their proposed changes directly with Apollo. As a result of these discussions, Verso agreed to improve the terms of the potential transaction for NewPage in certain respects, including by placing further restrictions on Verso's ability to incur additional indebtedness by lowering applicable leverage ratios, broadening the circumstances under which NewPage would be required to dividend up to Verso the proceeds from indebtedness incurred at NewPage, and adding a covenant restricting Verso's ability to undertake certain refinancing transactions.

On January 3, 2014, after NewPage confirmed with its stockholders that it had the requisite stockholder support necessary to enter into the Merger Agreement, NewPage and Verso's respective legal advisors finalized the revised transaction documents, including the Merger Agreement. NewPage's board of directors subsequently unanimously approved by written consent the Merger Agreement with Verso and recommended that NewPage stockholders approve the transaction. NewPage's board of directors further authorized and directed its authorized officers to enter into the Merger Agreement and to execute and deliver all ancillary documents contemplated thereby. On the same day, execution copies of the revised transaction documents were also sent to certain NewPage stockholders who had entered into confidentiality agreements with NewPage. After the requisite percentage of NewPage stockholders necessary to enter into the amendment to the NewPage Stockholders Agreement released their authorized signature pages, NewPage's authorized officers executed the amendment to the NewPage Stockholders Agreement and then executed the Merger Agreement and other transaction documents, including the support agreements with Verso and certain of NewPage's stockholders.

At approximately 9:00 a.m. EST on January 6, 2014, NewPage and Verso issued a joint press release announcing the execution of the Merger Agreement and related documents.

## **Recommendation of the NewPage Board of Directors and NewPage's Reasons for the Merger**

At a meeting on January 1, 2014, NewPage's board of directors determined by unanimous vote of all directors present and subsequently by unanimous written consent, dated January 3, 2014, that the Merger is in the best interests of

NewPage and its stockholders. Accordingly, NewPage's board of directors unanimously recommends that NewPage's stockholders adopt the Merger Agreement and approve the Merger.

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In reaching its decision to approve the Merger Agreement and declare it advisable, NewPage's board of directors received advice from NewPage management and legal, financial, tax and accounting advisors and considered a number of factors. The material positive factors considered by NewPage's board of directors include the following:

*Benefits of the Merger Relative to Operating NewPage as a Standalone Company.* NewPage's board of directors determined that the Merger represents the most certain and best prospect for maximizing stockholder value and creating an opportunity for NewPage stockholders to monetize that value. Importantly, the Merger is expected to enable the realization of at least \$175 million of pre-tax total cost synergies during the first 18 months after the closing of the Merger. These synergies will benefit the value of the New First Lien Notes and Verso common stock issued in the Merger. Among other alternatives, NewPage's board of directors considered continuing to operate NewPage as a private company on a stand-alone basis, both with and without a dividend recapitalization, consummating an initial public offering of NewPage's common stock, acquiring other assets or companies and selling NewPage or portions of NewPage's assets to other potential acquirers. NewPage's board of directors also considered the challenges of continuing to operate NewPage on a stand-alone basis under current and reasonably-foreseeable market and industry-wide conditions, including the growing business challenges that NewPage faces from competition from imports.

*Recapitalization Dividend.* The Merger Agreement provided that NewPage stockholders would receive the Recapitalization Dividend without regard to whether the Merger is completed. The Recapitalization Dividend was paid to holders of NewPage common stock prior to the date of this joint proxy and information statement/prospectus, with the remaining approximately \$7 million of the cash portion of the Transaction Consideration paid into an escrow account for the benefit of holders of NewPage restricted stock units upon vesting and holders of NewPage stock options upon consummation of the Merger. When evaluating the merits of the recapitalization transaction, NewPage's board of directors considered the fact that NewPage had been significantly deleveraged upon its emergence from bankruptcy proceedings on December 21, 2012, and that NewPage would have sufficient debt capacity to effectuate the recapitalization dividend, both on a stand-alone basis and if the Merger is completed. Although NewPage's board of directors considered that the terms and conditions of the NewPage Term Loan Facility and NewPage ABL Facility that were to be implemented in the recapitalization transaction could be less favorable than NewPage's then existing facilities or other facilities that NewPage may have been able to obtain if NewPage were seeking replacement facilities in the absence of the Merger Agreement, NewPage has the ability to replace the NewPage Term Loan Facility implemented in connection with the recapitalization transaction without premium or penalty within 30 calendar days of the termination of the Merger Agreement in accordance with its terms, including if more favorable financing is otherwise available. However, NewPage will still have had to pay the applicable fees, expenses and original issue discount on the new facilities, even if those facilities are replaced.

*Value of New First Lien Notes.* The New First Lien Notes to be issued to NewPage stockholders in the Merger will be valued at their face value in the Merger. Even if the New First Lien Notes subsequently trade above par, Verso cannot repurchase them for one year after their issuance date unless Verso pays the holders a make-whole premium. The New First Lien Notes may be redeemed at Verso's option prior to the first anniversary of the closing date at 100% of the principal amount thereof, plus an applicable premium based on a discounted adjusted treasury rate, and, on or after the first anniversary of the closing date, at declining

redemption prices starting at 108.813% for the period from the first anniversary of the closing date through January 14, 2016, stepping down to 105.875% through January 14, 2017, 102.938% through January 14, 2018 and 100.000% from January 15, 2018 and thereafter, in each case plus accrued and unpaid interest. The New First Lien Notes will bear interest at 11.75% per annum. In addition, the indenture for the New First Lien Notes includes several terms intended to enhance the value of the New First Lien Notes including limitations on pro forma and other non-historical adjustments to Adjusted EBITDA, reductions in the amounts of debt and liens that may be incurred by Verso and its restricted subsidiaries, a requirement to maintain in effect and enforce a shared services agreement between

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NewPage and Verso for two years following closing, a requirement for NewPage to dividend to Verso up to \$50 million every year for two years following closing (subject to certain limitations), a requirement to distribute to Verso the proceeds of any debt incurred by or otherwise receiving credit support from NewPage or its assets (subject to certain limitations), and limitations on the ability of Verso to refinance existing or future junior debt with first lien debt or debt incurred by or otherwise receiving credit support from NewPage or its assets (subject to certain limitations).

*Liquidity of New First Lien Notes.* The New First Lien Notes offer their holders greater potential for liquidity as compared to the illiquidity and lack of marketability of NewPage's common stock. Holders of the New First Lien Notes who wish to monetize their investment in the New First Lien Notes will have the right to demand that Verso provide marketing assistance in connection with registered or unregistered offerings of their New First Lien Notes, up to a total of four times for all holders. The New First Lien Notes will not be subject to any lock-up or other contractual restrictions on trading after the Merger is completed. NewPage's board of directors determined that successful execution of an initial public offering of NewPage common stock faced significant challenges that could adversely affect both the offering and subsequent trading value of the shares.

*Value and Liquidity of Verso Common Stock.* It is a condition of closing the Merger that the shares of Verso common stock that will be issued in the Merger be freely tradable on the New York Stock Exchange immediately after the closing of the Merger. In addition, NewPage stockholders will be able to participate in the potential future growth of the combined company through the shares of Verso common stock they will receive in the Merger.

*Verso Solvency.* Although Verso is a highly leveraged company in an industry that is in secular decline, NewPage's board of directors considered the risk that Verso could become insolvent a reasonable risk to take in view of the potential benefits of the transaction and the following additional considerations:

Verso has agreed to use commercially reasonable efforts to obtain a bridge credit facility with respect to certain non-essential assets to support its liquidity prior to the closing of the Merger;

Verso was required to obtain a solvency opinion with respect to the combined company on a pro forma basis no later than January 17, 2014 from Murray Devine and, prior to the execution of the Merger Agreement, Murray Devine indicated that, based on its preliminary review and assumptions, it anticipated it would be able to provide that opinion (and it subsequently did provide the opinion on January 16, 2014, a copy of which is attached as Annex E to this joint proxy and information statement/prospectus);

completion of the transaction is conditioned on the parties receiving a bring down solvency opinion from Murray Devine with respect to the combined company at the closing of the Merger;



the closing of the Merger is conditioned on the completion of the Exchange Offer Transactions, which will reduce the combined company's overall leverage; and

Verso's management's financial projections do not indicate that Verso will become insolvent prior to or after the closing of the Merger, including when adjusted for the synergies that Verso estimates will be available from the Merger, the pro forma impact of NewPage's management's financial projections and the effect of the recapitalization transaction.

*Closing Purchase Price Adjustment.* The closing purchase price adjustment as a result of certain restricted payments (as described in more detail below under "The Merger Agreement - Transaction Consideration") is limited to a select list of potential adjustments, most of which are within NewPage's control, and the aggregate amount of the adjustment is capped at \$27 million.

*Opinion of Goldman Sachs.* NewPage's board of directors considered the financial analysis presented by representatives of Goldman Sachs, as well as the opinion of Goldman Sachs to NewPage's board of directors that based upon and subject to the factors and assumptions set forth in such opinion, the Per Share Closing Cash Consideration, the Per Share Closing Note Consideration and the Per Share

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Closing Share Consideration, each as defined in the Merger Agreement, taken in the aggregate to be paid per share of NewPage common stock to the holders (other than Verso and its affiliates) of the outstanding shares of NewPage common stock pursuant to the Merger Agreement was fair, from a financial point of view, to such holders, as more fully described in the section entitled "The Merger" Fairness Opinion of Financial Advisor to NewPage on page 226.

*NewPage Stockholder Support Agreements.* NewPage's stockholders who collectively owned 61% of NewPage's common stock on January 3, 2014 entered into support agreements with respect to the Merger and agreed to execute written consents in favor of the Merger after having received and reviewed copies of all of the principal transaction agreements. The support agreements will terminate under certain circumstances if a superior proposal from a third party to acquire NewPage emerges prior to the time the NewPage stockholders are asked to provide written consents with respect to approving the Merger.

*Terms of Merger Agreement.* NewPage's board of directors determined that the terms of the Merger Agreement, taken as a whole, are favorable to NewPage and its stockholders, including, among other terms, the absence of any holdback, earn out, post-closing purchase price adjustment or post-closing indemnification applicable to NewPage's stockholders' receipt of the Transaction Consideration and multiple exclusions from the definition of "material adverse effect," making it unlikely that Verso could assert the existence of a material adverse effect giving Verso a right not to complete the Merger.

*Due Diligence.* NewPage's due diligence review of Verso and its subsidiaries conducted by NewPage's management and outside advisors was satisfactory.

In addition to the risks described above, NewPage's board of directors also considered a number of other material risks, including the risks described in the section entitled "Risk Factors" beginning on page 47 and other potentially countervailing factors, including, among others, the material factors listed below:

*Risk of Failing to Complete Merger Transactions.* The Merger is subject to a number of closing conditions, including conditions relating to the Exchange Offer Transactions and the other financing transactions, and there can be no assurance that these conditions will be satisfied or waived. Pendency of the Merger is likely to distract management and employees and adversely affect business performance and the ability to capitalize on possible new opportunities.

*Verso's Controlling Stockholder.* Verso's existing controlling stockholder will retain control of Verso after the Merger is completed, and following the Merger, NewPage's stockholders will be minority owners of Verso common stock and, in practice, will not have control over significant decisions of Verso and its subsidiaries.

*Restrictions on NewPage's Ability to Solicit or Accept Alternative Transaction Proposals.* The terms of the Merger Agreement make it more difficult for NewPage to sell its business to a party other than Verso. These provisions include the general prohibition on NewPage and its advisors soliciting an acquisition proposal, and the requirement that NewPage pay Verso a termination fee if the Merger Agreement is terminated under

specified circumstances.

*Risk of Appraisal.* Under the Merger Agreement, the closing of the Merger is subject to the condition that NewPage stockholders who have not voted in favor of the Merger, have properly exercised their appraisal rights under Delaware law and who have not withdrawn their request for appraisal rights, shall not hold more than 7% of NewPage's then issued and outstanding common stock. The NewPage board of directors considered this condition in determining to recommend to its stockholders that they adopt the Merger Agreement and approve the Merger. However, NewPage's board of directors also considered that, in such event, Verso has liquidity options available to it, such as the sale of New First Lien Notes for cash, to pay for any such appraisal claims, the payment for which likely would not be due for at least several months after the closing of the Merger due to the time customarily required to conclude an appraisal proceeding in Delaware courts.

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*Availability of Remedies.* The Merger Agreement provides that money damages NewPage may seek from Verso for any breaches of the Merger Agreement and certain ancillary agreements (by Verso and certain of its affiliates that are party to such agreements) are limited to \$27 million in the aggregate and available only if the corresponding breach of contract was willful and material.

*Regulatory Approvals.* The completion of the Merger is conditioned upon the receipt of certain regulatory approvals, including the expiration or termination of the applicable waiting period under the HSR Act. There can be no assurance that such expiration or termination will be obtained. In addition, the DOJ may impose conditions on the completion of the Merger. Verso is not required to agree to all such conditions if they would exceed a specified level of materiality for the combined company. If Verso does agree to such conditions, then the business and results of operations of the combined company (and the market price of the New First Lien Notes and the Verso common stock) may be adversely affected.

*Financial Assumptions.* NewPage's board of directors considered the risk that the assumptions underlying the projections prepared by NewPage's management may not prove to be correct. These assumptions include, among others, assumptions regarding the future costs of labor, raw materials and energy and NewPage's ability to effectively manage or hedge against such costs, industry trends, sales, margins, interest rates, competition (including from imports) and consumer preferences.

*Potential Adverse Effect on NewPage if the Merger is Not Completed.* NewPage's board of directors considered the restrictions on NewPage taking certain specified actions without Verso's consent while the Merger is pending, which could be for more than a year depending on when the closing conditions are satisfied, the effect of the additional \$250 million of debt that NewPage would incur in connection with its new \$750 million NewPage Term Loan Facility prior to closing, and the adverse effect the announcement and pendency of the Merger could have on NewPage's ability to retain, recruit and motivate key personnel and the impact on NewPage's relationships with its customers and suppliers.

*Taxable Nature of Transaction.* The Merger is expected to be a taxable transaction to NewPage stockholders for U.S. federal income tax purposes. See *The Merger - Certain Material U.S. Federal Income Tax Consequences* beginning on page 257.

*Interests of Certain Persons in the Transaction.* NewPage's management team may have interests in the Merger that are different from, or in addition to, those of NewPage's other stockholders, based on the terms of their respective employment and severance agreements, if any, with NewPage and Verso's agreement to indemnify each present and former director and officer of NewPage or its subsidiaries.

The above discussion of information and factors considered by NewPage's board of directors is not intended to be exhaustive but is believed to include all material factors considered by NewPage's board of directors. In view of the wide variety of factors considered by NewPage's board of directors, the board did not find it practicable to quantify or otherwise assign relative weight to the specific factors considered. In addition, NewPage's board of directors did not reach any specific conclusion on each factor considered, or any aspect of any particular factor, but conducted an overall analysis of these factors.

Individual members of NewPage's board of directors may have given different weight to different factors. However, after taking into account all of the factors described above, NewPage's board of directors determined that the Merger was fair to, and in the best interests of, NewPage and NewPage's stockholders, and that NewPage should proceed with the Merger.

**Fairness Opinion of Financial Advisor to NewPage**

Goldman Sachs rendered its oral opinion on January 1, 2014, which was subsequently confirmed by a written opinion to NewPage's board of directors that based upon and subject to the factors and assumptions set forth therein, the Per Share Closing Cash Consideration, the Per Share Closing Note Consideration and the Per Share Closing Share Consideration, each as defined in the Merger Agreement, taken in the aggregate (the Per

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Share Consideration ), to be paid to holders (other than Verso and its affiliates) of shares of NewPage common stock pursuant to the Merger Agreement was fair from a financial point of view to such holders. Under the terms of the Merger Agreement, the Per Share Consideration is subject to certain determinations to be made by NewPage's board of directors and certain adjustments and increases, in each case subject to certain specified terms and conditions provided in the Merger Agreement and described in The Merger Agreement Transaction Consideration Adjustment of Share Consideration, The Merger Agreement Transaction Consideration Closing Adjustment and The Merger Agreement Treatment of Stock Options and Other Stock-Based Awards. Goldman Sachs does not express any opinion with respect to any such determinations, adjustments or increases.

The full text of the written opinion of Goldman Sachs, dated January 3, 2014, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of NewPage's board of directors in connection with its consideration of the Merger. The Goldman Sachs opinion is not a recommendation as to how any holder of NewPage common stock should vote or act by written consent with respect to the Merger, or any other matter.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the Merger Agreement;

the disclosure statement associated with NewPage's emergence from bankruptcy dated November 7, 2012;

Annual Reports on Form 10-K of NewPage for the years ended December 31, 2008, 2009 and 2010;

the registration statement on Form 10 of NewPage;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of NewPage;

Annual Reports on Form 10-K of Verso for the five years ended December 31, 2008, 2009, 2010, 2011 and 2012;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Verso;

a summary actuarial analysis of NewPage's employee benefit plans relating to pension programs and other post-employment benefits prepared by an outside advisor to NewPage, as approved for Goldman Sachs' use by NewPage, which is referred to below as the Employee Benefit Analysis ;

a summary analysis of NewPage's net operating losses prepared by the management of NewPage, as approved for Goldman Sachs' use by NewPage, which is referred to below as the Standalone NOL Analysis ;

a summary pro forma analysis of the expected net operating losses of NewPage and Verso following the Merger, prepared by the managements of NewPage and Verso, as approved for Goldman Sachs' use by NewPage, which is referred to below as the Pro Forma Combined NOL Analysis ;

certain internal financial analyses and forecasts for NewPage prepared by its management and certain analyses and forecasts for Verso pro forma for the Merger, prepared by the managements of NewPage and Verso, in each case, as approved for Goldman Sachs' use by NewPage, which are referred to below as the Forecasts ; and

certain cost savings (net of costs to achieve such savings) and operating synergies projected by the management of Verso to result from the Merger, in each case as approved for Goldman Sachs' use by NewPage, which are referred to below as the Synergies.

Goldman Sachs also held discussions with members of the senior managements of NewPage and Verso regarding their assessment of the past and current business operations, financial condition and future prospects of

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NewPage and Verso and the strategic rationale for, and potential benefits of, the Merger; reviewed the reported price and trading activity for shares of Verso common stock, Verso's 11.75% Senior Secured Notes due 2019, Verso's 11.75% Secured Notes due 2019 and Verso's 8.75% Second Priority Senior Secured Notes due 2019; and performed such other studies and analyses, and considered such other factors, as Goldman Sachs deemed appropriate.

For purposes of rendering the opinion described above, Goldman Sachs, with NewPage's consent, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, it, without assuming any responsibility for independent verification thereof. In that regard, Goldman Sachs has assumed with NewPage's consent that the Forecasts, the Synergies, the Standalone NOL Analysis and the Pro Forma Combined NOL Analysis have been reasonably prepared and reflect the best currently available estimates and judgments of the management of NewPage. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of NewPage or Verso and, other than the Employee Benefits Analysis, it was not furnished with any such evaluation or appraisal. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Merger will be obtained without any adverse effect on NewPage or Verso or on the expected benefits of the Merger in any way meaningful to its analysis. Goldman Sachs assumed that the Merger will be consummated on the terms set forth in the Merger Agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis.

Goldman Sachs' opinion does not address the underlying business decision of NewPage to engage in the Merger, or the relative merits of the Merger as compared to any strategic alternatives that may be available to NewPage; nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs' opinion addresses only the fairness from a financial point of view to the holders (other than Verso and its affiliates) of shares of NewPage common stock, as of the date of the opinion, of the Per Share Consideration to be paid to such holders pursuant to the Merger Agreement. Goldman Sachs does not express any view on, and its opinion does not address, any other term or aspect of the Merger Agreement or the Merger or any other term or aspect of any other agreement or instrument contemplated by the Merger Agreement or entered into or amended in connection with the Merger, including the fairness of the Merger to, or any other consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of NewPage; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of NewPage, or class of such persons, in connection with the Merger, whether relative to the consideration to be paid to the holders (other than Verso and its affiliates) of shares of NewPage common stock pursuant to the Merger Agreement or otherwise. Goldman Sachs does not express any opinion as to the prices at which shares of Verso common stock will trade at any time or as to the impact of the Merger on the solvency or viability of NewPage or Verso or the ability of NewPage or Verso to pay their respective obligations when they come due. Goldman Sachs' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date of the opinion and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion. Goldman Sachs' advisory services and its opinion were provided for the information and assistance of NewPage's board of directors in connection with its consideration of the Merger and its opinion does not constitute a recommendation as to how any holder of shares of NewPage common stock should vote or act by written consent with respect to such transaction or any other matter. Goldman Sachs' opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to NewPage's board of directors in connection with rendering the opinion to NewPage's board of directors described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Except as otherwise noted, the following quantitative information, to the extent that it is based on



market data, is based on market data as it existed on or before December 27, 2013 and is not necessarily indicative of current market conditions.

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**Table of Contents***Analysis of Per Share Consideration*

For purposes of its financial analyses, Goldman Sachs calculated a range of illustrative values of the Per Share Consideration based on the following: (i) \$250 million in aggregate cash consideration to be paid to holders of shares of NewPage common stock, which would be payable to NewPage's stockholders as a dividend prior to consummation of the Merger, a payment at closing or a combination thereof, (ii) \$650 million face value of New First Lien Notes, which, based on a pro forma public trading value analysis, implies a range of values for the New First Lien Notes of \$565 million to \$687 million to be paid to holders of shares of NewPage common stock, (iii) upon consummation of the Merger, the ownership by the former holders of shares of NewPage common stock of 16.7% of the equity of the pro forma combined company (which, based on the closing price of shares of Verso common stock as of December 27, 2013 of \$0.62 per share, as well as an illustrative discounted cash flow analysis for the pro forma combined company based on the Forecasts, taking into account the Synergies, the Pro Forma Combined NOL Analysis and the Employee Benefit Analysis, utilizing discount rates ranging from 9.0% to 11.0%, which reflect estimates of the pro forma combined company's weighted average cost of capital, and assuming that no shareholders elect appraisal rights, implies a range of equity values for the 16.7% ownership of \$7 million to \$175 million) and (iv) a total number of 7,585,198 fully diluted shares of NewPage common stock, provided by management of NewPage. Based on these assumptions, Goldman Sachs calculated a range of illustrative values of the Per Share Consideration of \$114.13 to \$152.37.

*Illustrative Discounted Cash Flow Analysis*

Goldman Sachs also performed an illustrative discounted cash flow analysis on NewPage using the Forecasts. Utilizing discount rates ranging from 9.5% to 11.5%, which reflect estimates of NewPage's weighted average cost of capital Goldman Sachs derived a range of implied enterprise values for NewPage by discounting to December 31, 2013 (i) estimates of the unlevered free cash flows, including pension cash payments, for NewPage for the years ending December 31, 2014 through December 31, 2018 based on the Forecasts, and (ii) illustrative terminal values for NewPage as of December 31, 2018 derived by applying perpetuity growth rates, ranging from -2.0% to -1.0%, which implied terminal year EBITDA multiples ranging from 3.3x to 4.3x. The implied equity values per fully diluted outstanding share of NewPage common stock were then derived by assuming (i) NewPage net debt as of December 31, 2013 of \$445 million, based on the Forecasts, (ii) \$39 million of tax-adjusted OPEB, which were treated as a debt-like item, and (iii) NewPage fully diluted shares, depending on options dilution, of between 7,182,940 and 7,585,198, provided by NewPage management. Based on these assumptions, Goldman Sachs calculated a range of implied equity values per fully diluted outstanding share of NewPage common stock of \$83.57 to \$116.64, or \$103.67 to \$136.86 including the net present value of net operating losses reflected in the Standalone NOL Analysis. The net present value of net operating losses reflected in the Standalone NOL Analysis were discounted using illustrative discount rates ranging from 14.5% to 16.5%, which reflect estimates of NewPage's cost of equity.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs' providing its opinion to NewPage's board of directors as to the fairness from a financial point of view of the consideration to be paid to the holders (other than Verso and its affiliates) of shares of NewPage common stock pursuant to the Merger Agreement. These analyses do

not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results, including estimates of achievable synergies, are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty,

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being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of NewPage, Verso, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The consideration to be paid to the holders (other than Verso and its affiliates) of shares of NewPage common stock pursuant to the Merger Agreement was determined through arm's length negotiations between NewPage and Verso and was approved by NewPage's board of directors. Goldman Sachs provided advice to NewPage during these negotiations. Goldman Sachs did not, however, recommend any amount of consideration to NewPage or its board of directors or that any specific amount of consideration constituted the only appropriate amount of consideration for the Merger.

As described above, Goldman Sachs' opinion to NewPage's board of directors was one of a number of factors taken into consideration by NewPage's board of directors in making its determination to approve the Merger Agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex B.

Goldman Sachs and its affiliates are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. Goldman Sachs and its affiliates and employees, and funds or other entities in which they invest or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of NewPage, Verso, any of their respective affiliates and third parties, including Apollo, the indirect beneficial owner of the Verso Stockholder, Franklin Resources, Inc. (Franklin), a significant shareholder of NewPage, and Oaktree Capital Management, L.P. (Oaktree), a significant shareholder of NewPage, and their respective affiliates and portfolio companies or any currency or commodity that may be involved in the Merger for the accounts of Goldman Sachs and its affiliates and employees and their customers. Goldman Sachs has acted as financial advisor to NewPage in connection with, and has participated in certain of the negotiations leading to, the Merger. Goldman Sachs expects to receive fees for its services in connection with the Merger, all of which are contingent upon consummation of such transaction, and NewPage has agreed to reimburse Goldman Sachs' expenses arising, and indemnify Goldman Sachs against certain liabilities that may arise, out of its engagement. An affiliate of Goldman Sachs held a portion of NewPage's former \$350,000,000 asset-based revolving credit facility and, at the request of NewPage, an affiliate of Goldman Sachs provided a portion of the NewPage ABL Facility to NewPage Corporation in connection with which one or more affiliates of Goldman Sachs has received, and will continue to receive, customary fees. For a description of the fees payable in connection with the NewPage ABL Facility, see Description of Other Indebtedness NewPage ABL Facility beginning on page 89. Goldman Sachs has provided certain investment banking services to NewPage and its affiliates from time to time for which Goldman Sachs' Investment Banking Division has received, and may receive, compensation, including having acted as joint lead arranger and bookrunner with respect to NewPage's former term loan facility (aggregate principal amount \$500,000,000), entered into in December 2012, and NewPage's former asset-based revolving credit facility (aggregate principal amount \$350,000,000), entered into in December 2012. During the two year period ended January 3, 2014, the Investment Banking Division of Goldman Sachs has received compensation for financial advisory and/or underwriting services provided to NewPage and/or its affiliates of approximately \$6,000,000, excluding compensation paid or to be paid to the Investment Banking Division of Goldman Sachs pursuant to its engagement in connection with the Merger. Goldman Sachs also has provided certain investment banking services to Verso and its affiliates from time to time for which Goldman Sachs' Investment Banking Division has received, and may receive, compensation, including having acted as a dealer manager for the tender offer of the 11.5% senior secured notes due 2014 of Verso Paper Holdings LLC (Verso Holdings), a subsidiary of Verso, in March 2012; as joint bookrunner with respect to a public offering of Verso Holding's 11.75% senior

secured notes due 2019 (aggregate principal amount \$345,000,000) in March 2012; as dealer manager for an exchange offer of Verso Holding's second priority senior secured floating rate notes due 2014 (aggregate principal amount

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\$180,200,000) in May 2012; as dealer manager of an exchange offer of Verso Holding s 11.38% senior subordinated notes due 2016 (aggregate principal amount \$157,500,000) in May 2012; and as participant in Verso s cash flow revolving facility (aggregate principal amount \$50,000,000) entered into in May 2012. Goldman Sachs has also provided certain investment banking services to Apollo and its affiliates and portfolio companies from time to time for which Goldman Sachs Investment Banking Division has received, and may receive, compensation, including having acted as joint bookrunner with respect to the initial public offering of 23,684,211 shares of Rexnord Corp., a portfolio company of funds affiliated with Apollo, in March 2012; as financial advisor to AMC Entertainment, a former portfolio company of funds affiliated with Apollo, in connection with its sale in September 2012; as joint bookrunner with respect to the initial public offering of 29,411,764 shares of Berry Plastics Group, Inc., a portfolio company of funds affiliated with Apollo, in October 2012; as joint lead manager with respect to the initial public offering of 40,000,000 shares of Realogy Holdings Corp., a portfolio company of funds affiliated with Apollo, in October 2012; as joint bookrunner with respect to the initial public offering of 23,529,412 shares of Norwegian Cruise Line Holdings Ltd., a portfolio company of funds affiliated with Apollo, in January 2013; and as financial advisor to Metals USA Holdings Corp., a portfolio company of funds affiliated with Apollo, in connection with its sale in April 2013. Goldman Sachs has also provided certain investment banking services to Oaktree and its affiliates and portfolio companies from time to time for which Goldman Sachs Investment Banking Division has received, and may receive, compensation, including having acted as an underwriter with respect to the initial public offering of 8,840,000 shares of Oaktree Capital Group LLC, an investment advisor affiliate of Oaktree, in April 2012; as financial advisor to Cequel Communications LLC, a former portfolio company of Oaktree, in connection with its sale in November 2012; as a joint bookrunner with respect to the initial public offering of 32,857,800 shares of the Class A common stock of Taylor Morrison Inc., a portfolio company of Oaktree, in April 2013; as financial advisor to Charter Communications Inc., a portfolio company of Oaktree, with respect to the acquisition of Bresnan Broadband Holdings in July 2013; and as financial advisor to Tekni-Plex Inc., a former portfolio company of Oaktree, in connection with its sale in December 2013. Goldman Sachs may also in the future provide investment banking services to NewPage, Verso, Franklin and their respective affiliates and Apollo and Oaktree and their respective affiliates and portfolio companies for which Goldman Sachs Investment Banking Division may receive compensation. Affiliates of Goldman Sachs (the GS Funds ) currently own, in the aggregate, approximately 11.3% of the outstanding shares of NewPage common stock. Eric D. Muller, a Managing Director of Goldman Sachs, is a director of NewPage. In connection with the Merger, the GS Funds have entered into, or may enter into, Amendment No. 1 to the NewPage Holdings Inc. Shareholders Agreement, a Voting Agreement (as defined in the Agreement), a Shareholder Release (as defined in the Agreement), and a Cooperation Agreement (as defined in the Agreement). Affiliates of Goldman Sachs also may have co-invested with Apollo, Oaktree and their respective affiliates from time to time and may have invested in limited partnership units of affiliates of Apollo or Oaktree from time to time and may do so in the future.

NewPage s board of directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the Merger. Pursuant to a letter agreement dated April 1, 2013, NewPage engaged Goldman Sachs to act as its financial advisor in connection with the evaluation of strategic opportunities available to NewPage, including a business combination with a third party. Pursuant to the terms of this engagement letter, NewPage has agreed to pay Goldman Sachs a transaction fee of approximately \$12 million, all of which will become payable upon consummation of the Merger. In addition, NewPage has agreed to reimburse Goldman Sachs for its expenses, including attorneys fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

**Financial Forecasts**

The boards of directors of each of Verso and NewPage believe that all material information for the stockholders of each of Verso and NewPage regarding the financial analyses delivered by Goldman Sachs to the board of directors of

NewPage is included in this Form S-4. Furthermore, Verso and NewPage each believes that

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the Forecasts are not material information for their respective stockholders and would not assist their respective stockholders in making an informed decision regarding, in the case of the Verso stockholders, approving the issuance of Verso common stock in the Merger and, in the case of the NewPage stockholders, adopting the Merger Agreement and approving the Merger.

Numerous factors and information were considered by the boards of directors of Verso and NewPage in connection with their respective reviews of the Merger. The NewPage board of directors considered multiple factors in its decision-making process that were deemed material by it, each of which is described and set forth on pages 222-226. Likewise, the Verso board of directors considered multiple factors in its decision-making process that were deemed material by it, each of which is also described and set forth on pages 232-234. Any other factors or information considered or discussed by each board of directors were not deemed material by such board of directors and disclosure regarding other factors or information would not provide any additional material information to the stockholders of Verso or NewPage.

Given the nature of the businesses of NewPage and Verso, the Forecasts prepared by each party are subject to inherent uncertainty and numerous risks (including the pricing of raw materials, mill run-rates, demand for each company's products and the impact of adverse changes in the markets served by NewPage or Verso or in the businesses of either company) that were beyond the ability of either company to control or predict. The boards of directors also applied their respective collective understanding of the companies' prospects based on the directors' industry-related (if applicable) and general business experience, as well as their company-specific knowledge from having acted as directors of their respective companies for at least a year prior to the approval of the Merger, in making their respective conclusions regarding the relevance of the projections to the Merger. As a result, Verso and NewPage believe that no stockholder could consider the Forecasts, in and of themselves, material in evaluating the Merger. Furthermore, in light of the facts that (a) the paper industry is in secular decline, (b) opportunities for revenue growth in the industry are limited, (c) economic conditions within the industry have affected demand for Verso's and NewPage's products, and (d) each of Verso's and NewPage's production capacity is already published by third-party sources such as RISI along with forecasts by RISI of expected customer demand (and such RISI data is used by industry analysts and investors to build financial models and make investment decisions), we believe that stockholders have sufficient information to make their own independent assessment of each of Verso's and NewPage's future results of operations, cash flows and financial condition, as well as the future direction of the industry.

## **Recommendation of the Verso Board of Directors and Verso's Reasons for the Merger**

On December 28, 2013, after careful review and consideration, the Verso board of directors unanimously approved the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement and declared that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable, fair to and in the best interests of Verso and its stockholders.

In determining that the Merger and the other transactions contemplated by the Merger Agreement are advisable, fair to and in the best interests of Verso and its stockholders, the Verso board of directors consulted with Verso's management and Verso's advisors (including Evercore and Kirkland & Ellis) and considered a number of factors, including the following material factors:

management's belief that a business combination with NewPage would enhance Verso's already strong position in the coated paper industry and that the combined companies would be better positioned to compete on a global scale;



the combined company will have sales of approximately \$4.5 billion and 11 manufacturing facilities located in six states;

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the Merger is expected to result in at least \$175 million of pre-tax total cost synergies, which are expected to be achieved during the first 18 months after completion of the Merger, and which are anticipated to be achieved through:

reductions in shipping rates and savings from optimizing shipping routes of the larger mill system;

improved utilization of manufacturing facilities and wood sources gained by coordinating the wood collection and storage operations of Verso and NewPage;

improved sourcing of raw materials;

elimination of duplicative headquarter functions; and

savings resulting from improving overall operations through adoption of best practices to improve how work is performed.

if successfully completed, the Exchange Offer Transactions could result in a significant amount of debt reduction at Verso;

as a result of the Merger, when compared to standalone Verso, the combined company will be substantially deleveraged with a pro forma debt-to-EBITDA ratio materially lower than Verso's current debt-to-EBITDA ratio; and

Verso will be able to effectively leverage NewPage's existing customer base and geographical reach to combat competition from electronic substitution for print and international producers.

Verso's board of directors has determined that the Merger is in the best interests of Verso and its stockholders and has approved the Merger Agreement, the Merger, the issuance of shares of Verso common stock to be issued pursuant to the Merger and the other transactions contemplated by the Merger Agreement. In reaching its determination, Verso's board of directors considered a number of factors, including the factors discussed above and listed below. The conclusions reached by Verso's board of directors with respect to the following factors supported its determination that the Merger and the issuance of shares of Verso common stock pursuant to the Merger were fair to, and in the best interests of, Verso and its stockholders:

the judgment, advice and analysis of Verso's management and its financial and legal advisors with respect to the potential strategic, financial and operational benefits of the transaction, including management's favorable recommendation of the transaction, based in part on the business, technical, financial, accounting and legal due diligence investigations performed with respect to NewPage and its subsidiaries;

management's expectations regarding the achievement of cost synergies upon consummation of the Merger;

the opinion and presentation of Verso's financial advisor;

the results of operations and financial condition of Verso and NewPage; and

the terms of the Merger Agreement and the agreements related to the Merger, including the consideration to be paid by Verso and the structure of the Merger which were considered by both the board of directors and management of Verso to provide a fair and equitable basis for the transaction.

Verso's board of directors also considered a number of risks and potentially negative factors in its deliberation concerning the Merger, including in particular:

the risk that the transaction might not be completed in a timely manner or at all;

the potential loss of key NewPage employees critical to the ongoing success of NewPage's business and to the successful integration of Verso's business and NewPage's business;

the general difficulties of integrating products, technologies and companies;

the risk that the benefits sought to be achieved by the transaction, including those outlined above, will not be achieved;

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the effect of public announcement of the transaction on Verso's common stock;

the other risks and uncertainties discussed above in the section entitled "Risk Factors"; and

the risk of diverting management resources from other strategic opportunities and operational matters for a period of time.

The above discussion of information and factors considered by Verso's board of directors is not intended to be exhaustive but is believed to include all material factors considered by Verso's board of directors. In view of the wide variety of factors considered by Verso's board of directors, the board did not find it practicable to quantify or otherwise assign relative weight to the specific factors considered. In addition, Verso's board of directors did not reach any specific conclusion on each factor considered, or any aspect of any particular factor, but conducted an overall analysis of these factors.

Individual members of Verso's board of directors may have given different weight to different factors. However, after taking into account all of the factors described above, Verso's board of directors determined that the Merger, the Merger Agreement, the issuance of shares of Verso's common stock to be issued pursuant to the Merger and the other agreements related to the Merger were fair to, and in the best interests of, Verso and Verso's stockholders, and that Verso should proceed with the Merger.

**Opinion of Evercore Group L.L.C.**

Pursuant to an engagement letter dated December 13, 2013, Verso retained Evercore to act as financial advisor to Verso and to provide a fairness opinion to Verso's Board of Directors. On December 28, 2013, at a meeting of the Board, Evercore rendered its oral opinion, subsequently confirmed by delivery of a written opinion, that, as of December 28, 2013, and based upon and subject to the factors, procedures, assumptions, qualifications, limitations and other matters set forth in its opinion, the consideration to be paid by Verso in the Merger was fair, from a financial point of view, to Verso.

**The full text of Evercore's written opinion, dated December 28, 2013, which sets forth, among other things, the factors considered, procedures followed, assumptions made and qualifications and limitations on the scope of review undertaken in rendering its opinion, is attached as Annex D to this joint proxy and information statement/prospectus and is incorporated by reference in its entirety into this joint proxy and information statement/prospectus. You are urged to read the opinion carefully and in its entirety. Evercore's opinion was addressed to, and provided for the information and benefit of, the Verso board of directors (in their capacity as such) in connection with their evaluation of whether the consideration to be paid by Verso in the Merger was fair, from a financial point of view, to Verso and did not address any other aspects or implications of the Merger. Evercore's opinion does not constitute a recommendation to the Verso board of directors or to any other persons in respect of the Merger, including as to how any holder of shares of Verso common stock should act or vote in respect of the Merger.**

In connection with rendering its opinion, Evercore, among other things:

reviewed certain publicly available business and financial information relating to NewPage and Verso that Evercore deemed to be relevant;

met with the Chairman of the Board of NewPage and the management of Verso, and reviewed the financial prospects of both NewPage and Verso on a stand-alone and pro forma combined basis;

reviewed certain non-public projected financial data relating to NewPage and Verso prepared and furnished to Evercore by management of NewPage and Verso, respectively;

reviewed certain non-public historical and projected operating data relating to NewPage and Verso prepared and furnished to Evercore by management of NewPage and Verso, respectively;

reviewed certain synergies projected by management of Verso to result from the merger;

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discussed the past and current operations, financial projections and current financial condition of NewPage and Verso with the management of Verso (including their views on the risks and uncertainties of achieving such projections);

compared the financial performance of NewPage and Verso with those of certain publicly traded companies that Evercore deemed relevant;

compared the financial performance of NewPage and Verso and the valuation multiples relating to the Merger with those of certain other transactions that Evercore deemed relevant;

reviewed the reported prices and historical trading activity of Verso's outstanding debt securities and common stock;

considered the quoted share price for NewPage's common stock;

reviewed a draft of the merger agreement dated December 26, 2013; and

performed such other analyses and examinations and considered such other factors that Evercore deemed appropriate.

For purposes of its analysis and opinion, Evercore assumed and relied upon, without undertaking any independent verification of, the accuracy and completeness of all of the information publicly available, and all of the information supplied or otherwise made available to, discussed with, or reviewed by Evercore, and Evercore assumed no liability therefor. With respect to the projected financial data referred to above prepared by the management of Verso, Evercore assumed that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Verso as to the future financial performance of NewPage and Verso and other matters covered by the projections. With respect to the projected financial data referred to above prepared by the management of NewPage, at Verso's direction, Evercore did not give weight to those data, which are more optimistic than the comparable projected financial data for NewPage prepared by the management of Verso. Evercore relied, at Verso's direction, without independent verification, upon the assessments of the projected synergies referred to above. Evercore assumed that there have been no material changes in Verso's or NewPage's assets, financial condition, results of operations, business or prospects since the date of its last financial statement made available to Evercore. Evercore expressed no view as to any projected financial data or synergies relating to Verso or NewPage or the assumptions on which such projected financial data or synergies are based. For purposes of its analysis and opinion, Evercore assumed that the value of Verso's New First Lien Notes was equal to the face value thereof, that Exchange Offer Transactions would be consummated on terms not materially less favorable to Verso than those reflected in the projected financial data prepared by the management of Verso, that the upward adjustment in the number of shares of Verso common stock issued as part of the Merger Consideration would not be payable, and that all stock options of Verso would be out of the money for purposes of calculating the Transaction Consideration.

For purposes of rendering its opinion, Evercore assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Merger Agreement were true and correct, that each party would perform all of the covenants and agreements required to be performed by it under the Merger Agreement and

that all conditions to the consummation of the Merger would be satisfied without material waiver or modification thereof. Evercore further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the Merger would be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on Verso or NewPage or the consummation of the Merger or materially reduce the benefits to Verso of the Merger. Evercore also assumed that the executed Merger Agreement did not differ in any material respect from the draft merger agreement dated December 26, 2013 reviewed by Evercore.

Evercore did not make nor assume any responsibility for making any independent valuation or appraisal of the assets or liabilities of Verso or NewPage, nor has Evercore been furnished with any such appraisals, nor evaluated the solvency or fair value of Verso or NewPage under any state or federal laws relating to bankruptcy, insolvency or similar matters. Evercore's opinion was necessarily based upon information made available to Evercore as of the date of the opinion and financial, economic, market and other conditions as they existed and as

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could be evaluated on the date of the opinion. It should be understood that subsequent developments may affect Evercore's opinion and that Evercore does not have any obligation to update, revise or reaffirm its opinion.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness to Verso, from a financial point of view, of the consideration to be paid in the Merger. Evercore did not express any view on, and its opinion did not address, the fairness of the proposed Merger to, or any consideration received in connection therewith by, holders of any other securities, creditors or other constituencies of Verso or NewPage, nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees, or any class of such persons, whether relative to the Transaction Consideration or otherwise. Evercore assumed that any modification to the structure of the Merger would not vary in any respect material to its analysis. The opinion does not address the relative merits of the Merger as compared to other business or financial strategies that might be available to Verso, nor does it address the underlying business decision of Verso to engage in the Merger or in the financing transactions to be effected in connection therewith. In addition, Evercore expressed no opinion at the price at which NewPage or its assets, or Verso or its assets, could be sold in the future. Evercore's opinion noted that Evercore is not providing any legal, regulatory, accounting or tax advice to Verso, and that Evercore assumed the accuracy and completeness of assessments by Verso and its advisors with respect to legal, regulatory, accounting and tax matters.

Set forth below is a summary of the material financial analyses reviewed by Evercore in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the analyses performed by Evercore. The order of the analyses described and the results of these analyses do not represent relative importance or weight given to these analyses by Evercore. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data that existed on or before December 26, 2013, and is not necessarily indicative of current market conditions.

***Capitalization Structure Analysis***

In its review, Evercore considered Verso's current capital structure as well as the pro forma effect of the Merger on Verso's capital structure and the reduction of financial leverage, based on 2013 estimated Adjusted EBITDA<sup>(1)</sup>, as a result of the Merger.

Evercore calculated Verso's Total Debt<sup>(2)</sup> / Adjusted EBITDA and Net Debt<sup>(3)</sup> / Adjusted EBITDA prior to the Merger and the pro forma combined company's Total Debt / Adjusted EBITDA and Net Debt / Adjusted EBITDA and considered the decrease in Total Debt / Adjusted EBITDA and Net Debt / Adjusted EBITDA leverage as a result of the Merger.

- (1) Adjusted EBITDA is defined as earnings before interest and other (expense) income, taxes, depreciation, amortization, non-cash U.S. pension expense, and stock compensation expense. Adjusted EBITDA is a non-GAAP financial measure and should not be used as an alternative to net income as an indicator to performance.
- (2) Total debt is defined as the sum of all long-term indebtedness as outlined in the footnotes to Verso's financial statements and adjusted based on Evercore's financial expertise to represent accurate indebtedness of Verso.



(3) Net debt is defined as total debt less cash and cash equivalents.

Based on this analysis, Evercore noted that Verso's Total Debt / Adjusted EBITDA would decrease from 7.8x on a standalone basis to 4.1x on a pro forma combined company basis, and that Net Debt / Adjusted EBITDA also would decrease from 7.8x on a standalone basis to 4.1x on a pro forma combined company basis.

*Valuation Analysis:*

**NewPage Standalone**

For purposes of its analysis, Evercore first evaluated NewPage on a standalone basis and then considered the impact of the projected synergies that Verso will receive in the Merger and evaluated NewPage as well as the

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benefit of the projected synergies. Evercore utilized trading multiples and discounted cash flow methodologies to perform this analysis.

**Trading Multiples Analysis**

Evercore calculated a range of implied equity values for NewPage's common stock utilizing the following trading multiples:

Enterprise value/2013 estimated Adjusted EBITDA ( TEV/EBITDA ), which is defined as (1) market value of equity, plus debt and preferred stock, less cash and cash equivalents ( enterprise value ) divided by (2) 2013 estimated adjusted earnings before interest, taxes, depreciation and amortization.

Enterprise value/2014 estimated Adjusted EBITDA ( TEV/EBITDA ), which is defined as (1) market value of equity, plus debt and preferred stock, less cash and cash equivalents ( enterprise value ) divided by (2) 2014 estimated adjusted earnings before interest, taxes, depreciation and amortization.

Enterprise value plus unfunded pension liabilities/2013 estimated Adjusted EBITDA ( TEV + Pension/Adjusted EBITDA ), which is defined as (1) market value of equity, plus debt and preferred stock, less cash and cash equivalents ( enterprise value ) plus unfunded pension liabilities as represented on the company's balance sheet divided by (2) 2013 estimated adjusted earnings before interest, taxes, depreciation and amortization ( EBITDA ).

Enterprise value plus unfunded pension liabilities/2014 estimated Adjusted EBITDA ( TEV + Pension/Adjusted EBITDA ), which is defined as (1) market value of equity, plus debt and preferred stock, less cash and cash equivalents ( enterprise value ) plus unfunded pension liabilities as represented on the company's balance sheet divided by (2) 2014 estimated adjusted earnings before interest, taxes, depreciation and amortization ( EBITDA ).

For purposes of its analysis, Evercore calculated (i) the forward and historical TEV/Adjusted EBITDA multiples of Verso's graphic paper peer companies including Domtar, Sappi, Rolute, and Boise (for which Evercore used the Boise market value of equity as of September 13, 2013, representing the equity market value prior to the announcement of Boise's acquisition by Packaging Corporation of America), utilizing the closing price per share of each company's common stock on December 26, 2013 and publicly available research estimates for CY2013 EBITDA and CY2014 EBITDA of each peer company. Evercore selected Verso's graphic paper peer group based on the fact that each of the companies in the group is a publicly traded company with significant businesses in the North American coated and uncoated graphic paper markets. Evercore also considered Verso's broader peer group, comprised of publicly traded North American companies in the tissue and industrial and consumer packaging sub-segments of the paper industry with market capitalizations above \$250 million. These companies included International Paper, Rock-Tenn, MeadWestvaco, Packaging Corp. of America, KapStone Paper & Packaging, Grief Inc., Clearwater Paper, Glatfelter, Wausau Paper Corp., and Tembec Inc. Evercore concluded that, given the different growth profile and pricing characteristics represented by companies in the tissue and industrial and consumer packaging sub-segments, none of these companies' trading multiples would be particularly instructive in valuing companies in the coated printing paper sub-segment of the paper industry that NewPage and Verso operate in. Evercore calculated Total Enterprise Value based on the par value of debt and the market value of debt. The analyses

resulted in the following multiples:

**Trading Multiples Analysis Using Book Value of Debt**

Company	Share Price 12/26/13	Market Equity Value	Total Enterprise Value	TEV incl. Pension	TEV /Adjusted EBITDA		TEV + Pension / Adjusted EBITDA	
					2013E	2014E	2013E	2014E
<b>Graphic Paper</b>								
Domtar Corp	\$ 94.46	\$ 3,005	\$3,911	\$ 4,058	6.0x	4.4x	6.2x	4.6x
Sappi	2.93	1,527	3,758	4,268	6.7	5.7	7.6	6.5
Resolute	15.72	1,485	1,828	3,774	4.9	4.5	10.1	9.3
Boise Inc.	9.96	1,005	1,719	1,834	5.5	4.8	5.8	5.1
			<b>Mean</b>		<b>5.7x</b>	<b>4.9x</b>	<b>7.4x</b>	<b>6.4x</b>
			<b>Median</b>		<b>5.7</b>	<b>4.6</b>	<b>6.9</b>	<b>5.8</b>

**Table of Contents****Trading Multiples Analysis Using Market Value of Debt**

Company	Share Price 12/26/13	Market Equity Value	Total Enterprise Value	TEV incl. Pension	TEV /Adjusted EBITDA		TEV + Pension / Adjusted EBITDA	
					2013E	2014E	2013E	2014E
<b>Graphic Paper</b>								
Domtar Corp	\$ 94.46	\$ 3,005	\$ 3,902	\$ 4,049	6.0x	4.4x	6.2x	4.6x
Sappi	2.93	1,527	3,708	4,218	6.6	5.6	7.5	6.4
Resolute	15.72	1,485	1,777	3,723	4.8	4.4	10.0	9.2
Boise Inc.	9.96	1,005	1,719	1,834	5.5	4.8	5.8	5.1
				<b>Mean</b>	<b>5.7x</b>	<b>4.8x</b>	<b>7.4x</b>	<b>6.3x</b>
				<b>Median</b>	<b>5.7</b>	<b>4.6</b>	<b>6.8</b>	<b>5.8</b>

Based on the results of this analysis and Evercore's professional judgment and experience, Evercore selected a TEV/2013 Adjusted EBITDA multiple reference range of 4.5x to 5.0x and a TEV + Pension/Adjusted 2013 EBITDA multiple reference range of 5.0x to 5.5x and a TEV/2014 Adjusted EBITDA multiple reference range of 4.0x to 4.5x and a TEV + Pension/Adjusted 2014 EBITDA multiple reference range of 4.5x to 5.0x. Evercore then applied such reference ranges to the NewPage's estimated 2013 and 2014 EBITDA. Based on this analysis, Evercore derived a range of implied equity values for NewPage on a standalone basis. Evercore also derived a range of implied equity values less pension and OPEB for NewPage on a standalone basis. The results of this analysis are represented in the following table.

**Implied Equity Value Range**

\$742 million to \$879 million

**Implied Equity Value Less Pension / OPEB Range**

\$494 million to \$631 million

**Implied Equity Value Range**

\$653 million to \$797 million

**Implied Equity Value Less Pension / OPEB Range**

\$412 million to \$555 million

Evercore compared the results of this analysis to the Transaction Consideration to be paid by the Verso pursuant to the Merger Agreement, noting that the consideration is above where NewPage would likely be valued on a trading multiple basis. For the purpose of its analysis, Evercore performed a valuation analysis of the pro forma equity of the combined company and concluded that the pro forma combined company equity less pension liabilities would have a valuation of negative \$913 million to \$1,310 million. Evercore assumed that all negative values would be dismissed as any new shares issued in the Merger would be fully paid. Accordingly, Evercore calculated that the shares of Verso common stock issued to NewPage stockholders as part of the Transaction Consideration would be valued at \$0 to approximately \$180 million. Evercore then calculated the total Transaction Consideration would be \$900 million to approximately \$1,080 million. For additional information see below in the section titled "Valuation Analysis: Pro Forma Combined Company."

**Discounted Cash Flow Analysis**

Evercore performed a discounted cash flow analysis of NewPage on a standalone basis, which calculates the present value of a company's future unlevered, after-tax free cash flow based on assumptions with respect to such cash flow and assumed discount rates, in order to derive implied equity value ranges for NewPage as of December 31, 2013 based upon financial forecasts provided by Verso. Evercore calculated the projected after-tax unlevered free cash flows of NewPage for fiscal years 2014 through 2018 and determined a terminal value at the end of 2018 by applying a range of EBITDA multiples of 4.5x to 5.0x (which was based on the multiple range used in the Trading Multiples Analysis described above). Evercore then discounted to present value (utilizing a

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mid-year discounting convention and discounting back to December 31, 2013) the unlevered free cash flows of NewPage and the terminal value, in each case using discount rates ranging from 9.0% to 11.0%. The 9.0% to 11.0% discount rate range was chosen by Evercore based on Evercore's professional judgment and experience and taking into account an analysis of the estimated weighted average cost of capital of NewPage implied by (i) NewPage's cost of equity derived using CAPM methodology which included, among other things, an analysis of selected companies under the Trading Multiples Analysis described above and (ii) the yield on the NewPage's outstanding term loan. Using this analysis, Evercore derived the following ranges of implied equity values and equity values less pension / OPEB for NewPage:

<b>Discount Rate</b>	<b>Terminal Multiple</b>	<b>Implied Equity Value Range</b>
9.0% - 11.0%	4.5x - 5.0x	\$1,020 million to \$1,235 million

**Implied Equity Value Less Pension / OPEB Range**  
\$984 million to \$1,196 million

Evercore compared the results of this analysis to the Transaction Consideration to be paid by Verso pursuant to the Merger Agreement, noting that the consideration is within the range in which NewPage would likely be valued on a discounted cash flow basis.

***Synergies***

Evercore considered the financial implications of the projected cost synergies as calculated by the management of Verso. Verso estimated total annual synergies to be \$175 million. The synergies are projected by Verso to ramp up over time, totaling \$89 million, \$173 million and \$175 million in year 1, year 2 and year 3, respectively, with 100% of the benefit of the synergies to be realized by Verso. Management of Verso estimated total costs to achieve synergies to be \$69 million and \$11 million in year 1 and year 2, respectively, of which 2/3<sup>rds</sup> of the costs will be incurred by NewPage with the remainder incurred by Verso.

***NewPage Plus Synergies***

Evercore performed a valuation analysis of NewPage as well as the benefit and cost of the projected synergies that will accrue to Verso as estimated by Verso's management.

**Trading Multiples Analysis**

Using the multiples from the Trading Multiple Analysis described above, Evercore derived the following range of implied equity values and equity values less pension / OPEB for NewPage:

Using the multiples from the Trading Multiple Analysis described above, Evercore derived the following range of implied equity values and equity values less pension / OPEB for NewPage:

**Implied Equity Value Plus 100% Synergies Range**  
\$1,449 million to \$1,674 million

**Implied Equity Value Less Pension / OPEB Plus 100% Synergies Range**

\$1,289 million to \$1,514 million

**Implied Equity Value Plus 100% Synergies Range**

\$1,273 million to \$1,504 million

**Implied Equity Value Less Pension / OPEB Plus 100% Synergies Range**

\$1,119 million to \$1,350 million

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Evercore compared the results of this analysis to the Transaction Consideration to be paid by Verso pursuant to the Merger Agreement, noting that the consideration is below where NewPage would likely be valued on a trading multiple basis including 100% of the synergies expected to be realized by Verso and projected to occur as a result of the Merger.

**Discounted Cash Flow Analysis**

Evercore performed the Discounted Cash Flow Analysis using the same terminal value and discount rate described above and assuming that 100% of the synergies expected to be realized by Verso and projected to occur as a result of the merger were valued at NewPage. In its analysis, Evercore took into account the costs of funding the pension throughout the projection period.

Using this analysis, Evercore derived the following range of implied equity values and equity values less pension / OPEB for NewPage:

<b>Discount Rate</b>	<b>Terminal Multiple</b>	<b>Implied Equity Value Plus 100% Synergies Range</b>
9.0% - 11.0%	4.5x - 5.0x	\$1,727 million to \$2,030 million
		<b>Implied Equity Value Less Pension / OPEB Plus 100% Synergies Range</b>
		\$1,691 million to \$1,991 million

Evercore compared the results of this analysis to the Transaction Consideration to be paid by Verso pursuant to the Merger Agreement, noting that the consideration is below where NewPage would likely be valued on a discounted cash flow basis including 100% of the synergies expected to be realized by Verso and projected to occur as a result of the Merger.

***Valuation Analysis: Pro Forma Combined Company***

As NewPage shareholders optionholders and restricted stock unitholders are to receive approximately 16.7% (subject to upward adjustment) of the pro forma combined company shares, Evercore performed an analysis of the pro forma combined company utilizing the same trading multiple and discounted cash flow methodologies described above. For the pro forma combined company Discounted Cash Flow Analysis, Evercore utilized a discount rate of 10.0% to 12.0%. The 10.0% to 12.0% discount rate range was chosen by Evercore based on Evercore's professional judgment and experience and taking into account an analysis of the estimated weighted average cost of capital of the pro forma combined company implied by (i) the pro forma combined company's cost of equity derived using CAPM methodology which included, among other things, an analysis of selected companies under the Trading Multiple Analysis described above and (ii) the yield on the pro forma combined company's debt. Evercore valued the equity of the pro forma combined company both including and excluding Verso's and NewPage's unfunded pension liabilities.

**Trading Multiples Analysis**

Evercore calculated a range of implied equity values for the pro forma combined company's common stock utilizing the following trading multiples:



Enterprise value/2014 Adjusted EBITDA

Enterprise value plus unfunded pension liabilities/2014 Adjusted EBITDA

Enterprise value /2014 Adjusted EBITDA with full run rate synergies of \$175 million

Enterprise value plus unfunded pension liabilities/2014 Adjusted EBITDA with full run rate synergies of \$175 million

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Based on the results of this analysis and Evercore's professional judgment and experience, Evercore selected a TEV/2014 Adjusted EBITDA multiple reference range of 4.0x to 4.5x and a TEV + Pension/Adjusted 2014 EBITDA multiple reference range of 4.5x to 5.0x. Evercore then applied such reference ranges to the combined pro forma company's estimated 2014 EBITDA. Based on this analysis, Evercore derived a range of implied equity values for the combined pro forma company. Evercore also derived a range of implied equity values less pension and OPEB for the combined pro forma company. The analyses resulted in the following range of implied equity values and implied equity values including full run rate synergies of \$175 million:

**Implied Equity Value Range**

(\$719) million to (\$498) million

**Implied Equity Value Less Pension / OPEB Range**

(\$913) million to (\$692) million

**Implied Equity Value Plus \$175mm Synergies Range**

(\$19) million to \$290 million

**Implied Equity Value Less Pension / OPEB Plus \$175mm Synergies Range**

(\$126) million to \$183 million

Evercore considered the results of this analysis when considering the value of the shares of Verso common stock to be paid as part of the Merger Consideration.

**Discounted Cash Flow Analysis**

Evercore performed a discounted cash flow analysis of the pro forma combined company using similar methodologies as described above, in order to derive implied equity value ranges for the pro forma combined company as of December 31, 2013 based upon financial forecasts provided by Verso.

Evercore derived the following ranges of implied equity values and equity values less pension / OPEB for the pro forma combined company:

<b>Discount Rate</b>	<b>Terminal Multiple</b>	<b>Implied Equity Value Range</b>
10.0% - 12.0%	4.5x - 5.0x	\$915 million to \$1,366 million

		<b>Implied Equity Value Less Pension / OPEB Range</b>
		\$864 million to \$1,310 million

Evercore considered the results of this analysis when considering the value of the shares of Verso common stock to be paid as part of the Merger Consideration.

***General***

In connection with the review of the Merger by the Verso board of directors, Evercore performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses

or of the summary described above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Evercore's opinion. In arriving at its fairness determination, Evercore considered the results of all the analyses and did not draw, in isolation, conclusions from or with regard to any one analysis or factor considered by it for purposes of its opinion. Rather, Evercore made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses. In addition, Evercore may have considered various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should therefore not be taken to be Evercore's

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view of the value of NewPage or the pro forma combined company. No company used in the above analyses as a comparison is directly comparable to NewPage or Verso. Further, Evercore's analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies or transactions used, including judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Verso or its advisors.

Evercore prepared these analyses solely for the purpose of providing an opinion to the Verso board of directors as to the fairness, from a financial point of view, of the Transaction Consideration to be paid by Verso. These analyses do not purport to be appraisals of NewPage or Verso or to necessarily reflect the prices at which the securities of NewPage or Verso actually may trade. Any estimates contained in these analyses are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by such estimates. Accordingly, estimates used in, and the results derived from, Evercore's analyses are inherently subject to substantial uncertainty, and Evercore assumes no responsibility if future results are materially different from those forecasted in such estimates. The issuance of the fairness opinion was approved by an opinion committee of Evercore.

Under the terms of Evercore's engagement, Evercore provided the Verso board of directors with financial advisory services and a financial opinion in connection with the Merger. Pursuant to the terms of its engagement letter, Verso has agreed to pay Evercore fees for its services in connection with its engagement, including an opinion fee and a success fee. Evercore was entitled to receive an opinion fee of \$1,000,000 upon delivery of its fairness opinion to the Verso board of directors on December 28, 2013. As of the date of this joint proxy and information statement/prospectus, Evercore is also entitled to receive a success fee of \$5,000,000 following consummation of the Merger. In the event the Merger is not consummated, Evercore will be entitled to receive a work fee of \$1,000,000.

In addition, Evercore has been engaged to act as a co-dealer manager for the Exchange Offers, with expected fees and commissions as is customary in similar assignments.

Verso has agreed to reimburse Evercore for its reasonable out-of-pocket expenses (including reasonable legal fees, expenses and disbursements) incurred in connection with its engagement and to indemnify Evercore and any of its members, partners, officers, directors, advisors, representatives, employees, agents, affiliates or controlling persons, if any, against certain liabilities and expenses arising out of its engagement and any related transaction.

In the ordinary course of business, Evercore or its affiliates may actively trade the securities, or related derivative securities, or financial instruments of NewPage or Verso and their respective affiliates, for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities or instruments.

The Verso board of directors engaged Evercore to act as a financial advisor based on its qualifications, experience and reputation. Evercore is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses in connection with mergers and acquisitions, leveraged buyouts, competitive biddings, private placements and valuations for corporate and other purposes.

## **Solvency Opinion**

At the request of the boards of directors of Verso and NewPage (collectively, the **Boards**) and in connection with the Merger and the related financing and other transactions (collectively, the **Transaction**), Murray, Devine & Co., Inc. (**Murray Devine**) furnished its opinion dated January 16, 2014 as to the solvency of Verso and its subsidiaries after giving effect to the Transaction (the **Opinion**). The Opinion was rendered solely for the benefit of Verso, NewPage

and the Boards as additional third party support for their own due diligence procedures in connection with the Transaction and may not be relied upon by any other party.

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**A copy of the Opinion is attached hereto as Annex E and should be reviewed in its entirety. The following summary of the Opinion and the procedures followed in its preparation is expressly qualified by the definitions, terms, assumptions and limiting conditions contained in the Opinion.**

Murray Devine presented an initial oral report analyzing the projected post-Transaction solvency of Verso and its subsidiaries based on certain information and procedures agreed to by Murray Devine and Verso to the NewPage board of directors on December 22, 2013 and to the Verso board of directors on December 28, 2013. Murray Devine subsequently issued the Opinion to each of the Verso and NewPage boards of directors on January 16, 2014.

The procedures undertaken in Murray Devine's preparation of the Opinion were limited to the review of certain documents specified in the Opinion, interviews with management of Verso and NewPage and the preparation of the analyses outlined below. In preparing the Opinion, Murray Devine relied upon data, material, projections and other information furnished by Verso and others as well as upon information contained in publicly available reports and statements. Murray Devine relied on the accuracy and completeness of such information without independent verification. The Opinion is valid only for the pro forma capital structure assumed by the Projections immediately after giving effect to the Transaction and is not valid for any subsequent action or event not specifically referenced in the Opinion.

In the ordinary course of its business, Murray Devine includes language in all of its engagement letters, solvency opinions and fairness opinions to the effect that such solvency opinions and fairness opinions may only be relied upon by the boards of directors of Murray Devine's client and the counterparty to such client, as applicable (in this instance, Verso and NewPage) and not such client's shareholders. The basis for this assertion is Murray Devine's belief that any such solvency opinion or fairness opinion, as applicable, has been prepared for, and with a view towards, such boards of directors and their deliberations and not the investment decisions of such client's stockholders. Murray Devine is a third party advisor to Verso and its Board of Directors, which is in turn acting in a fiduciary capacity with respect to Verso's stockholders. However, Murray Devine has no fiduciary, contractual or other obligation to Verso's stockholders. With respect to whether or not such a disclaimer may serve as a defense against shareholder lawsuits brought against Murray Devine under applicable federal or state securities laws, Murray Devine believes that (i) any such lawsuits would need to be adjudged by a court of competent jurisdiction but that the limitation on reliance in its solvency opinion would be asserted and (ii) the availability or non-availability of such a defense would not alter the rights and responsibilities of Murray Devine under applicable federal securities law or Verso's board of directors under applicable state law.

***Cash Flow Analysis:***

Murray Devine was provided with a five year consolidated financial projection model for Verso covering the fiscal years ending December 31, 2014 through 2018, including summary income statements, cash flow accounts and debt schedules prepared by the management of Verso (the Projections). Over the five year Projection period, the Projections assumed that net debt was to decrease from approximately \$2.5 billion at the expected close of the Transaction to approximately \$1.4 billion at December 31, 2018.

Murray Devine created a financial model based on the Projections and the assumptions used as the foundation for those Projections. This model was then used to analyze Verso's ability to operate the business and repay debt based on the projected cash flows. The Murray Devine financial model broke the Projections down into quarterly periods for the testing of financial liquidity through the projection period as required to meet operating and debt obligations.

Murray Devine examined scenarios in which certain projection factors were stressed to evaluate (i) Verso's ability to pay its debt obligations when due, and (ii) whether Verso has adequate capital to conduct its business. The sensitivity

analyses were performed independently and sensitized revenue growth, EBITDA margins, a combination of both and interest rate levels.

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***Valuation Analysis:***

***Multiple of EBITDA Method***

Murray Devine researched public companies that operate in similar line(s) of business as Verso. All of the selected companies operate in the paper industry. Multiples of EBITDA were calculated for these companies based on estimated 2013 and 2014 EBITDA levels. Multiples were then selected and applied to Verso's estimated pro forma 2013 and 2014 EBITDA after giving effect to the Transaction. After adding back cash and non-operating assets and deducting debt, debt-free liabilities, and other identified contingencies, the resulting asset values exceeded liabilities of Verso post Transaction.

***Discounted Free Cash Flow Method***

The discounted free cash flow ( DCF ) analyses used by Murray Devine were based on the Projections provided by Verso for the fiscal years ending December 31, 2014 through 2018. In the DCF, the calculation of the cost of equity for Verso was based on the Capital Asset Pricing Model. The cost of debt and projected capital structure were based on Verso's specific projected capital structure and interest rates. Based on the Projections and market information, Murray Devine assumed (i) a levered cost of equity ranging from 14.5% to 20.9%, (ii) a capital structure ranging from 74% debt/26% equity to 58% debt/42% equity, and (iii) a perpetuity capital structure of 50% debt/50% equity. The Projection's pre-tax weighted average cost of debt over the Projection period ranged from approximately 10% to 11%. The after-tax cost of debt was based on an assumed effective tax rate of 35%. The weighted average cost of capital ranged from 10.4% to 10.8%. After adding back cash and non-operating assets and deducting debt, debt-free liabilities, and other identified contingencies, the resulting asset values exceeded the liabilities of Verso post Transaction.

***Opinion:***

Based solely upon the foregoing and subject to the assumptions and qualifications set forth in the Opinion, Murray Devine was of the opinion on and as of the date of the Opinion that, on the closing date after giving effect to the Transaction:

- a) the fair value and present fair saleable value of the assets of Verso and its subsidiaries (on a consolidated basis) exceed their total liabilities (including contingent, subordinated, unmatured and unliquidated liabilities);
- b) Verso and its subsidiaries (on a consolidated basis) have the ability to pay their debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities) as they become absolute and matured or due in the normal or usual course of business; and
- c) Verso and its subsidiaries (on a consolidated basis) do not have an unreasonably small amount of capital with which to conduct their business.

The Opinion does not in any way constitute a recommendation regarding the Transaction and does not address the relative merits of any alternative transactions or business strategies.



***Terms of the Financial Arrangement with Murray Devine:***

Pursuant to its letter agreement with Verso, Murray Devine has been paid \$450,000 for its services in connection with rendering the opinion. If a bringdown solvency opinion is required in connection with closing of the Merger, Verso has agreed to pay Murray Devine an additional fee of \$150,000. Verso has not paid Murray Devine any other consideration in the last two years. Verso also has agreed to reimburse Murray Devine for its out-of-pocket expenses and to indemnify and hold harmless Murray Devine and its affiliates and any person, director or any person controlling Murray Devine or its shareholders, agents and employees, for losses, claims, damages, expenses and liabilities relating to or arising out of services provided by Murray Devine in rendering its

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opinion. Verso and Murray Devine believe that the terms of Murray Devine's engagement are customary for opinions of this nature and they were negotiated at arm's-length between Murray Devine and Verso with Verso's board of directors aware of such terms.

The Verso board of directors engaged Murray Devine to deliver the Opinion and related services based on its qualifications, experience and reputation. Murray Devine regularly provides financial opinions and advisory services to many of the premier private equity, corporate, venture capital, and commercial banking institutions in the country and Murray Devine routinely participates in mergers, acquisitions, and recapitalizations in a broad array of industries.

**Interests of NewPage Directors and Executive Officers in the Merger**

In considering the recommendation of the board of directors of NewPage, NewPage's shareholders should be aware that certain directors and executive officers of NewPage will have interests in the Merger that are different from, or in addition to, the interests of NewPage's stockholders generally. These interests are described in more detail below, and with respect to the named executive officers of NewPage, are quantified below. The board of directors of NewPage was aware of these interests and considered them when it adopted the Merger Agreement and approved the Merger.

***Outstanding Stock Options***

NewPage has awarded stock options to acquire NewPage common stock to its executive officers under the NewPage Holdings 2012 Long-Term Incentive Plan (the "LTIP"). When NewPage paid the Recapitalization Dividend to its stockholders, as described in "Transaction Consideration" Form of Transaction Consideration above, it adjusted the exercise price of each outstanding option by reducing it by the amount payable in respect of one share of NewPage common stock. As of the effective time of the Merger, each outstanding option that is an in-the-money option (which are all outstanding options immediately prior to the effective time that had an exercise price of \$108.72 as of the date of the Merger Agreement) will become fully vested and, as of the closing of the Merger, will be automatically cancelled and converted into the right of the optionholder to receive consideration equal to the difference between (i) the per share aggregate Transaction Consideration and (ii) the exercise price of such in-the-money option (determined without regard to any adjustment in respect of the Recapitalization Dividend described in the preceding sentence). In the event an optionholder executes an optionholder acknowledgement, the form of consideration such holder will be entitled to receive will be a combination of cash consideration, note consideration and share consideration as determined by the board of directors of NewPage based on the proportionate amount of each form of consideration payable in respect of one share of NewPage's common stock, taking into account the cash paid in connection with the Recapitalization Dividend. In the event an optionholder does not execute the optionholder acknowledgement, the form of consideration such holder will be entitled to receive will be a combination of cash consideration, note consideration and share consideration as determined by the board of directors of NewPage based on the proportionate amount of each form of consideration payable in respect of one share of NewPage's common stock at closing. Each form of consideration payable to optionholders will be reduced on a pro rata basis by amounts that are required to be withheld under any applicable tax laws. The Surviving Corporation or its subsidiaries will be required to issue the consideration payable to the former optionholders as soon as reasonably practicable following the closing date, subject to their execution of a stockholder consent and release. All options that are not in-the-money options will be automatically cancelled and terminated without payment as of the effective time of the Merger.

The estimated values of the Transaction Consideration that NewPage's executive officers will receive in respect of their in-the-money stock options in connection with the Merger, as described above, are quantified below. The estimated values are based on the equity award holdings of NewPage's executive officers as of June 30, 2014, and assume that no additional stock options will be granted to, and no stock options will be exercised by, the executive officers between June 30, 2014 and the completion of the Merger. Further, the values



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are based on a \$125.26 share price of NewPage's common stock on January 3, 2014, the date of the first public announcement of the Merger. Since NewPage's common stock is not publicly traded, we could not estimate the value of such stock based on a closing market price. The \$125.26 share price is an estimate of the value, as of January 3, 2014, of the aggregate Transaction Consideration that one share of NewPage's common stock will receive in the Merger, including the Recapitalization Dividend (valuing the New First Lien Notes at face value, using a ten-day volume-weighted average closing price per share as of a date that was shortly before the signing of the Merger Agreement to value the Verso common stock, and excluding the value of any ticking fee amount payable). The estimated value of each in-the-money stock option is calculated as the difference between (a) \$125.26 and (b) the exercise price of the in-the-money stock option as of the date hereof, which is \$108.72.

The estimated values of the Transaction Consideration that NewPage's executive officers will receive in respect of their in-the-money stock options in connection with the Merger, as described above, are as follows: Mr. Martin, \$1,691,496; Mr. Epstein, \$879,581; Mr. Santez, \$236,803; Mr. Grill, \$112,439; Ms. Sheffield, \$112,439; and the other executive officers (as a group), \$1,420,869. None of NewPage's non-employee directors holds any stock options.

***Outstanding Restricted Stock Units***

NewPage has awarded RSUs to its executive officers and non-employee directors under the LTIP. Each holder of RSUs that were outstanding on the date the Recapitalization Dividend was paid to NewPage stockholders, is entitled to receive a dividend equivalent in respect of each such RSU equal to the amount payable in respect of one share of NewPage common stock in connection with the Recapitalization Dividend. Such dividend equivalent payable in respect of each RSU will be paid to its holder, less any amounts that are required to be withheld under applicable tax laws, on the date on which the NewPage common stock underlying the RSU is distributed to the holder in accordance with the terms of the applicable RSU award agreement. Upon the closing of the Merger, each holder of RSUs will be entitled to receive payment of any outstanding and unpaid dividend equivalents in respect of the RSUs held by such individual.

As of the effective time of the Merger, each RSU, whether vested or unvested, will become fully vested. At the closing of the Merger, each RSU will be cancelled and automatically converted into the right of the holder of each RSU outstanding immediately prior to the effective time of the merger to receive, promptly following the closing of the Merger, the cash consideration, note consideration and share consideration to which one share of NewPage common stock is entitled at closing, reduced on a pro rata basis by the amounts that are required to be withheld or deducted under any applicable tax laws. The Surviving Corporation or its subsidiaries will be required to issue such consideration to the former RSU holders subject to their execution of a stockholder consent and release.

The estimated values of the Transaction Consideration that NewPage's executive officers and non-employee directors will receive in respect of their RSUs in connection with the Merger (including amounts paid in respect of dividend equivalents), as described above, are quantified below. The estimated values are based on the equity award holdings of NewPage's executive officers and non-employee directors as of June 30, 2014, and assume that no additional RSUs will be granted to the executive officers and non-employee directors between June 30, 2014 and the completion of the Merger. Further, the values are based on a \$125.26 share price of NewPage's common stock on January 3, 2014, the date of the first public announcement of the Merger, as described above in the section entitled "The Merger Interests of NewPage Directors and Executive Officers in the Merger Outstanding Stock Options." The estimated value of each RSU is calculated as the product of (a) \$125.26 and (b) the number of shares of NewPage common stock subject to such RSU.

The estimated values of the Transaction Consideration that NewPage's executive officers and non-employee directors will receive in respect of their RSUs in connection with the Merger (including amounts paid in respect of dividend

equivalent rights), as described above, are as follows: Mr. Martin, \$2,603,153; Mr. Epstein, \$1,349,301; Mr. Santez, \$362,252; Mr. Grill, \$171,982; Ms. Sheffield, \$172,984; the other executive officers (as a group), \$2,186,664; and the 7 non-employee directors (as a group), \$1,196,734.

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***Employment Agreements with Messrs. Martin, Epstein, Santez and three other executive officers***

Each of Messrs. Martin, Epstein, Santez, and three other executive officers is party to an employment agreement with NewPage under which each is entitled to receive the severance payments and benefits described below if his employment is terminated by NewPage without cause or by the executive for good reason (as such terms are defined in the employment agreements), subject to the executive's execution, and non-revocation, of a general release:

A lump sum cash severance payment equal to two times the executive's base salary. For Mr. Martin only, if his employment is terminated by NewPage without cause or by Mr. Martin for good reason, in each case within one year following the occurrence of a change in control of NewPage (which would include the Merger), he will be entitled to receive a lump sum cash severance payment equal to three times his base salary.

A prorated short-term incentive award for the calendar year in which the executive's termination date occurs (to the extent not already paid), calculated by multiplying the short-term incentive award paid to the executive for the calendar year prior to the calendar year in which the executive's termination date occurs by a fraction, the numerator of which is the number of days in the current calendar year through the termination date and the denominator of which is 365.

Continuation of medical, dental and vision benefits through the end of the month in which the executive's termination date occurs. The executives are also able to continue coverage at the active employee rate for up to two years post-termination under their employment agreements.

Outplacement services for up to 12 months.

Cause is defined in the employment agreements and generally means the occurrence of any of the following events or actions that, in the case of items (ii) through (iv), remains uncured by the executive ten (10) business days after receipt of written notice from NewPage: (i) the executive's conviction of a felony, (ii) the executive's material breach of the employment agreement, (iii) the executive's willful failure to materially perform his duties and responsibilities, (iv) the executive's willful failure to materially comply with any lawful policy adopted by NewPage and communicated to the executive in writing, or (v) the executive's willful misconduct in performing his material duties to NewPage.

Good Reason is defined in the employment agreements and generally means the occurrence of any of the following events or actions that remains uncured by NewPage ten (10) business days after receipt of written notice from the executive: (i) a reduction in the executive's base salary or bonus target, (ii) a material failure by NewPage to pay any base salary, bonus or other compensation (including equity compensation) to the executive when due, (iii) a material adverse change in the executive's title or a material diminution in the executive's authority, (iv) a material reduction in the aggregate benefits to which the executive is entitled, other than any reduction related to a broader reduction in benefits by NewPage that is not limited to any particular employee or executive, (v) the assignment to the executive of any material duty materially inconsistent with the executive's position, (vi) the relocation of the executive's principal place of employment more than 50 miles or (vii) NewPage's breach of the directors and officers liability insurance and indemnification provisions set forth in the employment agreement.

The employment agreements provide that in the event that the payments and benefits to be paid or provided to the executive under the employment agreement or otherwise would be subject to any excise taxes triggered under Section 4999 of the Internal Revenue Code of 1986, as amended (the Code ), such payments and benefits will be reduced to the extent necessary so that no payments or benefits will be subject to such excise taxes if, after such reduction, the aggregate amount of such payments and benefits would be greater on an after-tax basis than if no reduction applied and the executive received all payments and benefits and paid all taxes on such payments and benefits, including all excise taxes triggered under Section 4999 of the Code. In addition, pursuant to the employment agreements, each executive is subject to certain restrictive covenants, including a mutual non-disparagement covenant and non-competition and non-solicitation (of customers and employees) restrictions that run for two years following termination of employment for any reason.

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For an estimate of the amounts payable to the named executive officers under their employment agreements in connection with a qualifying termination of employment following the Merger, as described above, see the section below entitled *The Merger Interests of NewPage Directors and Executive Officers in the Merger Golden Parachute Compensation*. Based on compensation levels as of June 30, 2014, the estimated aggregate value of the cash severance, short-term incentive award, outplacement services and continued benefits that would be payable or provided to NewPage's three other executive officers, as a group, under their employment agreements upon qualifying terminations of employment on June 30, 2014, is \$2,734,072.

***Severance Pay Plan***

Mr. Grill and Ms. Sheffield participate in the NewPage Corporation Severance Pay Plan for Non-Union Employee (the *Severance Plan*). Mr. Grill and Ms. Sheffield are eligible to receive the following severance payments and benefits under the *Severance Plan* if they experience a qualifying termination of employment, as described in the *Severance Plan*, execute a general release and agree to certain non-solicitation restrictions with respect to NewPage's employees: (i) base salary continuation for a period of 52 weeks for Mr. Grill and 104 weeks for Ms. Sheffield, (ii) pursuant to the short-term incentive plan, a prorated short-term incentive award for the year of termination (iii) outplacement services for up to six (6) months and (iv) continued health, dental, vision, employee assistance and basic life insurance benefits for up to six (6) months. A qualifying termination of employment under the *Severance Plan* generally includes, among other things, (x) the elimination of a participating employee's position with NewPage, unless NewPage offers the employee a substantially equivalent position (as defined in the *Severance Plan*), (y) NewPage sells all of its business at the location where the employee works, unless the buyer offers the employee a substantially equivalent position or the employee accepts an offer of employment (whether or not a substantially equivalent position) with the buyer, or (z) the employee is discharged without cause (as defined in the *Severance Plan*).

Pursuant to a written designation, NewPage modified the base salary continuation period under the *Severance Plan* for Ms. Sheffield from 52 weeks to 104 weeks. The maximum base salary continuation period for other employees under the *Severance Plan* is 52 weeks.

For an estimate of the amounts payable to Mr. Grill and Ms. Sheffield under the *Severance Plan* in connection with a qualifying termination of employment following the Merger, see the section below entitled *The Merger Interests of NewPage Directors and Executive Officers in the Merger Golden Parachute Compensation*.

***Agreement with Mark A. Angelson***

Mr. Angelson, Chairman of the Board of Directors of NewPage, is party to an agreement with NewPage under which NewPage is required to make a contribution to one or more charities designated by Mr. Angelson in the amount of \$100,000 each month beginning in January 2013 and continuing throughout Mr. Angelson's service as a director of NewPage. In addition, if a significant merger or other business transaction (which includes the Merger) is completed while Mr. Angelson is a director of NewPage or within six (6) months after he ceases to be a director (unless he resigns voluntarily or is discharged for cause, as defined in the agreement), NewPage will make an additional one-time contribution to one or more charities designated by Mr. Angelson in an amount equal to \$1 million during months one through ten of Mr. Angelson's term as a director, which contribution will increase by \$100,000 per month thereafter until a cap of \$2 million is reached. This one-time contribution will be payable on the closing of such transaction. Mr. Angelson will also receive a tax gross-up sufficient to offset any tax liability imposed on him as a result of the foregoing contributions. Assuming that the consummation of the Merger occurred on June 30, 2014, the amount of the one-time contribution that NewPage will be required to make to one or more charities designated by Mr. Angelson is \$1,900,000. In addition, Mr. Angelson will be reimbursed for out-of-pocket expenses incurred in



connection with his service as director. No other compensation or benefits are to be paid to Mr. Angelson for his service as a director or in connection with the Merger.

**Table of Contents*****Indemnification and Insurance***

Pursuant to the terms of the Merger Agreement, NewPage's directors and officers will be entitled to certain ongoing indemnification and coverage under directors' and officers' liability insurance policies from NewPage. See the section entitled "The Merger Agreement Indemnification; Directors' and Officers' and Fiduciary Liability Insurance" for a description of such ongoing indemnification and coverage obligations.

**Payments to Verso Executive Officers Contingent Upon the Merger**

The employment agreement with Verso's chief executive officer, David J. Paterson, effective as of May 14, 2012, contains a conditional right to be granted a stock option entitling Mr. Paterson to purchase an additional 200,000 shares of Verso common stock at an exercise price equal to the fair market value per share on the grant date, immediately after closing of any merger, acquisition or other business combination that is material to Verso's business. As a result, immediately after the closing of the Merger, Mr. Paterson will be granted a stock option under the Amended and Restated 2008 Incentive Award Plan to purchase 200,000 shares of Verso common stock with an exercise price equal to the fair market value per share on the date of the closing of the Merger.

**Golden Parachute Compensation**

This section sets forth the information required by Item 402(t) of Regulation S-K regarding the compensation for each named executive officer of NewPage that is based on or otherwise relates to the Merger. The following table sets forth the amount of payments and benefits that each named executive officer of NewPage would receive in connection with the Merger that are based on or otherwise relate to the Merger, assuming the consummation of the Merger occurred on June 30, 2014, based on compensation levels as of such date and assuming the employment of the named executive officer was terminated by NewPage without cause or by the executive for good reason (as such terms are defined in the executive's employment agreement), in each case on such date. For additional details regarding the terms and conditions of the payments and benefits quantified below, see the section above entitled "The Merger Interests of NewPage Directors and Executive Officers in the Merger." The amounts reported below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including assumptions described in this document. As a result of these assumptions, the actual amounts, if any, to be received by a named executive officer may materially differ from the amounts set forth below.

**Golden Parachute Compensation**

<b>Name</b>	<b>Cash (1)</b>	<b>Equity (2)</b>	<b>Perquisites /Benefits (3)</b>	<b>Other (4)</b>	<b>Total</b>
George F. Martin (President and Chief Executive Officer)	\$ 2,689,932	\$ 4,294,650	\$ 19,250	\$ 25,000	\$ 7,028,832
Jay A. Epstein (Senior Vice President, Chief Financial Officer)	1,136,161	2,228,881	25,925	10,000	3,400,967
David L. Santez (Senior Vice President, General Counsel and Secretary)	683,914	599,055	29,291	10,000	1,322,260
Glenn R. Grill					

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(Vice President Human Resources) Linda Sheffield	392,268	284,421	7,554	10,000	694,243
(Vice President, Controller and Chief Accounting Officer)	641,507	285,423	6,278	10,000	943,208

- (1) Amount equals the sum of (i) the cash severance amount payable in a lump sum to Messrs. Martin, Epstein and Santez under the terms of their employment agreement, (ii) base salary continuation payable to

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Mr. Grill and Ms. Sheffield under the Severance Plan, (iii) the prorated short-term incentive award payable to Messrs. Martin, Epstein and Santez under the terms of their employment agreement, in each case upon a qualifying termination of employment within one (1) year following the occurrence of a change in control of NewPage (which includes the Merger), as described above in the section entitled *The Merger Interests of NewPage Directors and Executive Officers in the Merger* and (iv) a prorated short-term incentive award payable to Mr. Grill and Ms. Sheffield pursuant to the terms of the short term incentive plan. Messrs. Martin, Epstein and Santez are entitled to receive a lump sum cash severance payment equal to two (2) times their base salary upon a qualifying termination of employment, regardless of whether the qualifying termination is in connection with a change in control under their employment agreements. Mr. Grill is entitled to receive 52 weeks of base salary continuation and Ms. Sheffield is entitled to receive 104 weeks of base salary continuation under the Severance Plan, and each is entitled to receive a prorated short-term incentive award upon a qualifying termination of employment, regardless of whether the qualifying termination is in connection with a change in control. For Mr. Martin only, if his qualifying termination of employment occurs within one (1) year following the occurrence of a change in control of NewPage (which would include the Merger), his severance multiplier will increase from two (2) times to three (3) times his base salary. The additional one (1) times base salary severance payment that Mr. Martin would be entitled to receive under his employment agreement upon a qualifying termination of employment within one (1) year following a change in control of NewPage is a double-trigger arrangement because it is conditioned on both the occurrence of a change in control and Mr. Martin's termination of employment. The two (2) times base salary severance payments, base salary continuation, prorated short-term incentive award payments and the severance benefits payable to the named executive officers under their employment agreements, the short term incentive plan and the Severance Plan are not required to be quantified in the above table by Item 402(t) of Regulation S-K because such payments and benefits are triggered solely by a termination of employment, regardless of the occurrence of a change in control, and therefore they are not based on and do not relate to the Merger. However, we have quantified such severance payments and benefits in the above table for purposes of completeness. The severance payments and benefits payable to Messrs. Martin, Epstein and Santez under their employment agreements are conditioned on the executive's compliance with certain restrictive covenants, including a mutual non-disparagement covenant and non-competition and non-solicitation (of customers and employees) restrictions that run for two (2) years following a termination of employment for any reason. The severance payments and benefits payable to Mr. Grill and Ms. Sheffield under the Severance Plan are conditioned on the executive's executing a general release and agreeing to certain non-solicitation restrictions.

- (2) Amount includes (i) the value of the Transaction Consideration that the named executive officer will receive in connection with the Merger in respect of the in-the-money stock options held by the executive as of June 30, 2014, and (ii) the value of the Transaction Consideration that the named executive officer will receive in connection with the Merger in respect of the RSUs held by the executive as of June 30, 2014 (including amounts paid in respect of dividend equivalents), in each case as described above in the section entitled *The Merger Interests of NewPage Directors and Executive Officers in the Merger*. For a description of how we estimated the value of the Transaction Consideration that each named executive officer will receive in respect of his in-the-money stock options and RSUs, see the section above entitled *The Merger Interests of NewPage Directors and Executive Officers in the Merger*. The cash-out of in-the-money stock options and RSUs in connection with the Merger is a single-trigger arrangement because it is triggered solely by the consummation of the Merger.
- (3) Amount includes the medical, dental and vision continuation benefits that the executive will be eligible to receive under the terms of their employment agreement or Severance Plan, as applicable, upon a qualifying termination of employment within one year following the occurrence of a change in control (which includes the Merger), as described above in the section entitled *The Merger Interests of NewPage Directors and Executive Officers in the Merger*. These benefits are not required to be quantified in the above table by Item 402(t) of Regulation S-K because they are triggered solely by a termination of employment, regardless of the occurrence of a change in

control, and therefore they are not based on and do not relate to the Merger. However, we have quantified these benefits in the above table for purposes of completeness.

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- (4) Amount includes the outplacement services that the executive will be eligible to receive under the terms of their employment agreement or Severance Plan, as applicable, upon a qualifying termination of employment within one year following the occurrence of a change in control (which includes the Merger), as described above in the section entitled *The Merger Interests of NewPage Directors and Executive Officers in the Merger*. This benefit is not required to be quantified in the above table by Item 402(t) of Regulation S-K because it is triggered solely by a termination of employment, regardless of the occurrence of a change in control, and therefore it is not based on and does not relate to the Merger. However, we have quantified this benefit in the above table for purposes of completeness.

## **Board of Directors and Officers of Verso after the Merger**

The directors and officers of Verso prior to the effective time of the Merger will continue to be the directors and officers of Verso immediately following the Merger and will manage the combined companies following the Merger, including NewPage. In connection with the Merger, Verso has agreed to extend an offer to one of the existing members of the NewPage board of directors to serve as a director on the Verso board of directors, and the stockholders of Verso will vote on the election of such person to the Verso board of directors at the first annual meeting of stockholders of Verso with a proxy mailing date after the effective time of the Merger. See *Director Appointment Letter* below for more details.

## **Regulatory Approvals**

Under the antitrust or competition laws of the United States, Verso and NewPage cannot complete the Merger until they file certain required notifications and report forms with the relevant antitrust or competition governmental entities and, where applicable, receive clearance (including the expiration or termination of applicable waiting periods) from such governmental entities to complete the Merger. Verso and NewPage are not currently aware of any other material governmental consents, approvals or filings that are required prior to the parties' completion of the Merger other than those described below. If additional approvals, consents and filings are required to complete the Merger, Verso and NewPage intend to seek such consents and approvals and make such filings. Although Verso and NewPage believe that they will receive the required consents and approvals described below to complete the Merger, Verso and NewPage cannot give any assurance as to the timing of these consents and approvals or as to Verso's and NewPage's ultimate ability to obtain such consents or approvals (or any additional consents or approvals which may otherwise become necessary) or that Verso and NewPage will obtain such consents or approvals on terms and subject to conditions satisfactory to Verso and NewPage.

Verso and NewPage have filed required antitrust documents relating to the Merger under the HSR Act with the FTC and the DOJ, and have received approvals from the FERC and PSCW, in each case as described in more detail below.

## ***HSR Act***

The Merger is subject to the requirements of the HSR Act and the related rules and regulations, which provide that certain acquisitions may not be completed until required information has been furnished to the Antitrust Division of the DOJ and the FTC and until the waiting period has been terminated or has expired. The expiration or early termination of the HSR Act waiting period would not preclude the Antitrust Division of the DOJ or the FTC from challenging the Merger on antitrust grounds and seeking to preliminarily or permanently enjoin the proposed Merger. Although the parties believe the completion of the Merger will not likely be prevented by antitrust law, the Antitrust Division of the DOJ or the FTC may take a different position. If the Merger is not completed within twelve months after the expiration or early termination of the HSR Act waiting period, Verso and NewPage will need to submit new information to the Antitrust Division of the DOJ and the FTC, and wait for the expiration or early termination of a new HSR Act waiting period before Verso and NewPage could complete the Merger.



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On February 28, 2014, Verso and NewPage filed Notification and Report Forms with the DOJ and FTC. On March 31, 2014, the parties received a Request for Additional Information and Documentary Materials, referred to as a second request, from the DOJ regarding the Merger. The effect of the second request was to extend the waiting period imposed by the HSR Act until 30 days after each party has substantially complied with the second request, unless that period is terminated sooner by the DOJ or is extended by the agreement of the parties and the DOJ. The parties have responded to the second request and will continue to work cooperatively with the DOJ in connection with this review.

## ***Energy Regulatory Approvals***

The receipt of certain energy regulatory approvals is a condition to each of Verso's and NewPage's obligation to close the Merger. A condition to each party's obligation to close the Merger (i) is the approval by FERC for Authorization under Section 203 of the Federal Power Act, pursuant to an application submitted by Consolidated Water Power Company, Escanaba Paper Company, Luke Paper Company, NewPage Energy Services LLC, Rumford Paper Company, Merger Sub, Verso and NewPage Corporation, and (ii) approval by the PSCW (a) as a takeover of a holding company under Wis. Stat. s. 196.795(3), as interpreted by Petition by NewPage Holding Corp., et al., PSCW Docket 1330- DR-101 (Final Decision, Dec. 11, 2007) and (b) as a reorganization of Consolidated Water Power Company, a public utility, under Wis. Stat. s. 196.79, as interpreted by Petition by NewPage Holding Corp., et al., PSCW Docket 1330-DR-101 (Final Decision, Dec. 11, 2007), pursuant to an application submitted by Consolidated Water Power Company, NewPage Corporation, NewPage Wisconsin System Inc., Merger Sub Inc., Verso and VPI. As of the date of this joint proxy and information statement/prospectus, the parties have received the approvals from FERC and the PSCW mentioned in the preceding sentence.

## **New York Stock Exchange Listing of Verso Common Stock Issued in the Merger**

Pursuant to the Merger Agreement, Verso has agreed to use its reasonable best efforts to cause the shares of Verso common stock to be issued in the Merger to be approved for listing on the New York Stock Exchange, subject to official notice of issuance, prior to the effective time of the Merger. Verso has also agreed to use its reasonable best efforts to remain in compliance with the applicable listing and maintenance requirements and corporate governance rules and regulations of the New York Stock Exchange. If the shares of Verso common stock to be issued as part of the Merger Consideration are not approved for listing on the NYSE, NewPage is not obligated to close the Merger.

## **Exchange of Shares of NewPage Common Stock**

Verso will appoint a paying agent for the payment of the Merger Consideration in exchange for shares of NewPage common stock. Promptly after the effective time of the Merger, Verso will mail or cause the paying agent to mail to each holder of record of NewPage common stock a stockholder release, cooperation agreement and instructions for effecting the surrender of stock certificates in exchange for the payment of the Merger Consideration described above to be made to the holder of such certificates. Upon surrender or transfer of shares of NewPage common stock to the paying agent, together with a properly completed stockholder release and such other evidence as the paying agent may reasonably require, the holder of such shares will be entitled to receive the Merger Consideration for each share of NewPage common stock. The paying agent, the Surviving Corporation and Verso are entitled to deduct and withhold any applicable taxes from any Merger Consideration that would otherwise be payable.

## **Fractional Shares**

Verso will not issue any fractional shares of Verso common stock in connection with the Merger. Instead, each holder of NewPage common stock who would otherwise be entitled to receive a fraction of a share of Verso common stock will have the aggregate amount of Verso common stock to be issued to such holder equitably





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adjusted (by rounding up or down to the nearest whole share, as appropriate) such that the NewPage stockholders receive only whole shares of Verso common Stock, with no adjustment in the aggregate amount of Verso common stock to be issued in the Merger.

### **Minimum Denomination of New First Lien Notes**

No denomination of New First Lien Notes less than \$2,000 will be issued in the Merger, but in lieu thereof each NewPage stockholder otherwise entitled to a lower amount of New First Lien Notes will have the aggregate amount of such New First Lien Notes to be issued to such holder equitably adjusted (by rounding up or down to the nearest whole denomination or increment, as appropriate) such that NewPage stockholders receive only New First Lien Notes in denominations of \$2,000 with fully integral multiples of \$1,000 in excess of \$2,000, with no adjustment in the aggregate amount of New First Lien Notes to be issued in the Merger.

### **NewPage Stockholder Appraisal Rights**

NOTICE IS HEREBY GIVEN pursuant to Section 228(e) of the DGCL that it is expected that the holders of a majority of the issued and outstanding shares of common stock, par value \$0.001 per share, of NewPage will adopt the Merger Agreement between Verso, Merger Sub and NewPage. This Notice is being mailed to the persons, who were stockholders of NewPage at the close of business on the day next preceding the day on which this Notice is given. This Notice affords the notice to non-consenting stockholders required by Section 228(e) of the DGCL.

Under the DGCL, NewPage stockholders (sometimes referred to herein as you ) are entitled to appraisal rights in connection with the Merger.

**This section is intended only as a brief summary of the material provisions of the Delaware statutory procedures that a stockholder must follow in order to seek and perfect appraisal rights. This summary, however, is not a complete statement of all applicable requirements and the law pertaining to appraisal rights under the DGCL, and is qualified in its entirety by reference to Section 262 of the DGCL ( Section 262 ), the full text of which appears in Annex C to this joint proxy and information statement/prospectus. Unless otherwise noted, all references in Section 262 and in this summary to NewPage stockholders or you are to the record holders of shares of NewPage common stock immediately prior to the effective time of the Merger as to which appraisal rights are asserted. A person having a beneficial interest in shares of NewPage common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below properly and in a timely manner to perfect appraisal rights.**

**The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that stockholders exercise their appraisal rights under Section 262. Stockholders should carefully review the full text of Section 262 as well as the information discussed below. Strict compliance with the statutory procedures in Section 262 is required. Failure to follow precisely any of the statutory requirements will result in the loss of your appraisal rights.**

Under the DGCL, persons who hold shares of NewPage common stock immediately prior to the effective time of the Merger and who (i) did not submit to NewPage a written consent adopting the Merger Agreement; (ii) follow the procedures set forth in Section 262 and (iii) do not thereafter withdraw their demand for appraisal of such shares or otherwise lose their appraisal rights, in each case in accordance with the DGCL, will be entitled to have their of NewPage common stock appraised by the Delaware Court of Chancery and to receive payment of the fair value of such shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest, as determined by such court. In determining the fair value, the court shall take into account

all relevant factors. The fair value could be greater than, less than or the same as the Merger Consideration.

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Under Section 262, where a merger is approved by stockholders of a corporation through a written consent in lieu of a meeting of stockholders, then, either a constituent corporation before the effective date of the merger, or the Surviving Corporation within ten days thereafter, shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the Merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation. A copy of Section 262 must be included with such notice. **This joint proxy and information statement/prospectus constitutes NewPage's notice to its stockholders that appraisal rights are available in connection with the Merger and the full text of Section 262 is attached to this joint proxy and information statement/prospectus as Annex C, in compliance with the requirements of Section 262.** If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in Annex C. Failure to comply timely and properly with the requirements of Section 262 will result in the loss of your appraisal rights under the DGCL. Moreover, because of the complexity of the procedures for exercising the right to seek appraisal of shares of NewPage common stock, NewPage believes that if a stockholder is considering exercising such rights, such stockholder should seek the advice of legal counsel.

If you wish to exercise your appraisal rights, you must within 20 days after the date of mailing of this formal notice of appraisal rights, make a written demand for appraisal of your shares of NewPage common stock which must reasonably inform NewPage of the identity of the holder of record of shares of NewPage common stock as well as the intention of such holder of record to demand appraisal of the fair value of the shares of NewPage common stock held by such holder. All demands for appraisal should be addressed to NewPage's Corporate Secretary at:

NewPage Holdings Inc.

8540 Gander Creek Drive

Miamisburg, OH 45342

Attention: General Counsel

A holder of shares of NewPage common stock wishing to exercise appraisal rights must continuously hold such shares through the effective time of the Merger.

Only a holder of record of shares of NewPage common stock issued and outstanding immediately prior to the effective time of the Merger is entitled to demand an appraisal of the shares registered in that holder's name. Accordingly, to be effective, a demand for appraisal by a stockholder of NewPage common stock must be made by, or in the name of, the record stockholder, fully and correctly, as the stockholder's name appears on the stockholder's stock certificate(s) or in the transfer agent's records, in the case of uncertificated shares, should specify the stockholder's mailing address and the number of shares registered in the stockholder's name, and must state that the person intends thereby to demand appraisal of the stockholder's shares in connection with the Merger. A beneficial holder of shares of NewPage common stock must have the holder of record of such shares, such as a broker, bank or other nominee, submit the required demand with respect to those shares of NewPage common stock. If you hold your shares of NewPage common stock through a broker, bank or other nominee and you wish to exercise appraisal rights, you should consult with your broker, bank or other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

If shares of NewPage common stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made in that capacity. If the shares of NewPage common stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be

executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, bank or other nominee, who holds shares of NewPage common stock as a nominee for others, may exercise his or her right of appraisal with respect to the shares of NewPage common stock held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares of NewPage common stock as

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to which appraisal is sought. Where no number of shares of NewPage common stock is expressly mentioned, the demand will be presumed to cover all shares of NewPage common stock held in the name of the record owner.

Within ten days after the effective time of the Merger, the Surviving Corporation in the Merger must give written notice of the effective date of the Merger to each stockholder of the acquired corporation who has properly made a written demand for appraisal and who did not execute a written consent in favor of the adoption the Merger Agreement.

Within 120 days after the effective time of the Merger, but not thereafter, either the Surviving Corporation or any stockholder who has complied with the requirements of Section 262 and is entitled to appraisal rights under Section 262 may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of NewPage common stock held by all stockholders entitled to appraisal. Upon the filing of the petition by a stockholder, service of a copy of such petition shall be made upon the Surviving Corporation. The Surviving Corporation has no obligation to file such petition and has no present intention to file a petition and holders should not assume that the Surviving Corporation will file a petition. Accordingly, it is the obligation of the holders of NewPage common stock to initiate all necessary action to perfect their appraisal rights with respect to shares of NewPage common stock within the time prescribed in Section 262. Notwithstanding the foregoing, at any time within sixty days after the effective time of the Merger, any stockholder who has not commenced an appraisal proceeding or joined a proceeding as a named party may withdraw the demand for appraisal and accept the consideration specified by the Merger Agreement for that stockholder's shares of NewPage common stock by delivering to the Surviving Corporation a written withdrawal of the demand for appraisal. However, any such attempt to withdraw the demand made more than sixty days after the effective time of the Merger will require written approval of the Surviving Corporation. Unless the demand is properly withdrawn by the stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party within sixty days after the effective date of the Merger, no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, with such approval conditioned upon such terms as the court deems just. If the Surviving Corporation does not approve a request to withdraw a demand for appraisal when that approval is required, or, except with respect to any stockholder who withdraws such stockholder's right to appraisal in accordance with the proviso in the immediately preceding sentence, if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the stockholder will be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be less than, equal to or more than the consideration offered pursuant to the merger agreement.

Within 120 days after the effective time of the Merger, any stockholder who has complied with the requirements for exercise of appraisal rights will be entitled to receive from the Surviving Corporation, upon written request, a statement setting forth the aggregate number of shares of NewPage common stock for which a written consent in favor of the adoption of the Merger Agreement was not submitted and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. The statement must be mailed within ten days after such written request has been received by the Surviving Corporation or within ten days after the expiration of the period for delivery of demands for appraisal, whichever is later. A person who is the beneficial owner of shares of NewPage common stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition for appraisal or request from the Surviving Corporation such statement.

If a petition for appraisal is timely filed by a stockholder and a copy of the petition is served upon the Surviving Corporation, then the Surviving Corporation will be obligated, within twenty days, to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares of NewPage common stock and with whom agreements as to the value of their shares of NewPage common stock have not been reached. After notice to stockholders who have demanded appraisal, if such

notice is ordered by the Delaware Court of Chancery, the Delaware Court of Chancery is empowered to conduct a hearing upon the petition and to determine those stockholders who have

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complied with Section 262 and who have become entitled to the appraisal rights provided by Section 262. The Delaware Court of Chancery may require stockholders who have demanded payment for their shares of NewPage common stock to submit their stock certificates to the Register in Chancery for notation of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal of their shares of NewPage common stock, the Delaware Court of Chancery will appraise the shares of NewPage common stock, determining their fair value as of the effective time of the merger after taking into account all relevant factors exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest, if any, to be paid upon the amount determined to be the fair value. When the fair value has been determined, the Delaware Court of Chancery will direct the payment of such value upon surrender by those stockholders of the certificates representing their shares of NewPage common stock. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the Merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective time of the Merger and the date of payment of the judgment.

Neither NewPage nor Verso anticipates offering more than the per share Merger Consideration to any stockholder exercising appraisal rights and reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the fair value of a share of NewPage common stock is less than the per share Merger Consideration. In determining fair value, the court is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, 457 A.2d 701 (Del. 1983), the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that fair price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, 634 A.2d 345 (Del. 1993), the Delaware Supreme Court stated that such exclusion is a narrow exclusion that does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court also stated that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered. In addition, the Delaware Courts have decided that the statutory appraisal remedy, depending on factual circumstances, may or may not be a dissenting stockholder's exclusive remedy.

Costs of the appraisal proceeding (which do not include attorneys' fees or the fees and expenses of experts) may be determined by the Delaware Court of Chancery and imposed upon the Surviving Corporation and the stockholders participating in the appraisal proceeding by the Delaware Court of Chancery, as it deems equitable in the circumstances. Upon the application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts used in the appraisal proceeding, to be charged pro rata against the value of all shares of NewPage common stock entitled to appraisal. Any stockholder who has duly demanded appraisal rights in compliance with Section 262 will not, after the effective time of the Merger, be entitled to vote shares of NewPage common stock subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares of NewPage common stock, other than with respect to payments as of a record date prior to the effective time of the Merger. If no petition for appraisal is filed within 120 days after



the effective time of the Merger, or if the stockholder otherwise fails to perfect his or her appraisal rights, successfully withdraws or loses such holder's right to appraisal, then the right of that stockholder to appraisal will cease and that

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stockholder's shares of NewPage common stock will be deemed to have been converted at the effective time of the Merger into the right to receive the Merger Consideration pursuant to the Merger Agreement. In addition, as indicated above, a stockholder may withdraw his, her or its demand for appraisal in accordance with Section 262 and accept the Merger Consideration offered pursuant to the Merger Agreement.

Failure to comply strictly with all of the procedures set forth in Section 262 of the DGCL will result in the loss of a stockholder's statutory appraisal rights.

## **Accounting Treatment of the Merger**

The Merger will be accounted for by Verso as a business combination under the acquisition method of accounting.

## **Certain Material U.S. Federal Income Tax Consequences**

The following is a general discussion of certain material U.S. federal income tax consequences relating to (i) the receipt of Transaction Consideration by Holders (as defined below) pursuant to the Merger and (ii) the ownership and disposition by Holders (as defined below) of New First Lien Notes and Verso common stock received by them in exchange for their NewPage common stock pursuant to the Merger. This discussion does not address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, or under the laws of any state, local or foreign jurisdiction, or under any U.S. federal laws other than those pertaining to income tax. This discussion is based upon the Code, the regulations promulgated under the Code and court and administrative rulings and decisions, all as in effect on the date of this document. These laws may change, possibly retroactively, and any change could affect the accuracy of the statements and conclusions set forth in this discussion. Further, the discussion assumes that the transaction will be completed in accordance with the Merger Agreement and as further described in this joint proxy and information statement/prospectus.

This discussion addresses only beneficial owners of shares of NewPage common stock that hold such shares as capital assets within the meaning of Section 1221 of the Code. Further, this discussion does not address all aspects of U.S. federal income taxation that may be relevant to you in light of your particular circumstances or that may be applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

a financial institution;

a tax-exempt organization;

an S corporation or other pass-through entity (or an investor in an S corporation or other pass-through entity);

an insurance company;

a mutual fund;

a dealer or broker in stocks and securities, or currencies;

a trader in securities that elects mark-to-market treatment;

a holder of NewPage common stock subject to the alternative minimum tax provisions of the Code;

a holder of NewPage common stock that received NewPage common stock through the exercise of an employee stock option, through a tax qualified retirement plan or otherwise as compensation;

a person that has a functional currency other than the U.S. dollar;

a holder of NewPage common stock that holds such stock as part of a hedge, straddle, constructive sale, conversion or other integrated transaction;

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a U.S. expatriate; or

a holder of NewPage common stock who actually or constructively owns 5% or more of the outstanding shares of NewPage common stock.

Determining the actual tax consequences of the transaction to you may be complex. They will depend on your specific situation and on factors that are not within our control. You should consult with your own tax advisor as to the tax consequences of the Merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local, foreign or other tax laws and of changes in those laws.

For purposes of this discussion, the term **U.S. holder** means a beneficial owner of NewPage common stock exchanging such shares for Transaction Consideration pursuant to the Merger that is, for U.S. federal income tax purposes:

an individual citizen or resident of the U.S.;

a corporation, or entity treated as a corporation, organized in or under the laws of the U.S. or any state thereof or the District of Columbia;

a trust if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) such trust has made a valid election to be treated as a United States person for U.S. federal income tax purposes; or

an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

The term **non-U.S. holder** means a beneficial owner of NewPage common stock exchanging such shares for Transaction Consideration pursuant to the Merger that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes. The term **Holder** means a U.S. holder or a non-U.S. holder.

The U.S. federal income tax consequences to a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes and that holds shares of NewPage common stock generally will depend on the status of the partner and the activities of the partnership. A partner in such a partnership should consult its own tax advisors regarding the tax consequences of the transaction to it.

**TAXATION OF THE TRANSACTION CONSIDERATION**

***U.S. Holders***

*In General.* A U.S. holder who receives Merger Consideration in exchange for NewPage common stock will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the sum of cash received and the fair market value (as of the effective time of the Merger) of the New First Lien Notes and Verso common stock received, and (ii) the adjusted tax basis of the NewPage common stock surrendered in the

Merger (which may be affected by the Recapitalization Dividend, as discussed below). The amount of tax on the gain recognized by a NewPage stockholder as a result of the Merger may exceed the amount of cash received by the stockholder in the Merger.

A U.S. holder's tax basis in the New First Lien Notes and Verso common stock should equal their fair market value, in each case, as of the effective time of the Merger. A U.S. holder's holding period for the New First Lien Notes and the Verso common stock should begin on the day following the effective time of the Merger.

*Gains and Losses.* Any gain or loss recognized by a U.S. holder with respect to NewPage common stock exchanged in the Merger generally will be capital gain or loss if such NewPage common stock is held as a capital asset at the effective time of the Merger. Such capital gain or loss generally will be long-term capital gain

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(taxable at a reduced rate for certain non-corporate U.S. holders) or loss if, on the effective date of the Merger, the NewPage common stock was held by such U.S. holder for more than one year. The deductibility of capital losses is subject to limitations.

*Recapitalization Dividend.* The Recapitalization Dividend will constitute a dividend for U.S. federal income tax purposes to the extent of a U.S. holder's share of NewPage's current or accumulated earnings and profits (as determined for U.S. tax purposes). That portion (if any) of the Recapitalization Dividend which exceeds a U.S. holder's share of NewPage's current and accumulated earnings and profits will be treated first as a tax-free return of capital to the extent of the U.S. holder's tax basis in the NewPage shares and will reduce (but not below zero) such basis. Any remaining portion of the Recapitalization Dividend received by a U.S. holder will be treated as capital gain from the sale or exchange of such shares with results for such U.S. holder similar to those described above under "Gains and Losses").

Any portion of the Recapitalization Dividend treated as a dividend with respect to a U.S. holder will be includible in the gross income of such U.S. holder and taxable to such U.S. holder on the day on which the Recapitalization Dividend is received by such U.S. holder. Dividends generally are taxable as ordinary income to U.S. holders. However, in the case of non-corporate U.S. holders, dividend income may be treated as "qualified dividend income" that is currently subject to U.S. federal income tax at the preferential long-term capital gain rate, provided that certain holding period and other requirements are met. In the case of corporate U.S. holders, dividend income may be eligible for the dividends-received deduction (subject to applicable limitations), provided that certain holding period and other requirements are met.

U.S. holders should consult their tax advisors regarding the availability of the preferential tax rate on dividends and the dividends-received deduction with respect to the Recapitalization Dividend.

***Non-U.S. Holders***

*In General.* Subject to the discussions below on FATCA withholding, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain recognized on its receipt of the Merger Consideration unless:

the gain is effectively connected with a trade or business of the non-U.S. holder in the U.S. (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment);

the non-U.S. holder is an individual who is present in the U.S. for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

NewPage has been a U.S. real property holding corporation (a "USRPHC") for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of the disposition or the period that the non-U.S. holder held shares of our common stock.

In the case of a non-U.S. holder described in the first bullet point above, any gain generally will be subject to U.S. federal income tax on a net income basis in substantially the same manner as if the non-U.S. holder were a United States person as defined under the Code (unless an applicable income tax treaty provides otherwise), and a non-U.S. holder that is a foreign corporation may also be subject to the branch profits tax at a rate of 30% on its effectively connected earnings and profits (subject to adjustments), unless an applicable income tax treaty provides otherwise. Except as otherwise provided by an applicable income tax treaty, an individual non-U.S. holder described in the

second bullet point above will be subject to a 30% tax on any gain derived from the sale, which may be offset by certain U.S. source capital losses.

Generally, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes). NewPage does not believe it is, and does not currently anticipate that it will become prior to the effective time of the Merger, a USRPHC.

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*Recapitalization Dividend.* As discussed above under U.S. Holders Recapitalization Dividend, the Recapitalization Dividend will be treated as a dividend to a non-U.S. holder to the extent of such non-U.S. holder's share of NewPage's current or accumulated earnings and profits (as determined for U.S. tax purposes). Any amount treated as a dividend that is paid to or for the account of a non-U.S. holder generally will be subject to U.S. federal withholding tax at the rate of 30%, or at a lower rate if provided by an applicable tax treaty and the non-U.S. holder provides the documentation (generally, IRS Form W-8BEN) required to claim benefits under such tax treaty to the applicable withholding agent.

If, however, the Recapitalization Dividend is effectively connected with the conduct of a trade or business in the U.S. by a non-U.S. holder (and, if required by a tax treaty, the Recapitalization Dividend is attributable to a permanent establishment that the non-U.S. holder maintains in the United States), such amount generally will not be subject to the 30% U.S. federal withholding tax if such non-U.S. holder provides the appropriate documentation (generally, IRS Form W-8ECI) to the applicable withholding agent. Instead, such non-U.S. holder generally will be subject to U.S. federal income tax on such dividend income in substantially the same manner as if the non-U.S. holder were a United States person as defined under the Code (unless an applicable income tax treaty provides otherwise), and a non-U.S. holder that is a foreign corporation may also be subject to the branch profits tax at a rate of 30% on its effectively connected earnings and profits (subject to adjustments), unless an applicable income tax treaty provides otherwise.

The portion (if any) of the Recapitalization Dividend which exceeds a non-U.S. holder's share of NewPage's current and accumulated earnings and profits will be treated first as a tax-free return of capital to the extent of the non-U.S. holder's tax basis in the NewPage shares and will reduce (but not below zero) such basis. Any remaining portion of the Recapitalization Dividend received by a non-U.S. holder will be treated as capital gain from the sale or exchange of such shares with results for such non-U.S. holder similar to those described above under In General ).

**TAXATION OF VERSO COMMON STOCK FOLLOWING THE MERGER*****U.S. Holders***

*Distributions.* A distribution by Verso with respect to its common stock held by a U.S. holder generally will constitute a dividend for U.S. federal income tax purposes to the extent of the U.S. holder's share of Verso's current or accumulated earnings and profits (as determined for U.S. tax purposes). The portion (if any) of a distribution which exceeds a U.S. holder's share of Verso's current and accumulated earnings and profits will be treated first as a tax-free return of capital to the extent of the U.S. holder's tax basis in the Verso shares and will reduce (but not below zero) such basis. Any remaining portion of a distribution received by a U.S. holder will be treated as capital gain from the sale or exchange of such shares with results for such U.S. holder similar to those described below under Gain on Sale or Other Disposition of Verso Common Stock ).

Any portion of a distribution treated as a dividend with respect to a U.S. holder will be includible in the gross income of such U.S. holder and taxable to such U.S. holder on the day on which the dividend is received by such U.S. holder. Dividends generally are taxable as ordinary income to U.S. holders. However, in the case of non-corporate U.S. holders, dividend income may be treated as qualified dividend income that is currently subject to U.S. federal income tax at the preferential long-term capital gain rate, provided that certain holding period and other requirements are met. In the case of corporate U.S. holders, dividend income may be eligible for the dividends-received deduction (subject to applicable limitations), provided that certain holding period and other requirements are met.

U.S. holders should consult their tax advisors regarding the availability of the preferential tax rate on dividends and the dividends-received deduction with respect to dividends received from Verso.



*Gain on Sale or Other Disposition of Verso Common Stock.* Upon the sale or other taxable disposition of Verso common stock, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on such sale or taxable disposition and the U.S. holder's adjusted tax basis in the shares of Verso

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common stock sold. Any such gain or loss will be capital gain or loss if such Verso common stock is held as a capital asset at the effective time of the sale or disposition. Such capital gain or loss generally will be long-term capital gain (taxable at a reduced rate for certain non-corporate U.S. holders) or loss if the Verso common stock was held by such U.S. holder for more than one year. The deductibility of capital losses is subject to limitations.

***Non-U.S. Holders***

*Distributions.* As discussed above under U.S. Holders Distributions, a distribution by Verso with respect to its common stock generally will be treated as a dividend to a non-U.S. holder to the extent of such non-U.S. holder's share of Verso's current or accumulated earnings and profits (as determined for U.S. tax purposes). Subject to the discussions below on FATCA withholding and backup withholding, any amount treated as a dividend that is paid to or for the account of a non-U.S. holder generally will be subject to U.S. federal withholding tax at the rate of 30%, or at a lower rate if provided by an applicable tax treaty and the non-U.S. holder provides the documentation (generally, IRS Form W-8BEN) required to claim benefits under such tax treaty to the applicable withholding agent.

If, however, a dividend is effectively connected with the conduct of a trade or business in the U.S. by a non-U.S. holder (and, if required by a tax treaty, the dividend is attributable to a permanent establishment that the non-U.S. holder maintains in the United States), such amount generally will not be subject to the 30% U.S. federal withholding tax if such non-U.S. holder provides the appropriate documentation (generally, IRS Form W-8ECI) to the applicable withholding agent. Instead, such non-U.S. holder generally will be subject to U.S. federal income tax on such dividend income in substantially the same manner as if the non-U.S. holder were a United States person as defined under the Code (unless an applicable income tax treaty provides otherwise), and a non-U.S. holder that is a foreign corporation may also be subject to the branch profits tax at a rate of 30% on its effectively connected earnings and profits (subject to adjustments), unless an applicable income tax treaty provides otherwise.

The portion (if any) of a distribution which exceeds a non-U.S. holder's share of Verso's current and accumulated earnings and profits will be treated first as a tax-free return of capital to the extent of the non-U.S. holder's tax basis in the Verso shares and will reduce (but not below zero) such basis. Any remaining portion of a distribution received by a non-U.S. holder will be treated as capital gain from the sale or exchange of such shares with results for such non-U.S. holder similar to those described below under Gain on Sale or Other Disposition of Verso Common Stock ).

*Gain on Sale or Other Disposition of Verso Common Stock.* Subject to the discussions below on FATCA withholding and backup withholding, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain recognized upon the sale or other taxable disposition of the non-U.S. holder's shares of Verso common stock unless:

the gain is effectively connected with a trade or business of the non-U.S. holder in the U.S. (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment);

the non-U.S. holder is an individual who is present in the U.S. for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

Verso has been a USRPHC for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of the disposition or the period that the non-U.S. holder held shares of our common stock.

In the case of a non-U.S. holder described in the first bullet point above, any gain generally will be subject to U.S. federal income tax on a net income basis in substantially the same manner as if the non-U.S. holder were a United States person as defined under the Code (unless an applicable income tax treaty provides otherwise), and a non-U.S. holder that is a foreign corporation may also be subject to the branch profits tax at a rate of 30% on its effectively connected earnings and profits (subject to adjustments), unless an applicable income tax treaty

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provides otherwise. Except as otherwise provided by an applicable income tax treaty, an individual non-U.S. holder described in the second bullet point above will be subject to a 30% tax on any gain derived from the sale, which may be offset by certain U.S. source capital losses.

Generally, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes). Verso does not believe it is, and does not currently anticipate that it will become, a USRPHC.

## **TAXATION OF NEW FIRST LIEN NOTES FOLLOWING THE MERGER**

### ***Possible Alternative Treatment***

The Verso Issuers may be obligated to pay amounts in excess of the stated interest or principal on the New First Lien Notes, including as described under Description of The New First Lien Notes Change of Control. These potential payments may implicate the provisions of Treasury regulations relating to contingent payment debt instruments. According to the applicable Treasury regulations, certain contingencies will not cause a debt instrument to be treated as a contingent payment debt instrument if such contingencies, as of the date of issuance, are remote or incidental. The Verso Issuers intend to take the position that the foregoing contingencies are remote or incidental, and, accordingly, do not intend to treat the New First Lien Notes as contingent payment debt instruments. The Verso Issuers position that such contingencies are remote or incidental is binding on a Holder, unless such Holder discloses its contrary position in the manner required by applicable Treasury regulations. Our position is not, however, binding on the IRS, and if the IRS were to successfully challenge this position, a Holder might be required to accrue ordinary interest income on the New First Lien Notes at a rate in excess of the stated interest rate, and to treat as ordinary interest income any gain realized on the taxable disposition of a New First Lien Note. The remainder of this discussion assumes that the New First Lien Notes will not be treated as contingent payment debt instruments. Holders should consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the New First Lien Notes.

### ***Fungibility***

The New First Lien Notes will not be fungible with the Existing First Lien Notes for U.S. federal income tax purposes.

### ***U.S. Holders***

*Stated Interest.* Generally, any stated interest payments on a New First Lien Note to a U.S. holder will be taxable as ordinary interest income at the time they accrue or are received, in accordance with the U.S. holder's regular method of tax accounting for U.S. federal income tax purposes.

*Original Issue Discount.* The New First Lien Notes will constitute notes issued with original issue discount (OID) if the stated redemption price at maturity of such notes exceeds their issue price by more than the *de minimis* amount of  $\frac{1}{4}$  of 1 percent of the stated redemption price at maturity multiplied by the number of complete years from the issue date of such notes to their maturity.

For U.S. federal income tax purposes, the issue price of the New First Lien Notes depends on whether the New First Lien Notes or the NewPage common stock are deemed to be publicly traded. If the New First Lien Notes are considered to be publicly traded property, as defined by the Treasury regulations, the issue price of the New First Lien

Notes will be equal to their fair market value as of the effective time of the Merger. In general, a debt instrument will be treated as traded on an established market if, at the time during the 31-day period ending 15 days after the issue date, (a) a sales price for an executed purchase of the debt instrument appears on a medium that is made available to issuers of debt instruments, persons that regularly purchase or sell debt instruments, or persons that broker purchases or sales of debt instruments; (b) a firm price quote for the debt instrument is

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available from at least one broker, dealer or pricing service for property and the quoted price is substantially the same as the price for which the person receiving the quoted price could purchase or sell the property; or (c) there are one or more indicative quotes available from at least one broker, dealer or pricing service for property. The Verso Issuers expect that the New First Lien Notes will likely be considered publicly traded for these purposes and, thus, that the issue price of the New First Lien Notes will be equal to their fair market value as of the effective time of the Merger. The Verso Issuers cannot predict with certainty, however, what position the IRS may take with regard to whether the New First Lien Notes are publicly traded. If the New First Lien Notes are not publicly traded but the NewPage common stock exchanged therefor is publicly traded, then the issue price of New First Lien Notes will equal the excess of (i) the fair market value of the NewPage common stock exchanged (as of the effective time of the Merger) over (ii) the sum of cash received (excluding the payment of the Recapitalization Dividend) and the fair market value (as of the effective time of the Merger) of the Verso common stock received. If neither the New First Lien Notes nor the NewPage common stock exchanged therefor are publicly traded, then the issue price of New First Lien Notes so exchanged will equal their stated principal amount. The rules regarding the determination of issue price are complex and highly detailed, and a U.S. holder should consult its own tax advisor regarding the determination of the issue price of the New First Lien Notes.

The stated redemption price at maturity of a note is the total of all payments provided by the note that are not payments of qualified stated interest. Generally, an interest payment on a note is qualified stated interest if it is one of a series of stated interest payments on a note that are unconditionally payable in cash at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the note.

It is not expected that the New First Lien Notes will be issued with OID. If, however, the stated redemption price of a New First Lien Note exceeds its issue price by more than a *de minimis* amount, U.S. holders will be required to treat such excess amount as OID, which is treated for U.S. federal income tax purposes as accruing on a constant yield to maturity basis over the term of the New First Lien Note as interest income to such U.S. holder. A U.S. holder's adjusted tax basis in a New First Lien Note would be increased by the amount of any OID included in its gross income. In compliance with Treasury regulations, if the Verso Issuers determine that the New First Lien Notes have OID, they will provide certain information to the IRS and/or U.S. holders that is relevant to determining the amount of OID in each accrual period.

*Dispositions.* Generally, a sale, exchange, redemption, retirement or other taxable disposition of a New First Lien Note will result in taxable gain or loss to a U.S. holder equal to the difference, if any, between the amount realized on the disposition (excluding amounts attributable to any accrued and unpaid stated interest, which will be taxed as ordinary income to the extent not previously so taxed) and the U.S. holder's adjusted tax basis in the New First Lien Note. The amount realized will equal the sum of any cash and the fair market value of any other property received on the disposition. Such gain or loss will generally be capital gain or loss and will be long-term capital gain or loss if the note is held for more than one year. Certain non-corporate U.S. holders may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

***Non-U.S. Holders***

*Interest.* Subject to the discussions below on FATCA withholding and backup withholding, U.S. federal income or withholding tax will not apply to a non-U.S. holder in respect of any payment of interest on the New First Lien Notes, provided that such payment is not effectively connected with such non-U.S. holder's conduct of a U.S. trade or business and such non-U.S. holder:

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does not own actually or constructively 10% or more of the total combined voting power of all classes of Verso stock;

is not a controlled foreign corporation that is related to Verso under the applicable provisions of the Code;

is not a bank whose receipt of interest on the notes is described in section 881(c)(3)(A) of the Code; and

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such non-U.S. holder provides identifying information (i.e., name and address) on IRS Form W-8BEN (or successor form), and certifies, under penalty of perjury, that such non-U.S. holder is not a U.S. person. If a non-U.S. holder cannot satisfy the requirements described above, payments of interest made to such non-U.S. holder will be subject to a 30% U.S. federal withholding tax, unless such non-U.S. holder provides the applicable withholding agent with a properly executed (1) applicable IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under an applicable income tax treaty or (2) IRS Form W-8ECI (or successor form) stating that interest paid on the note is not subject to withholding tax because it is effectively connected with such holder's conduct of a trade or business in the United States (in which case such interest will be subject to tax as discussed below under *Effectively Connected Interest or Gain*).

*Dispositions.* Subject to the discussions below on FATCA withholding and backup withholding, any gain realized on the sale, exchange, retirement, redemption or other taxable disposition of a note by a non-U.S. holder generally will not be subject to U.S. federal income or withholding tax (except to the extent attributable to accrued and unpaid interest, which will be taxable as described above *Interest*) unless (1) such gain is effectively connected with the conduct of a trade or business in the United States by such non-U.S. holder (in which case such gain will be subject to regular graduated U.S. tax rates as described below under *Effectively Connected Interest or Gain*) or (2) such non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition and certain other conditions are met (in which case such gain, net of certain U.S.-source losses, if any, will be subject to U.S. federal income tax at a flat rate of 30% (or at a reduced rate under an applicable income tax treaty)).

*Effectively Connected Interest or Gain.* If a non-U.S. holder is engaged in a trade or business in the United States and interest on the New First Lien Notes or gain from the disposition of the New First Lien Notes is effectively connected with the conduct of that trade or business, such non-U.S. holder will, subject to any applicable income tax treaty, be subject to U.S. federal income tax on such interest or gain on a net income basis in generally the same manner as if such non-U.S. holder were a U.S. holder. In addition, if such non-U.S. holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or a lower applicable treaty rate) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

**INFORMATION REPORTING AND BACKUP WITHHOLDING*****U.S. Holders***

Under certain circumstances, information reporting and/or backup withholding may apply to U.S. holders with respect to receipt of the Transaction Consideration, payments of dividends and proceeds from the sale or other disposition of Verso common stock received in the Merger, and payments of interest and proceeds from the sale or other disposition of New First Lien Notes received in the Merger, unless an applicable exemption is satisfied. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability if the required information is furnished by the U.S. holder on a timely basis to the IRS.

***Non-U.S. Holders***

Generally, the amount of any interest or dividends paid to a non-U.S. holder and the amount of tax withheld with respect to those payments will be reported to the IRS. Copies of the information returns reporting such interest or dividends and any withholding may also be made available to the tax authorities in the country in which such non-U.S. holder resides under the provisions of an applicable income tax treaty.



In general, a non-U.S. holder will not be subject to backup withholding with respect to payments of interest or dividends provided that the payor does not have knowledge or reason to know that such non-U.S. holder is a United States person, as defined under the Code, and the applicable withholding agent has received from such non-U.S. holder the applicable statement described above with respect to such payment.

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In addition, no information reporting or backup withholding will be required regarding the proceeds of the sale or other disposition of NewPage common stock, Verso common stock or New First Lien Notes made within the United States or conducted through certain United States-related financial intermediaries, if the payor receives the applicable statement described in the applicable section above with respect to such payment and the payor does not have knowledge or reason to know that such non-U.S. holder is a United States person or such non-U.S. holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability if the required information is furnished by the non-U.S. holder on a timely basis to the IRS.

**ADDITIONAL WITHHOLDING REQUIREMENTS**

In addition to withholding described above, legislation enacted in 2010, known as the Foreign Account Tax Compliance Act or FATCA, generally imposes a withholding tax of 30% on withholdable payments (as defined below) paid to certain foreign financial institutions, investment funds and other non-US persons receiving payments on behalf a Holder, unless certain diligence, reporting, withholding and certification obligations and requirements are met. The term withholdable payment includes any payment of interest, dividends, and the gross proceeds of a disposition of stock (including a liquidating distribution from a corporation) or debt obligation, in each case with respect to any United States investment.

The withholding under FATCA may be avoided if (i) the foreign entity is a foreign financial institution (as defined in this legislation) and such institution enters into an agreement with the U.S. government to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which would include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or (ii) the foreign entity is not a foreign financial institution and makes a certification identifying its substantial U.S. owners (as defined for this purpose) or makes a certification that such foreign entity does not have any substantial U.S. owners. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules. Under certain circumstances, a Holder might be eligible for refunds or credits of such withholding taxes, and a Holder might be required to file a U.S. federal income tax return to claim such refunds or credits.

The IRS has released Treasury regulations and administrative guidance providing that it will not apply this new withholding tax (i) to a dividend on stock or interest income on a debt obligation that is paid on or before June 30, 2014 or (ii) to gross proceeds from a disposition of stock or a debt obligation paid on or before December 31, 2016. Moreover, such Treasury regulations and administrative guidance provide that this legislation generally will not apply to a debt obligation outstanding on July 1, 2014, unless such debt obligation undergoes a significant modification (within the meaning of Section 1.1001-3 of the Treasury regulations promulgated under the Code) after such date.

You should consult your own tax advisor regarding the implications of this legislation with respect to the Recapitalization Dividend and the Verso common stock and New First Lien Notes to be received as Merger Consideration.

**The discussion of material U.S. federal income tax consequences set forth above is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the Merger or the ownership and disposition of Verso common stock and New First Lien Notes received in the Merger and is not intended to be legal or tax advice to any particular NewPage stockholder. Moreover, the discussion set forth above does not address tax consequences that may vary with, or are contingent upon, individual circumstances.**

**In addition, the discussion set forth above does not address any non-income tax or any foreign, state or local tax consequences of the transaction and does not address the tax consequences of any other transaction.**

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**THE MERGER AGREEMENT**

The following summarizes the material provisions of the Merger Agreement. A copy of the Merger Agreement is attached to this joint proxy and information statement/prospectus as Annex A and is incorporated by reference into this joint proxy and information statement/prospectus. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. We encourage you to read carefully the Merger Agreement in its entirety, as the rights and obligations of the parties are governed by the express terms of the Merger Agreement and not by this summary.

The description of the Merger Agreement has been included to provide you with information regarding its terms. The Merger Agreement contains representations and warranties made by and to NewPage, Verso and Merger Sub as of specific dates. The statements embodied in those representations and warranties were made for purposes of that contract between the parties and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of that contract. In addition, certain representations and warranties were made as of a specified date and may be subject to contractual standards of materiality different from those generally applicable to stockholders.

**Effective Time; Closing Date**

The effective time of the Merger will occur at the time that a certificate of merger is filed with the Secretary of State of the State of Delaware on the closing date of the Merger or at such later time as is agreed between the parties and specified in the certificate of merger. The closing date will occur no later than the third business day after all of the conditions to the Merger set forth in the Merger Agreement have been satisfied or waived (other than those conditions that by their nature are to be satisfied at the closing of the Merger, but subject to the satisfaction or waiver of such conditions), or such other date as Verso and NewPage may agree.

**Effect of the Merger**

At the effective time of the Merger, Merger Sub will merge with and into NewPage, with NewPage continuing as the Surviving Corporation of the Merger and an indirect subsidiary of Verso. All of NewPage's and Merger Sub's property, rights, privileges, powers and franchises will vest in the Surviving Corporation, and all of their debts, liabilities and duties will become those of the Surviving Corporation, and the separate corporate existence of Merger Sub will cease. At the effective time of the Merger, each issued and outstanding share of common stock of NewPage, other than any shares of NewPage common stock held by NewPage stockholders who have properly exercised their appraisal rights under Section 262 of the DGCL and any shares owned directly or indirectly by Verso, Merger Sub or any of their respective subsidiaries, will be canceled and converted automatically into the right to receive a pro rata portion of the Merger Consideration.

**Transaction Consideration**

***Form of Transaction Consideration***

The Merger Agreement provides for a series of transactions pursuant to which equity holders of NewPage will receive (i) \$250 million total in cash, approximately \$243 million of which was paid to NewPage's stockholders as a dividend prior to the date of this joint proxy and information statement/prospectus, from the proceeds of a new \$750 million bank borrowing that was also used to refinance NewPage's former \$500 million term loan facility, plus the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger; (ii) \$650 million aggregate principal amount of New First Lien Notes

(valued at face value) to be issued at closing; and (iii) shares of Verso common stock representing 20% (subject to potential upward adjustment to 25% under certain circumstances) of the sum of the outstanding shares of Verso common stock as of immediately prior to closing and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement.

As of the date of the filing of this joint proxy and information statement/prospectus, the number of shares of Verso common stock to be issued according to this formula would be approximately 14.0 million shares in the

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aggregate, assuming a 100% participation of aggregate principal amount of Old Second Lien Notes in the Second Lien Notes Exchange Offer and a 100% participation of aggregate principal amount of Old Subordinated Notes in the Subordinated Notes Exchange Offer, and that the number of shares of Verso common stock issued as part of the Merger Consideration is not further adjusted upwards. The number of shares could change between the date of the filing of this joint proxy and information statement/prospectus and the closing of the Merger as a result of the exercise of Verso stock options that were outstanding as of the signing of the Merger Agreement (in which case the number of Verso shares outstanding would increase, and there would be an increase in the number of Verso shares issued as part of the Merger Consideration) or the repurchase by Verso of shares held by Verso management that were originally granted as equity-based compensation in accordance with the employment terms of applicable members of management (in which case the number of Verso shares outstanding would decrease, and there would be a decrease in the number of Verso shares issued as part of the Merger Consideration). The number of shares of Verso common stock to be issued to the NewPage stockholders as part of the Merger Consideration will be based on the number of shares of Verso common stock outstanding after the conversion of the Verso Warrants to be issued to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer and holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer.

### ***Adjustment of Share Consideration***

If the Merger has not closed by August 31, 2014, and the reason for the failure to close by such date, or any subsequent delay in closing after such date, is solely the result of Verso's failure to take certain actions to satisfy certain closing conditions, the amount of Verso common stock to be issued as Merger Consideration will increase in monthly increments by up to a maximum of 5% so that the total amount of Verso common stock issued in the Merger Consideration would be up to 25% of the sum of the outstanding shares of Verso common stock as of immediately prior to closing and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement.

### ***New First Lien Notes Closing Adjustment***

The amount of New First Lien Notes to be issued in the Merger is subject to downward adjustment, in an amount not to exceed \$27 million in value, if NewPage makes certain restricted payments between September 30, 2013 and the closing of the Merger.

Prior to the closing of the Merger, NewPage will notify Verso of any such NewPage restricted payments. No later than three business days prior to the closing of the Merger, a nationally recognized accounting firm will deliver a certificate to NewPage and Verso with its good faith calculation of such restricted payments that occurred between September 30, 2013 and the closing of the Merger, which calculation will be final and binding upon the parties. The amount of New First Lien Notes payable to the NewPage stockholders as Merger Consideration will be reduced by the amount of such restricted payments; provided, that this amount by which the Merger Consideration is reduced, will not exceed \$27 million.

NewPage restricted payments are payments by or losses to NewPage or any of its subsidiaries resulting from any of the following transactions occurring from September 30, 2013 through the closing of the Merger (other than any such payments or losses disclosed by NewPage to Verso):

dividends or similar distributions made, declared or paid by NewPage or any of its subsidiaries (other than between wholly owned subsidiaries of NewPage and/or NewPage) with respect to NewPage securities;

payments made by or on behalf of NewPage or any of its subsidiaries to or for the benefit of any NewPage stockholder, other than payments made on an arms-length basis, in amounts that are not material to NewPage and its subsidiaries and that are paid in the ordinary course of business consistent with past practice;

redemption, repurchase or repayment of securities of NewPage or any of its subsidiaries (other than securities owned by NewPage or a subsidiary of NewPage);

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waiver or release of any amounts owed to NewPage or any subsidiary of NewPage by a NewPage stockholder, other than waivers or releases made on an arms-length basis in amounts that are not material to NewPage and its subsidiaries and that are made in the ordinary course of business consistent with past practice;

management, monitoring, supervisory or advisory fees paid by or on behalf of NewPage or any of its subsidiaries to or for the benefit of a NewPage stockholder or any NewPage stockholder's employees, officers, advisors or consultants;

amounts that are paid, in the ordinary course of business, pursuant to any contract between NewPage and any of its subsidiaries, on the one hand, and any of their respective officers, directors, members, managers, partners, shareholders or affiliates, on the other hand (except for (i) employment and compensation arrangements (including benefits, travel, advances, and employee loans not in excess of \$60,000 to any individual employee) and (ii) contracts entered into in the ordinary course of business, on an arms length basis and on terms no less favorable in the aggregate to NewPage or any of its subsidiaries than would have been available from an unaffiliated party);

increase in any debt of NewPage or any of its subsidiaries, to the extent owed to any NewPage stockholder other than on an arms-length basis and in amounts that are not material to NewPage and its subsidiaries and that are incurred in the ordinary course consistent with past practice;

bonus or discretionary payment by NewPage or any of its subsidiaries to the directors, officers or employees of NewPage or any of its subsidiaries, other than as otherwise permitted by the covenant in the Merger Agreement relating to NewPage's operations in the period between signing and closing;

any increase in the compensation or other benefits payable or provided to NewPage's and its subsidiaries directors or officers, or, except in the ordinary course of business consistent with past practice, any of their employees, unless otherwise permitted by the covenant in the Merger Agreement relating to NewPage's operations in the period between signing and closing;

entry by NewPage or any of its subsidiaries into a guarantee or indemnification obligation with any NewPage stockholder other than in the ordinary course of business consistent with past practices and on an arms-length basis; or

any payments to third party advisors of NewPage or any of its subsidiaries in connection with the Merger Agreement and the transactions contemplated thereby, to the extent such payments are in excess of the amounts set forth on a schedule to the Merger Agreement.

**Treatment of Stock Options and Other Stock-Based Awards**

*NewPage Stock Options*



When NewPage paid the Recapitalization Dividend to its stockholders, as described in Transaction Consideration Form of Transaction Consideration above, it adjusted the exercise price of each outstanding option by reducing it by the amount payable in respect of one share of NewPage common stock. As of the effective time of the Merger, each outstanding option that is an in-the-money option (which are all outstanding options immediately prior to the effective time that had an exercise price of \$108.72 as of the date of the Merger Agreement) will become fully vested and, as of the closing of the Merger, will be automatically cancelled and converted into the right of the optionholder to receive consideration equal to the difference between (i) the per share aggregate Transaction Consideration and (ii) the exercise price of such in-the-money option (determined without regard to any adjustment in respect of the Recapitalization Dividend described in the preceding sentence). In the event an optionholder executes an optionholder acknowledgement, the form of consideration such holder will be entitled to receive will be a combination of cash consideration, note consideration and share consideration as determined by the board of directors of NewPage based on the proportionate amount of each form of consideration payable in respect of one share of NewPage's common stock, taking into account the cash paid in connection with the Recapitalization Dividend. In the event an optionholder does not execute the

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optionholder acknowledgement, the form of consideration such holder will be entitled to receive will be a combination of cash consideration, note consideration and share consideration as determined by the board of directors of NewPage based on the proportionate amount of each form of consideration payable in respect of one share of NewPage's common stock at closing. Each form of consideration payable to optionholders will be reduced on a pro rata basis by amounts that are required to be withheld under any applicable tax laws. The Surviving Corporation or its subsidiaries will be required to issue the consideration payable to the former optionholders as soon as reasonably practicable following the closing date, subject to their execution of a stockholder consent and release. All options that are not in-the-money options will be automatically cancelled and terminated without payment as of the effective time of the Merger.

***Restricted Stock Unit Awards***

Each holder of NewPage RSUs that were outstanding on the date the Recapitalization Dividend was paid to NewPage stockholders, is entitled to receive a dividend equivalent equal to the amount payable in respect of one share of NewPage common stock in connection with the Recapitalization Dividend. Such dividend equivalent payable in respect of each RSU will be paid to its holder, less any amounts that are required to be withheld under applicable tax laws, on the date on which NewPage's common stock underlying the RSU is distributed to the holder in accordance with the applicable RSU award agreement. Upon the closing of the Merger, each holder of RSUs will be entitled to receive payment of any outstanding and unpaid dividend equivalents in respect of the RSUs held by such individual.

As of the effective time of the Merger, each RSU, whether vested or unvested, will become fully vested. At the closing of the Merger, each RSU will be cancelled and automatically converted into the right of the holder of each RSU outstanding immediately prior to the effective time of the Merger to receive, promptly following the closing of the Merger, the cash consideration, note consideration and share consideration to which one share of NewPage common stock is entitled at closing, reduced on a pro rata basis by the amounts that are required to be withheld or deducted under any applicable tax laws. The Surviving Corporation or its subsidiaries will be required to issue such consideration to the former RSU holders subject to their execution of a stockholder consent and release.

Because certain NewPage stock options and RSUs had not vested at the time the Recapitalization Dividend was paid to NewPage stockholders, NewPage deposited an amount into escrow that is sufficient to satisfy NewPage's obligation to the holders of such options and RSUs. In this regard, the Merger Agreement provides that in connection with the payment of the Recapitalization Dividend to NewPage stockholders, an amount reasonably determined by the NewPage board of directors which is not less than (a) the product of (i) the number of RSUs outstanding as of the record date of the Recapitalization Dividend, multiplied by (ii) the amount of the per share Recapitalization Dividend, plus (b) \$3 million plus (c) the cash actually received by NewPage in respect of any exercises of NewPage stock options between the signing of the Merger Agreement and the closing of the Merger, was funded into escrow and paid to holders of in-the-money options and RSUs in connection with the closing of the Merger or, with respect to RSUs, upon the earlier settlement of the underlying RSUs.

**Exchange and Payment Procedures**

At the effective time of the Merger, Verso will deposit, or will cause to be deposited, with a paying agent, the aggregate Merger Consideration (other than the amount paid in the pre-closing cash payment to NewPage stockholders). Within two business days after the closing date of the Merger, the paying agent will send to each NewPage stockholder the form release agreement (the terms of which are described above), the cooperation agreement to which Verso will be obligated with respect to rights of the holders of New First Lien Notes (the terms of which are described above) and instructions for receiving payment of the Merger Consideration. Each NewPage stockholder will not be entitled to receive the portion of the Merger Consideration to which such stockholder is entitled until such

stockholder delivers an executed copy of such release agreement and other customary documentation required by the paying agent, for which instructions shall be given by the paying agent in the transmittal sent by the paying agent after the closing of the Merger.

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Other than interest that accrues on any New First Lien Notes, no interest will be paid or accrue on the aggregate Merger Consideration. In addition, the paying agent and NewPage will be entitled to withhold amounts required to be withheld under applicable tax laws, and any such withheld amount paid to a taxing authority will be deemed to have been paid to the NewPage stockholder with regard to whom it is withheld.

At the effective time of the Merger, NewPage's stock transfer books will be closed, and there will be no further registration of transfers of outstanding shares of NewPage common stock. None of the paying agent, Verso or the Surviving Corporation will be liable to any person for any cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. Any portion of the Merger Consideration deposited with the paying agent that remains undistributed for twelve months after the effective time of the Merger, will be delivered to the Surviving Corporation upon demand. Holders of certificates who have not surrendered their certificates prior to the delivery of such funds to the Surviving Corporation may only look to the Surviving Corporation for the payment of the Merger Consideration.

## **Representations and Warranties**

### ***NewPage Representations and Warranties***

NewPage makes various representations and warranties as to itself and its subsidiaries, which are subject, in some cases, to specified exceptions and qualifications. Such representations and warranties relate to, among other things:

proper organization, good standing and qualification to do business, and their formation and organizational documents;

indebtedness and capitalization, including the incentive equity securities of NewPage;

corporate power and authority to enter into the Merger Agreement and to consummate the transactions contemplated by the Merger Agreement, the required vote of the NewPage stockholders owning at least a majority of NewPage common stock to adopt the Merger Agreement and approve the Merger, and the adoption and recommendation by NewPage's board of directors of the Merger Agreement;

the absence of violations of or conflicts with NewPage's and its subsidiaries' governing documents, applicable law or certain agreements as a result of NewPage entering into the Merger Agreement and consummating the Merger, and the required consents and approvals of U.S. and foreign governmental entities in connection with the transactions contemplated by the Merger Agreement;

NewPage's financial statements and compliance with the requirements of the Securities Act of 1933 (the Securities Act), the Securities Exchange Act of 1934 with respect to maintaining proper disclosure controls and procedures and internal control over financial reporting;

the absence of undisclosed liabilities;

compliance with the issuance of applicable permits and applicable laws, with specific references to laws related to anticorruption and trade, environmental laws, laws regulating employee benefit plans and tax laws;

employment and labor matters affecting NewPage and its subsidiaries, including matters relating to employee benefit plans;

the absence of a material adverse effect and certain other changes or events related to NewPage or its subsidiaries since December 31, 2012;

legal proceedings and governmental orders;

the accuracy of information provided by NewPage for inclusion in this joint proxy and information statement/prospectus;

tax matters;

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intellectual property matters;

real and personal property;

the receipt by NewPage of a fairness opinion from Goldman, Sachs & Co.;

material contracts;

affiliate transactions;

the identity of the top customers and suppliers of NewPage and its subsidiaries;

insurance policies; and

the solvency of NewPage and its subsidiaries as of (i) immediately prior to the closing of the NewPage Term Loan Facility and the payment of the pre-closing cash payment to NewPage stockholders or (ii) assuming NewPage does not enter into the NewPage Term Loan Facility and pay the pre-closing cash payment, the effective time of the Merger.

***Verso and Merger Sub Representations and Warranties***

Verso and Merger Sub make various representations and warranties as to themselves and their subsidiaries, which are subject, in some cases, to specified exceptions and qualifications. Such representations and warranties relate to, among other things:

proper organization, good standing and qualification to do business, and their formation and organizational documents;

outstanding indebtedness and capitalization, including the incentive equity securities of Verso;

corporate power and authority to enter into the Merger Agreement and to consummate the transactions contemplated by the Merger Agreement, the required vote of the parent entity of Merger Sub in connection with the approval of the Merger Agreement, and the authorization by the board of directors of Verso and Merger Sub of the Merger Agreement and the transactions contemplated thereby;

the absence of violations of or conflicts with the governing documents of Verso and its subsidiaries, applicable law or certain agreements as a result of Verso and Merger Sub entering into the Merger

Agreement and consummating the Merger, and the required consents and approvals of U.S. and foreign governmental entities in connection with the transactions contemplated by the Merger Agreement;

Verso's financial statements;

the absence of undisclosed liabilities;

compliance with applicable laws;

legal proceedings and governmental orders;

the execution and delivery of (i) Debt Commitment Letters pursuant to which the lenders party thereto have committed to provide the NewPage Term Loan Facility and the NewPage ABL Facility and (ii) the Credit Agreement Amendments;

the accuracy of information provided by Verso for inclusion in this joint proxy and information statement/prospectus;

the solvency of Verso, the Surviving Corporation and its subsidiaries as of the effective time and immediately after the consummation of the Merger;

material contracts; and

the identity of any investment bank or other broker providing services to Verso in connection with its entering into the Merger Agreement and the transactions related thereto.

The representations and warranties of each of the parties will expire upon the effective time of the Merger.

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**Conduct of Business between Signing and Closing**

*NewPage*

The Merger Agreement provides that, subject to certain exceptions, between signing and closing, NewPage and its subsidiaries will (i) conduct their business in the ordinary course of business consistent with past practice, (ii) use reasonable best efforts to preserve intact their present lines of business, maintain their rights and franchises and preserve their relationships with customers and suppliers, and (iii) maintain levels of inventory and supplies that are adequate for present needs, are planned to be used, sold or distributed by NewPage or its subsidiaries in the ordinary course of business consistent with past practice, and are in usable and saleable condition in the ordinary course of business consistent with past practice. In addition, between signing and closing NewPage and its subsidiaries will not take any of the following actions without the consent of Verso:

(i) authorize or pay any dividends on or make any distribution with respect to outstanding shares of NewPage stock (other than between wholly-owned subsidiaries of NewPage), (ii) split, combine or reclassify any of its stock or issue or authorize the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its stock, except upon the exercise of stock options or settlement of stock units outstanding as of the date of the Merger Agreement, or (iii) purchase, redeem or otherwise acquire any shares of NewPage's stock or other securities of NewPage or any of NewPage's subsidiaries;

adopt any amendments to NewPage's or its subsidiaries' organizational documents;

issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any securities of NewPage, other than (i) issuances of shares of common stock in respect of any exercise of NewPage stock options and settlement of any NewPage restricted stock units and (ii) the grant of equity compensation awards at times, in amounts, on terms and conditions and otherwise in the ordinary course of business consistent with past practice and in accordance with a schedule to the Merger Agreement;

adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization or similar corporate transaction or event, or enter into a letter of intent or agreement in principle with respect to any of the foregoing, other than the Merger;

become liable for any indebtedness except for certain limited exceptions, including, among others, the ability of NewPage to draw down under its existing contracts for indebtedness and to incur other indebtedness up to \$5 million in the aggregate;

acquire or agree to acquire any business, or otherwise acquire or agree to acquire any properties or services, except for (i) acquisitions of raw materials, supplies, stores, equipment, machinery and other properties and services for the operation of NewPage's business in the ordinary course of business consistent with past practices, (ii) acquisitions of properties and services reasonably related to the business of Consolidated



Water Power Company not to exceed \$5 million in the aggregate, and (iii) capital expenditures made in accordance with NewPage's capital expenditure plan;

authorize, incur or enter into any contract obligating NewPage or any of its subsidiaries to authorize or incur capital expenditures in excess of \$1 million individually or \$5 million in the aggregate, other than capital expenditures made in accordance with NewPage's capital expenditure plan;

(i) increase the compensation or other benefits payable or provided to NewPage's and its subsidiaries directors or officers, or, except in the ordinary course of business consistent with past practice, any of their other employees, (ii) enter into any employment, change in control, severance or retention agreement with any director, officer or employee of NewPage except for agreements entered into with any newly-hired employees having an annual base salary and incentive compensation opportunity not to exceed \$300,000 in the aggregate, (iii) establish, adopt, enter into or amend any employee benefit plan for the benefit of any current or former directors, officers or employees or any of their beneficiaries, except in the ordinary course of business consistent with past practice and as would not

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result in a material increase in cost to NewPage, (iv) hire any new employees, unless such hiring is in the ordinary course of business consistent with past practice and is with respect to an employee having an annual base salary and incentive compensation opportunity not to exceed \$300,000 in the aggregate, (v) enter into or amend any collective bargaining agreements, except as otherwise required by applicable law, or (vi) take any action to cause to accelerate the funding, payment, distribution, right to payment or distribution, or vesting of any compensation or benefits, except as permitted by the Merger Agreement;

enter into or make any loans or advances to any of its officers, directors, employees, agents, affiliates, consultants or certain of the NewPage stockholders (other than advances in the ordinary course of business consistent with past practices), or make any change in its existing borrowing or lending arrangements for or on behalf of any such persons;

enter into any new line of business outside of the pulp, paper and packaging manufacturing industries;

(i) make, change or revoke any material tax election, (ii) amend any material tax return, (iii) adopt or change any material method of tax accounting or change any annual tax accounting period, (iv) settle or compromise any material tax proceeding or assessment, (v) enter into any material closing agreement with respect to taxes, (vi) surrender any right to claim a material refund of taxes, (vii) seek any tax ruling from any taxing authority, or (viii) consent to any extension or waiver of the limitation period applicable to any tax claim or assessment;

change financial accounting policies or procedures except as required by GAAP, SEC rule or policy or applicable law;

sell, lease, license, transfer, exchange, swap, mortgage (including securitize), abandon or otherwise dispose of any material portion of its material tangible or intangible non-cash properties or assets (except with respect to intellectual property), other than (i) in the ordinary course of business consistent with past practice or (ii) as disclosed in a schedule to the Merger Agreement and with a value not to exceed \$5 million in the aggregate;

(i) amend, terminate, cancel, assign or waive any rights under, any of NewPage's material contracts or leases in any material respect, in a manner that is adverse to NewPage and its subsidiaries taken as a whole, or that could prevent or delay the consummation of the Merger or the other transactions contemplated by the Merger Agreement, (ii) amend any contract for indebtedness in a manner that allows NewPage or any of its subsidiaries to incur additional indebtedness thereunder, or (iii) except in the ordinary course of business consistent with past practice, enter into any material contract or lease;

waive, release, assign, settle, compromise, pay or discharge any action, other than any such waiver, release, assignment, settlement, compromise, payment or discharge (i) that involves solely money damages in an amount not in excess of \$1 million individually or \$3 million in the aggregate, or (ii) pursuant to the terms of any contract in effect on the date of the Merger Agreement;

except in the ordinary course of business consistent with past practice or as required by law, agree or consent to any agreement or modifications of any existing agreements with any governmental entity that restricts or otherwise affects the operations of NewPage's business;

willfully take any action which would reasonably be expected to cause a material adverse effect;

fail to maintain in full force and effect the material insurance policies covering NewPage and its subsidiaries and their respective material properties, assets and businesses consistent with past practices, so long as such insurance is available at commercially reasonable rates;

delay or postpone the payment of accounts payable or other liabilities, or accelerate the collection of accounts receivable, other than in the ordinary course of business consistent with past practice;

except in connection with capital expenditures otherwise allowed under the Merger Agreement, (i) fail to maintain NewPage's owned real property in a manner consistent with past practices and NewPage's

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leased real property in substantially the same condition as of the date of the Merger Agreement, subject to certain exceptions, or (ii) demolish or remove any of the existing improvements except in the ordinary course of business consistent with past practice;

sell, lease, assign, convey, abandon, permit to lapse, or otherwise dispose of any of NewPage's intellectual property, other than nonexclusive licenses granted in the ordinary course of business consistent with past practice;

take any action or omit to take any action that would reasonably be expected to constitute or result in a default under certain contracts for indebtedness; or

authorize, commit or agree to take any of the foregoing actions.

***Verso***

The Merger Agreement provides that, subject to certain exceptions, between signing and closing, Verso and its subsidiaries will conduct their business in the ordinary course of business consistent with past practice. In addition, between signing and closing Verso and its subsidiaries will not take any of the following actions without the consent of NewPage:

(i) authorize or pay any dividends on or make any distribution with respect to outstanding shares of Verso common stock (other than between wholly-owned subsidiaries of Verso), (ii) split, combine or reclassify any of stock or issue or authorize the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its stock, except upon the exercise of stock options outstanding on the date of the Merger Agreement and other than grants of stock options and restricted shares of Verso made in the ordinary course of business consistent with past practice or (iii) purchase, redeem or otherwise acquire any shares of Verso's stock or other securities of Verso or any of its subsidiaries;

adopt any amendments to Verso's or its subsidiaries' organizational documents;

adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization or similar corporate transaction, other than the Merger;

become liable for any indebtedness except for certain limited exceptions, including, among others, the ability of Verso to draw down under its existing contracts for indebtedness and to incur other indebtedness up to \$5 million in the aggregate;

amend or modify, or grant any waivers under, (i) the Credit Agreement Amendments, the Existing ABL Facility or the Existing Cash Flow Facility, except as required in connection with the Merger Agreement or (ii) certain notes issued by Verso;

acquire or agree to acquire any business, or otherwise acquire or agree to acquire any properties or services, except for (i) acquisitions of raw materials, supplies, stores, equipment, machinery and other properties and services for the operation of Verso's business in the ordinary course of business consistent with past practices and (ii) capital expenditures made in accordance with Verso's capital expenditure plan;

enter into or make any loans or advances to any of its officers, directors, employees, agents, affiliates or consultants (other than advances in the ordinary course of business consistent with past practices) in excess of \$1 million in the aggregate, or make any change in its existing borrowing or lending arrangements for or on behalf of any such persons;

enter into any new line of business outside of the pulp, paper and packaging manufacturing industries;

sell, lease, license, transfer, exchange, swap, mortgage (including securitize), abandon or otherwise dispose of any material portion of its material tangible or intangible properties or assets, other than with a value that does not exceed \$5 million in the aggregate;

willfully take any action which would reasonably be expected to cause a material adverse effect;

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take any action that would reasonably be expected to constitute or result in a default under certain contracts for indebtedness; or

authorize, commit or agree to take any of the foregoing actions.

### **Access to Verso and NewPage Businesses between Signing and Closing**

Between signing of the Merger Agreement and the closing of the Merger (or the earlier termination of the Merger Agreement), Verso and NewPage have each agreed to afford the other party's representatives (including their third party advisors and with respect to Verso, representatives of the banks providing debt financing in the Merger) reasonable access to the personnel, properties, books and records and other documentation of Verso and NewPage, respectively. Such access need not be granted if it would disrupt operations at Verso or NewPage, respectively, or would jeopardize the attorney-client privilege of such party or violate any applicable law, contractual obligation or obligation of confidentiality of such party.

### **Exclusivity; Alternative Transactions**

Between signing of the Merger Agreement and the closing of the Merger (or the earlier termination of the Merger Agreement), NewPage has agreed not to take, and will not permit its subsidiaries and their respective officers, directors and employees to take, and will use reasonable best efforts to cause its other representatives not to take, any action to solicit, encourage, initiate or engage in discussions or negotiations with or provide any information to or enter into any agreement with any person or entity or facilitate any inquiries or submission of proposals for any acquisition transaction involving 25% or more of NewPage's assets or capital stock (other than with Verso or its affiliates).

This restriction includes ceasing any existing activities, discussions or negotiations conducted prior to the date of the Merger Agreement with respect to any alternative transaction. NewPage is required to promptly (and in no event later than 48 hours after receipt) notify Verso of the receipt of any proposal for an alternative transaction (or any request for information that could reasonably be expected to result in an alternative transaction), and keep Verso informed on a prompt basis (and in any event within 48 hours of NewPage's or its representatives' knowledge) of any material developments with respect to such proposal for an alternative transaction.

At any time prior to receipt of the NewPage stockholder approval, if NewPage receives an unsolicited proposal for an alternative acquisition transaction involving 100% of NewPage's assets or capital stock, the NewPage board of directors may take the following actions if it determines in good faith after consulting with NewPage's financial advisors and legal counsel that (i) such proposal constitutes or is reasonably likely to constitute a superior proposal as compared to the Merger, in that it is (x) reasonably likely to be consummated without undue delay and if consummated (y) would result in a transaction more favorable to the NewPage stockholders from a financial point of view as compared to the Merger with Verso (which means a proposal that values the shares of NewPage common stock in excess of \$825 million (minus the amount paid in the pre-closing cash payment to NewPage stockholders, if already paid), plus the time value of money attributed to the difference in the equity value proposed by such alternative transaction and \$825 million (minus the amount paid in the pre-closing cash payment, if already paid), using a discount rate of 5% and taking into account the reasonably anticipated closing date of such alternative transaction and the Merger) and (ii) failure to take such action would be inconsistent with the directors' fiduciary duties under applicable law (such a proposal, a Superior Proposal):

provide information to the third party making a proposal, so long as such third party has entered into a confidentiality agreement with NewPage; and

engage in discussions or negotiations with such third party with respect to the proposal for an alternative transaction; provided, that NewPage will, within 48 hours, (x) notify Verso of such discussions, (y) disclose the identity of the third party who has made a proposal for an alternative

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transaction and make available to Verso any non-public information concerning NewPage and its subsidiaries that is provided to any such third party that was not previously made available to Verso, along with a copy of any alternative transaction proposal made in writing and the material terms and conditions of any alternative transaction proposal not made in writing, and (z) thereafter keep Verso informed of any developments with respect to the material terms of such alternative transaction.

At any time prior to the receipt of the NewPage stockholder approval, the NewPage board of directors may change its recommendation of the Merger to its stockholders that they adopt the Merger Agreement and approve the Merger if the following occurs:

the NewPage board of directors determines in good faith after consulting with NewPage's financial advisors and legal counsel that (A) the failure to change its recommendation for the NewPage stockholders to adopt the Merger Agreement and approve the Merger would be inconsistent with the directors' fiduciary duties under applicable law and (B) that a proposal for an alternative transaction constitutes a Superior Proposal, and NewPage enters into an agreement with respect to such Superior Proposal and concurrently terminates the Merger Agreement and pays Verso a termination fee; provided, that the NewPage board of directors may not change its recommendation if the change of recommendation is not made in order for NewPage to enter into a definitive written agreement with respect to such Superior Proposal (unless the change of recommendation relates to a change in material circumstances of NewPage, which first occurred after the date of the Merger Agreement and which was not reasonably foreseeable by the NewPage board of directors prior to the date of the Merger Agreement);

NewPage gives at least five business days' notice to Verso prior to the NewPage board of directors changing its recommendation, and thereafter, the NewPage board of directors and NewPage's representatives negotiate with Verso in good faith to adjust the terms of the Merger Agreement so as to obviate the need for the change of recommendation; and

upon the expiration of the five business day notice period to Verso and after consultation with NewPage's financial and legal advisors and taking into account any proposed changes to the terms of the Merger Agreement by Verso, the NewPage board of directors will have determined that the failure of the NewPage board of directors to change its recommendation would be inconsistent with the directors' fiduciary duties under applicable law.

## **Regulatory Approvals**

Subject to the terms and conditions of the Merger Agreement, each party has agreed to use its reasonable best efforts (subject to and in accordance with applicable law) to take all actions and to do all things necessary, proper or advisable under applicable law to consummate the transactions contemplated by the Merger Agreement, including making filings under the HSR Act and other regulatory filings with FERC, the Federal Communications Commission, the United States Nuclear Regulatory Commission, various state regulators of radiological materials and the PSCW. In addition, each party has agreed to use reasonable best efforts to resolve any objections or suits brought by any governmental entity or private third party challenging any of the transactions contemplated by the Merger Agreement as being in violation of any law. With respect to any antitrust challenge, such efforts include agreeing to the sale, divestiture, lease, license or other disposition of business in order to resolve such antitrust challenge; provided, that neither Verso nor Merger Sub is required to take any action to resolve an antitrust challenge that would not materially affect the business.



**Financing Provisions**

***Marketing Period***

The purpose of the marketing period was to provide a reasonable and appropriate period of time to market and place the debt financing and the Exchange Offers. The marketing period was the period of 20 consecutive

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business days that commenced on January 13, 2014. Throughout and at the end of the marketing period Verso and the lenders had access to (i) all customary financial and other information of NewPage and its subsidiaries required under the Debt Commitment Letters or as reasonably required in offering documents in connection with the debt financing and the Exchange Offers, which information was to be of the type and form customarily included in offering documents used to syndicate credit facilities and included in offering documents used in private placements of debt securities under Rule 144A of the Securities Act or in Exchange Offers (and during which period such information was to remain compliant in all material respects at all times with the applicable provisions of Regulation S-X and Regulation S-K under the Securities Act) and (ii) such other information as was reasonably required in order to obtain comfort letters from NewPage's accountants in connection with the debt financing and the Exchange Offers described below.

***Verso Financing Commitments; NewPage Cooperation***

Verso agreed to use reasonable best efforts to take all actions and to do all things necessary or customary to arrange and obtain the debt financing to be funded in connection with the transactions contemplated by the Merger Agreement, on the terms and conditions described in the Debt Commitment Letters, including to exercise any rights Verso may have had under the commitment letters to extend the expiration time thereof and to negotiate and agree with the lenders to further extend such expiration dates beyond the commitment periods provided for therein and to enforce Verso's rights under the Debt Commitment Letters and Credit Agreement Amendments, including by pursuing litigation against the lenders in good faith in each case, subject to certain conditions.

Verso may not agree to any amendments or modifications to, or grant any waivers of, any condition or other provision under the Credit Agreement Amendments, and could not agree to any amendments or modifications to, or grant any waivers of, any condition or other provision under the Debt Commitment Letters, in each case, without the prior written consent of NewPage, which consent may not or could not be unreasonably withheld, provided that Verso may agree or could have agreed to such amendments, modifications and waivers provided that such action would not or would not have reasonably be expected to delay or prevent the closing of the Merger and the terms are not or would not have been, in the aggregate, materially less beneficial to Verso or NewPage than those in the Debt Commitment Letters or Credit Agreement Amendments or would not or would not have reasonably be expected to materially and adversely affect the value, rights and priorities of the New First Lien Notes, and would not have or have had the effect of reducing the aggregate amount of the debt financing or adversely affecting the ability of Verso to enforce its rights under the Debt Commitment Letters or the Credit Agreement Amendments. NewPage may not agree to any amendments or modifications to, or grant any waivers of, any condition or other provision under the NewPage ABL Facility or the NewPage Term Loan Facility without the prior written consent of Verso, which consent may not be unreasonably withheld.

Verso is required to give NewPage prompt notice of, and opportunity to comment on, its knowledge of any material breach or default or termination by any party to any Credit Agreement Amendment or, in the case of any Debt Commitment letter, was required to give NewPage prompt notice of, and opportunity to comment on, its knowledge of any breach or default or termination by any party thereto. Verso was also required to keep NewPage informed on a reasonably current basis in reasonable detail of the status of its efforts to arrange the debt financing and to provide NewPage with copies of all definitive agreements related to the debt financing. In the event any portion of the debt financing were to have become unavailable on the terms and conditions contemplated in the Debt Commitment Letters or the Credit Agreement Amendments, Verso would have had to use its reasonable best efforts to arrange alternative financing for such unavailable debt financing on terms not materially less favorable (as determined in the good faith judgment of Verso) to Verso or NewPage or would not have reasonably been expected to materially and adversely affect the value, rights and priorities of the New First Lien Notes than the terms set forth in the Debt Commitment Letters and the Credit Agreement Amendments, as applicable.



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NewPage agreed to, and agreed to cause its subsidiaries (and its and their respective representatives) to, use reasonable best efforts to provide all reasonable cooperation in connection with arranging the debt financing, including among other things:

participation in meetings, presentations, road shows, due diligence sessions, drafting sessions and sessions with rating agencies;

assisting with the preparation of materials for rating agency presentations, offering documents, private placement memoranda, bank information memoranda, prospectuses and similar documents;

assisting with the preparation and negotiation of, and facilitating the execution and delivery of, any pledge and security documents, other definitive financing documents, or other certificates, legal opinions or documents as may be reasonably requested by Verso and otherwise reasonably facilitating the pledging of collateral;

furnishing Verso and lenders, as promptly as practicable, with the financial and other pertinent information regarding NewPage as may be reasonably requested by Verso;

assisting in obtaining accountants' reports and comfort letters;

using reasonable best efforts to assist Verso to obtain required waivers, consents, estoppels and approvals from other parties to material leases, encumbrances and contracts to which NewPage or any of its subsidiaries is a party;

taking all actions reasonably necessary to permit the prospective lenders involved in the debt financing to evaluate NewPage's current assets, cash management and accounting systems, policies and procedures for the purpose of establishing collateral arrangements;

causing NewPage's independent accountants to cooperate with and assist Verso in preparing information packages and offering materials as the parties to the financing commitments may reasonably request for use in connection with the offering and/or syndication of debt securities, loan participation and other matters contemplated by the commitment letters; and

taking all corporate actions, subject to the occurrence of the closing of the Merger, reasonably requested by Verso to permit the consummation of the debt financing and the borrowing or incurrence of all of the proceeds of the debt financing.

***Exchange Offers***

In accordance with the Merger Agreement, Verso has initiated a process, using its reasonable best efforts, to cause the Verso Issuers to commence the Exchange Offer Transactions, including the separate or concurrent consent solicitations to amend, eliminate or waive certain sections of the applicable indentures governing the Old Second Lien Notes and Old Subordinated Notes (the Consent Solicitations ).

NewPage has agreed to, and has agreed to cause its subsidiaries (and its and their respective representatives) to, use reasonable best efforts to provide all reasonable cooperation required in connection with the Exchange Offers, including among other things:

participating in meetings, presentations, due diligence sessions and drafting sessions;

assisting with preparation of the documentation for the Exchange Offer Transactions, including all agreements and similar documents required in connection with the Exchange Offer Transactions, including requesting consents of accountants for use of their historical reports in any materials relating to the Exchange Offers;

furnishing Verso and lenders, as promptly as practicable, with the financial and other pertinent information regarding NewPage; and

delivering customary officer s certificates.

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On July 2, 2014, the Verso Issuers launched offers to exchange (a) New Second Lien Notes and Verso Warrants for any and all outstanding Old Second Lien Notes and (b) New Subordinated Notes and Verso Warrants for any and all outstanding Old Subordinated Notes. See Description of Other Indebtedness Exchange Offer Transactions.

As of the date of this joint proxy and information statement/prospectus, Verso has not obtained the Verso Junior Noteholder Consent or consummated the Exchange Offer Transactions, and Verso may not be able to obtain the Verso Junior Noteholder Consent or consummate the Exchange Offer Transactions on the current terms or at all, in which case the Merger may not close.

## **Indemnification; Directors and Officers and Fiduciary Liability Insurance**

The Merger Agreement provides that (i) all rights to exculpation, indemnification and expense advancement for directors and officers in NewPage's existing organizational documents will be maintained for a period of at least six years after closing of the Merger and (ii) that Verso and NewPage will, to the fullest extent permitted by applicable laws, provide indemnification and expense advancement for indemnification to their directors and officers for a period of six years after closing.

For a period of six years after closing, Verso and NewPage will maintain the insurance policies for directors and officers liability insurance and fiduciary liability insurance currently held by NewPage with respect to matters arising on or before closing and with benefits and levels of coverage at least as favorable as those provided in NewPage's existing policies. Alternatively, NewPage will, and Verso will cause NewPage to, use reasonable best efforts to purchase comparable insurance policies for this six year period after closing with benefits and levels of coverage at least as favorable as those provided in NewPage's existing policies. NewPage also has the option to purchase, prior to closing, a six year tail policy providing substantially equivalent benefits as NewPage's current directors and officers liability insurance and fiduciary liability insurance policies. If NewPage purchases such a tail policy, Verso will cause it to be maintained for its full term.

## **Employee Benefits**

For a period of six months after the effective time of the Merger, Verso will cause NewPage and its subsidiaries to maintain in effect NewPage's existing severance plans and to provide severance related payments and benefits required thereunder to any NewPage employees covered by such plans immediately prior to the effective time of the Merger.

Verso will cause NewPage and its subsidiaries to do the following with respect to any NewPage employee who first becomes eligible to participate in any new benefit plan during the two years following the closing of the Merger:

use commercially reasonable efforts to waive all pre-existing conditions (with respect to health coverage), exclusions and waiting periods under any new plans;

use commercially reasonable efforts to provide the employee with credit for any co-payments and deductibles paid by such employee or his or her eligible dependents prior to the effective time of the Merger under a group health plan in satisfying any applicable deductible or out-of-pocket requirements under any new plans; and

recognize all service of the employee with NewPage and its subsidiaries for vesting and eligibility purposes (but not for purposes of benefit accrual or early retirement subsidies or with respect to any equity-based plan) in any new plan.

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Verso and NewPage agree to implement a retention program prior to the closing of the Merger, as described in the Merger Agreement. Verso will also cause NewPage and its subsidiaries to:

recognize the unions that are parties to NewPage's collective bargaining agreements as the bargaining representatives for the employees covered by such collective bargaining agreements to the extent required by such agreements; and

to the extent required by such collective bargaining agreements, either (i) assume and apply to the union employees covered thereby the applicable collective bargaining agreements; or (ii) negotiate new agreements with the unions to establish the terms and conditions of employment.

Verso has retained the right to modify, amend or terminate any benefit or compensation plan, program, agreement or arrangement at any time after the effective time of the Merger, to terminate the employment of any NewPage employee after the effective time of the Merger, and the Merger Agreement specifically does not create any third-party beneficiary rights in any employee or other person with respect to any compensation, terms and conditions of employment and/or benefits.

## **Shareholder Litigation**

NewPage has agreed to notify Verso, and keep Verso informed, of any claims brought against NewPage or its officers or directors by any NewPage stockholder relating to the Merger or the other transactions contemplated by the Merger Agreement. Verso will have the opportunity to participate in any such claim and to consult with NewPage and its legal advisors regarding the defense or settlement of any such claim, and NewPage has agreed not to settle any such claim without Verso's consent.

## **Stock Exchange Listing**

Verso has agreed to use its reasonable best efforts to (i) cause the shares of Verso stock to be issued to the NewPage stockholders as part of the Merger Consideration to be approved for listing on the New York Stock Exchange as soon as reasonably practicable after the closing of the Merger and (ii) remain compliant with applicable rules of the New York Stock Exchange.

## **Confirmation of NewPage and Verso Capitalization**

One business day prior to the closing of the Merger, (i) NewPage will deliver to Verso a certificate setting forth the number of outstanding NewPage shares, the number of outstanding NewPage stock options and the number of outstanding NewPage RSUs, in each case as of the closing date and (ii) Verso will deliver to NewPage a certificate with the number of outstanding Verso shares as of immediately prior to the closing of the Merger and the number, strike prices and vesting terms for all Verso stock options as of January 3, 2014.

## **Conditions to the Merger**

The obligations of the parties to complete the Merger are subject to the satisfaction or waiver of the following mutual conditions:



receipt of the NewPage stockholder approval;

no law or order having been enacted or entered by any governmental authority that restrains, makes illegal or otherwise prohibits the consummation of the Merger;

the waiting period under the HSR Act must have expired or been earlier terminated without Verso or Merger Sub being required to take any action to resolve an antitrust challenge that would not materially affect the business;

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approvals of FERC and the PSCW must have been obtained without Verso or Merger Sub being required to take any action to resolve a challenge by such governmental entities that would not materially affect the business;

the Exchange Offer Transactions and the Consent Solicitations will have been consummated or be consummated concurrently with the closing of the Merger in accordance with certain thresholds being met in connection with the Exchange Offer Transactions;

NewPage Corporation's existing asset based loan facility will have been replaced with the NewPage ABL Facility as contemplated by the Debt Commitment Letters;

there will not have been any default or event of default under any existing Verso notes as a result of the Merger or the transactions contemplated by the Merger Agreement;

the number of shares of NewPage stock whose holders will have exercised dissenter's rights will not be greater than 7%;

this Form S-4 will have become effective and not be the subject of any stop order;

prior to the payment of the Recapitalization Dividend to NewPage stockholders, Houlihan Lokey Financial Advisors, Inc. will have delivered an opinion related to solvency matters to the NewPage board of directors, and NewPage will have provided Verso with a copy of such opinion for the board of directors of Verso;

a nationally recognized accounting firm shall have delivered to NewPage and Verso the certificate with the calculations of the NewPage restricted payments;

NewPage shall have received the proceeds contemplated by the Debt Commitment Letters;

on or before January 17, 2014, Murray Devine will have delivered an opinion to the NewPage board of directors and the Verso board of directors that Verso (together with its subsidiaries) will be solvent as of the closing of the Merger after giving pro forma effect to the transactions contemplated by the Merger Agreement;

at the closing of the Merger, Murray Devine will deliver a bring down of the solvency opinion described in the previous bullet; and

Verso will have received the requisite approval of its stockholders for the issuance of Verso common stock as a portion of the Merger Consideration.

The obligation of NewPage to complete the Merger is subject to the satisfaction or waiver of the following additional conditions:

Verso's representations and warranties as to proper organization, good standing and qualification, capitalization and indebtedness, corporate authority to enter into the Merger Agreement and consummate the transactions contemplated thereby, and Verso's use of any brokers in connection with the transactions contemplated by the Merger Agreement, will be true and correct in all respects and the other representations and warranties of Verso will be true and correct (without giving effect to any materiality qualifiers) except where the failure of such representations and warranties to be so true and correct (without giving effect to any materiality qualifiers), individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect;

the performance, in all material respects, by Verso and Merger Sub of their covenants and agreements required to be performed or complied with prior to the closing of the Merger;

since September 30, 2013, there will not have occurred a material adverse effect with respect to Verso;

Verso will have delivered to NewPage a certificate certifying that the conditions in the previous three bullets have been satisfied; and

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the shares of Verso common stock to be issued as a portion of the Merger Consideration will have been approved for listing on the New York Stock Exchange.

The obligation of Verso to complete the Merger is subject to the satisfaction or waiver of the following additional conditions:

NewPage's representations and warranties as to proper organization, good standing and qualification, capitalization and indebtedness, corporate authority to enter into the Merger Agreement and consummate the transactions contemplated thereby, the sufficiency of the NewPage stockholder approval and the approval of the NewPage board of directors of the Merger Agreement, the lack of any material adverse effect at NewPage since December 31, 2012, NewPage's receipt of the fairness opinion from Goldman, Sachs & Co., NewPage's use of any brokers in connection with the transactions contemplated by the Merger Agreement, and the affiliate transactions to which NewPage is a party, will be true and correct in all respects and the other representations and warranties of NewPage will be true and correct (without giving effect to any materiality qualifiers) except where the failure of such representations and warranties to be so true and correct (without giving effect to any materiality qualifiers), individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect;

the performance, in all material respects, by NewPage of its covenants and agreements required to be performed or complied with prior to the closing of the Merger;

since September 30, 2013, there will not have occurred a material adverse effect with respect to NewPage;

NewPage will have delivered to Verso a certificate certifying that the conditions in the previous three bullets have been satisfied;

NewPage will have delivered to Verso an affidavit stating that NewPage is not and has not been a United States real property holding corporation; and

NewPage will have used the proceeds of the NewPage Term Loan Facility only in accordance with the terms of the Merger Agreement.

**Termination**

The Merger Agreement may be terminated and the Merger may be abandoned at any time prior to the effective time of the Merger, whether before or after NewPage stockholder approval has been obtained, as follows:

by mutual written consent of the parties;

by either NewPage or Verso if (i) the closing of the Merger has not occurred on or before the End Date and (ii) the party seeking to terminate the Merger Agreement has not breached in any material respect its obligations under the Merger Agreement in a manner that was a principal cause of the failure to consummate the Merger on or before the End Date; provided, that either party has the right to extend the End Date for up to two additional thirty (30) calendar day periods, if the only condition to closing that has not been satisfied or waived (other than those conditions that by their nature are satisfied at the closing of the Merger) is the expiration of the waiting period under the HSR Act;

by either NewPage or Verso if any court of competent jurisdiction has issued or entered a permanent injunction or a similar order has been entered permanently enjoining or otherwise prohibiting the consummation of the Merger and such injunction has become final and non-appealable (so long as the party seeking to terminate the Merger Agreement has used reasonable best efforts as required by the Merger Agreement to prevent, oppose and remove such injunction);

by either NewPage or Verso if the NewPage stockholder approval is not obtained either by written consent or at a meeting of the NewPage stockholders;

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by NewPage (provided, that NewPage is not then in material breach of any representation, warranty, agreement or covenant contained in the Merger Agreement such that the closing condition related to the bring down of NewPage's representations and warranties and covenant compliance is unable to be satisfied), if Verso or Merger Sub has breached or failed to perform any of their representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach or failure to perform (i) would result in the failure of the closing condition related to the bring down of Verso's representations and warranties and covenant compliance to be satisfied and (ii) if curable, cannot be cured prior to the earlier of the End Date or thirty (30) days following NewPage's delivery of written notice of the breach to Verso;

by Verso, (i) in the event (A) of a change of recommendation by the NewPage board of directors or (B) a tender or exchange offer for NewPage common stock that would, if consummated in accordance with its terms, result in the sale of 25% or more of NewPage's capital stock, is commenced by a person unaffiliated with Verso and, within 10 business days after the public announcement of the commencement of such tender or exchange offer, NewPage has not issued a public statement (and filed a Schedule 14D-9 pursuant to Rule 14e-2 and Rule 14d-9 promulgated under the Exchange Act) reaffirming the NewPage board of directors recommendation that the NewPage stockholders adopt the Merger Agreement and approve the Merger and recommending that the NewPage stockholders reject such tender or exchange offer and not tender any shares of NewPage common stock into such tender or exchange offer, (ii) if NewPage has breached its obligations with respect to the non-solicitation of transactions covenant in any material respect and failed to cease such breach within two business days of being notified by Verso of such breach (such a termination as a result of the foregoing clauses (i) or (ii), an "Alternative Transaction Termination"), or (iii) so long as Verso is not then in material breach of any representation, warranty, agreement or covenant such that the closing condition related to the bring down of Verso's representations and warranties and covenant compliance is unable to be satisfied, if NewPage has breached or failed to perform any of its representations, warranties, covenants or other agreements contained in the Merger Agreement (other than with respect to non-solicitation), which breach or failure to perform (y) would result in a failure of the closing condition related to the bring down of NewPage's representations and warranties and covenant compliance and (z) if curable, cannot be cured by prior to the earlier of the End Date or thirty (30) days following Verso's delivery of written notice to NewPage of such breach;

by NewPage, at any time prior to the NewPage stockholder approval having been obtained after NewPage shall have received a Superior Proposal, in order for NewPage to enter into a definitive agreement with respect to such Superior Proposal, so long as NewPage has complied with its obligations with respect to alternative transactions and prior to or concurrently with such termination, NewPage shall have paid a termination fee to Verso; and

by NewPage, after March 4, 2014 and on or prior to March 19, 2014, in the event that the Verso Junior Noteholder Consent (as defined in the Merger Agreement) has not been obtained, or the Exchange Offer Condition (as defined in the Merger Agreement) has not been satisfied, in each case by March 4, 2014.

**Termination Fees**

***Payable by NewPage***

NewPage has agreed to pay to Verso a termination fee of \$27 million in cash if:

(i) after the signing of the Merger Agreement, any alternative transaction whereby any person or entity would own 50% or more of NewPage is made known to the NewPage board of directors, or is publicly proposed or publicly disclosed prior to the NewPage stockholder approval having been obtained (or prior to a termination of the Merger Agreement as a result of the NewPage stockholder approval not being obtained), (ii) Verso or NewPage, as applicable, terminates the Merger Agreement as a result of reaching the End Date, the NewPage stockholder approval not being obtained or the failure of the

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closing condition related to the bring down of NewPage's representations and warranties and covenant compliance and (iii) concurrently with or within twelve (12) months after such termination, NewPage shall have consummated a transaction whereby any person or entity would own 50% or more of NewPage (regardless of whether the transaction is the same one referred to in clause (i) above);

Verso terminates the Merger Agreement through an Alternative Transaction Termination (as described in Termination above); or

NewPage terminates the Merger Agreement as a result of reaching the End Date (only if the NewPage stockholder approval has not been obtained), the NewPage stockholder approval has not been obtained or NewPage receives a Superior Proposal and enters into a definitive agreement with respect to such proposal; provided, that NewPage will be obligated to pay the termination fee as result of reaching the End Date or because it failed to obtain the NewPage stockholder approval only if, prior to such termination, the NewPage board of directors changed its recommendation that the NewPage stockholders adopt the Merger Agreement and approve the Merger.

### ***Payable by Verso***

Verso has agreed to pay to NewPage a termination fee of \$27 million (half in cash and half in New First Lien Notes) if (i) the Verso Junior Noteholder Consent was not obtained, or the closing condition related to the Exchange Offer Transactions is not satisfied or waived by NewPage, in each case prior to March 4, 2014, (ii) NewPage does not terminate the Merger Agreement as a result, (iii) certain other closing conditions (e.g., stockholder approval and regulatory approvals) were satisfied, or were reasonably capable of being satisfied at the closing, (iv) the condition to closing that Murray Devine deliver a bring down of its solvency opinion is not reasonably capable of being satisfied at closing solely as a result of the failure of the closing condition related to the Exchange Offer Transactions, (v) the Merger fails to close due to the failure of Verso to consummate the Exchange Offer Transactions and (vi) and Verso or NewPage subsequently terminates the Merger Agreement as a result of reaching the End Date.

### ***Limitation on Liability***

Verso's and Merger Subs' aggregate liability under the Merger Agreement (together with any liability for which Verso and Merger Sub are responsible under certain ancillary agreements and together with the payment of any termination fee by Verso pursuant to the Merger Agreement) will not exceed \$27 million. NewPage's aggregate liability under the Merger Agreement (together with any liability of the NewPage stockholders who are party to Support Agreements and together with the payment of any termination fee by NewPage pursuant to the Merger Agreement) will not exceed \$27 million.

### ***Specific Performance***

The Merger Agreement provides that the parties will be entitled to an injunction or injunctions, to prevent breaches of the Merger Agreement and to enforce specifically the terms and provisions thereof, in addition to any other remedy to which any such party is entitled in law or in equity. NewPage is entitled to seek specific performance of Verso's obligations to consummate the Merger if no event shall have occurred that would cause any of Verso's conditions to closing to be satisfied or make such conditions impossible to satisfy, Verso fails to consummate the closing of the Merger within 2 business days following the date the closing of the Merger should occur in accordance with the terms of the Merger Agreement and NewPage has irrevocably confirmed that if specific performance is granted, the closing of the Merger will occur. NewPage is also entitled to seek specific performance of Verso's obligations to enforce the



Debt Commitment Letters if certain conditions are satisfied.

**Governing Law; Jurisdiction; Waiver of Jury Trial**

The Merger Agreement is governed by the laws of the State of Delaware, and any action or proceeding relating to the Merger Agreement and the rights and obligations arising thereunder shall be brought in the

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Delaware Court of Chancery or, if the Delaware Court of Chancery declines to accept jurisdiction, any state or federal court within the State of Delaware; provided, that the laws of the state of New York govern any claim brought under the Debt Commitment Letters, and state or federal courts sitting in Manhattan, New York shall have exclusive jurisdiction over any action or proceeding brought against the lenders party to the Debt Commitment Letters. Each of Verso, Merger Sub and NewPage has waived any right such party may have to a trial by jury with respect to any action arising out of the Merger Agreement and the transactions contemplated thereby.

**Legal Status of Debt Financing Sources**

NewPage has acknowledged and agreed that the sources of debt financing in the transactions contemplated by the Merger Agreement are acting as independent contractors for Verso and have no fiduciary, advisory or agency obligations to Verso or NewPage, and NewPage has waived, to the fullest extent permitted by law, any claims NewPage and its affiliates may have against such debt financing sources for breaches of fiduciary duty.

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**ANCILLARY AGREEMENTS ENTERED INTO  
IN CONNECTION WITH THE MERGER AGREEMENT**

**NewPage Stockholders' Support Agreements**

*The following describes the material provisions of the form of Support Agreement entered into by certain stockholders of NewPage, which was filed with the SEC on Form 8-K on January 6, 2014. The description in this section and elsewhere in this joint proxy and information statement/prospectus is qualified in its entirety by reference to the form of Support Agreement. This summary does not purport to be complete and may not contain all of the information about the Support Agreement that is important to you. Verso and NewPage encourage you to read carefully the Support Agreement in its entirety before making any decisions.*

In connection with the Merger Agreement, Verso and NewPage entered into Support Agreements with certain NewPage stockholders which collectively owned approximately 61% of NewPage's outstanding shares of common stock on January 3, 2014, pursuant to which, and on the terms and subject to the conditions set forth therein, such stockholders have agreed to vote their shares of NewPage common stock or execute a written consent in favor of the adoption and approval of the Merger Agreement. Such stockholders have also agreed to vote against and withhold their consent from any transaction involving the acquisition of NewPage other than the Merger or any other action or agreement of NewPage that would likely interfere with the consummation of the Merger.

The Support Agreements contain certain other covenants, including the waiver of appraisal rights under the DGCL, prohibitions on transfers of NewPage common stock held by such stockholders (other than to transferees who agree to be bound by the terms of such stockholder's Support Agreement) and a covenant requiring such stockholders to cease any and all communications relating to transactions involving the acquisition of NewPage other than the Merger and obligating such stockholders to notify Verso of any inquiries or proposals relating to any transaction involving NewPage other than the Merger. In addition, each stockholder who has executed a Support Agreement has covenanted to tender any and all Verso Junior Notes owned by such stockholder in the Exchange Offer Transactions and to use its reasonable best efforts to take any and all actions and will do all things necessary and advisable, in each case as requested by Verso, in furtherance of the consummation of the Exchange Offer Transactions.

The Support Agreements will terminate, with respect to each stockholder, upon the earliest to occur of the effective time of the Merger, the termination of the Merger Agreement in accordance with its terms and any amendment to the Merger Agreement that results in a non-de minimis and adverse change to the consideration payable to the NewPage stockholders.

**Verso Stockholder's Voting Agreement**

*The following describes the material provisions of the voting agreement entered into by Verso's majority stockholder, which was filed with the SEC on Form 8-K on January 6, 2014. The description in this section and elsewhere in this joint proxy and information statement/prospectus is qualified in its entirety by reference to the Verso voting agreement. This summary does not purport to be complete and may not contain all of the information about the Verso voting agreement that is important to you. Verso and NewPage encourage you to read carefully the Verso voting agreement in its entirety before making any decisions.*

In connection with the Merger Agreement, the Verso Stockholder, which owns a majority of the issued and outstanding shares of Verso common stock, has entered into a voting agreement with NewPage and Verso pursuant to which, on the terms and subject to the conditions set forth therein, the Verso Stockholder has agreed to vote its shares

of Verso common stock in favor of the issuance of Verso common stock as part of the Merger Consideration. The Verso voting agreement contains certain other covenants, including prohibitions on transfers of Verso common stock held by the Verso Stockholder other than to affiliates of the Verso Stockholder, or any equity holder of such affiliates, who agree to be bound by the terms of the Verso voting agreement.

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The Verso voting agreement will terminate upon the earliest to occur of the approval of the Verso stockholders of the issuance of Verso common stock as part of the Merger Consideration and the termination of the Merger Agreement in accordance with its terms.

Except for specific performance, the Verso Stockholder will not be liable, directly or indirectly, for any losses arising out of the voting agreement; provided, however, that Verso will be liable for any willful and material breach of the voting agreement by the Verso Stockholder, and any award for money damages arising out of voting agreement may not exceed under any circumstances \$27 million in the aggregate netted against any money damages paid by Verso for damages arising out of any other agreement that any affiliate of Verso is a party to in connection with the transactions contemplated by the Merger Agreement, or the Merger Agreement (together with any termination fees paid by Verso thereunder).

## **Lock-Up Side Letter**

*The following describes the material provisions of the lock-up side letter, which is attached as Annex F to this joint proxy and information statement/prospectus and which is incorporated by reference herein. The description in this section and elsewhere in this joint proxy and information statement/prospectus is qualified in its entirety by reference to the lock-up side letter. This summary does not purport to be complete and may not contain all of the information about the lock-up side letter that is important to you. Verso and NewPage encourage you to read carefully the lock-up side letter in its entirety before making any decisions.*

In connection with the Merger Agreement, Apollo, which is the ultimate parent entity of the Verso Stockholder, has entered into a lock-up side letter with NewPage pursuant to which, on the terms and subject to the conditions set forth therein, Apollo has agreed, on behalf of itself and its affiliates, not to sell, purchase or otherwise transfer or acquire any debt or equity securities of Verso or its subsidiaries between the signing of the Merger Agreement and the closing of the Merger or termination of the Merger Agreement (other than transfers to affiliates, or any equity holder of such affiliates, who agree to be bound by the terms of the lock-up side letter).

In addition, Apollo has covenanted, on behalf of itself and its affiliates, to tender any and all Verso Junior Notes owned by Apollo and its affiliates in the Exchange Offer Transactions and to use his, her or its reasonable best efforts to take, or cause to be taken, any and all actions and will do, or cause to be done, all things necessary and advisable, in each case as requested by Verso, in furtherance of the consummation of the Exchange Offer Transactions.

The lock-up side letter will terminate upon the earliest to occur of the closing of the Merger and the termination of the Merger Agreement in accordance with its terms.

Except for specific performance, Apollo will not be liable, directly or indirectly, for any losses arising out of the letter voting agreement; provided, however, that Verso will be liable for any willful and material breach of the letter voting agreement by Apollo, and any award for money damages arising out of letter voting agreement may not exceed under any circumstances \$27 million in the aggregate netted against any money damages paid by Verso for damages arising out of any other agreement that any affiliate of Verso is a party to in connection with the transactions contemplated by the Merger Agreement, or the Merger Agreement (together with any termination fees paid by Verso thereunder).

## **Regulatory Filing Letter**

*The following describes the material provisions of the regulatory filing letter, which is attached as Annex G to this joint proxy and information statement/prospectus and which is incorporated by reference herein. The description in this section and elsewhere in this joint proxy and information statement/prospectus is qualified in its entirety by*

*reference to the regulatory filing letter. This summary does not purport to be complete and may not contain all of the information about the regulatory filing letter that is important to you. Verso and NewPage encourage you to read carefully the regulatory filing letter in its entirety before making any decisions.*

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In connection with the Merger Agreement, Apollo and VPI have entered into the regulatory filing letter pursuant to which, on the terms and subject to the conditions set forth therein, Apollo and VPI have agreed to make the following filings, or where appropriate join the corresponding Verso filings as a co-filing party: (1) any required filings related to the approval as a takeover of a holding company under Wis. Stat. s. 196.795(3); (2) any required filings related to the approval as a reorganization of Consolidated Water Power Company, a public utility, under Wis. Stat. s. 196.79; (3) any required filings related to the approval of the Nuclear Regulatory Commission, Maryland Department of the Environment, Radiological Health Program, Minnesota Department of Health, Radioactive Materials Unit, State of Wisconsin, Department of Health Services, Radioactive Materials Program, Maine Radiation Control Program, Division of Environmental Health, Commonwealth of Kentucky, Division of Public Health Protection & Safety, Radiation Health Branch, in each case for Consent to Indirect Change of Control with respect to Radiological Materials Licenses; (4) any required filings related to the approval of the Federal Communications Commission for the transferring of control of Federal Communications Commission-issued licenses or permits under Section 310(d) of the Communications Act of 1934, as amended, 47 U.S.C. § 310(d); (5) a Notification and Report Form (with all required submissions in connection therewith) under the HSR Act; and (6) any filings that are required to be made under any competition law similar to the HSR Act in any other jurisdiction.

In addition, Apollo and VPI have agreed to:

promptly provide responses to any governmental entity's requests for additional information or documents in connection with the foregoing filings;

subject to applicable law and the instructions of any governmental entity, keep the parties to the Merger Agreement apprised of the status of the foregoing filings, including promptly furnishing the parties to the Merger Agreement with copies of notices or other communications received by Apollo or VPI from any governmental entity with respect to the foregoing filings;

permit counsel for the parties to the Merger Agreement a reasonable opportunity to review in advance, and consider in good faith the views of the parties to the Merger Agreement in connection with, any proposed written communication to any governmental entity in connection with the foregoing filings;

not participate in any meeting or discussion, either in person or by telephone, with any governmental entity in connection with the foregoing filings unless they consult with the parties to the Merger Agreement in advance and, to the extent not prohibited by such governmental entity, give the parties to the Merger Agreement or their respective outside counsel the opportunity to attend and participate;

at the reasonable request of any party to the Merger Agreement upon reasonable advance notice, cause their representatives to participate in any meeting, discussion, hearing or deposition with or before any governmental entity to the extent related to the foregoing filings; and

with respect to items (1) through (2) in the second paragraph above, if required by the PSCW, Apollo and VPI shall directly enter into, or cause their subsidiaries to directly enter into, as applicable, undertakings to the PSCW that are the same as the undertakings entered into by NewPage and its affiliates to the PSCW in connection with NewPage's acquisition of Stora Enso North America, Inc. and Consolidated Water Power Company, which undertakings are set forth in the final decision of the PSCW dated December 11, 2007.

The obligations of each of Apollo and VPI under the regulatory filing letter expire on the earlier of (i) receipt of all required approvals from the governmental entities referred to the second paragraph above; (ii) the waiver by the parties to the Merger Agreement of certain conditions set forth therein with respect to the approvals of the governmental entities set forth in the second paragraph above to the Merger; and (iii) the termination of the Merger Agreement in accordance with its terms.

Except for specific performance, Apollo and VPI are not liable, directly or indirectly, for any losses arising out of the regulatory filing letter; provided, however, that Verso will be liable for any willful and material breach of the regulatory filing letter by Apollo or VPI, and any award for money damages arising out of regulatory filing



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letter may not exceed under any circumstances \$27 million in the aggregate netted against any money damages paid by Verso for damages arising out of any other agreement that any affiliate of Verso is a party to in connection with the transactions contemplated by the Merger Agreement, or the Merger Agreement (together with any termination fees paid by Verso thereunder).

### **Director Appointment Letter**

*The following describes the material provisions of the director appointment letter, which is attached as Annex H to this joint proxy and information statement/prospectus and which is incorporated by reference herein. The description in this section and elsewhere in this joint proxy and information statement/prospectus is qualified in its entirety by reference to the director appointment letter. This summary does not purport to be complete and may not contain all of the information about the director appointment letter that is important to you. Verso and NewPage encourage you to read carefully the director appointment letter in its entirety before making any decisions.*

In connection with the Merger Agreement, Verso, Merger Sub and NewPage have entered into the director appointment letter pursuant to which, on the terms and subject to the conditions set forth therein, Verso has agreed to, prior to the effective time of the Merger, extend an offer to one (1) member of the NewPage board of directors who is willing to serve and who has prior senior executive-level experience in the pulp, paper and packaging manufacturing industries to serve on the Verso board of directors for at least one full three-year term after the effective time of the Merger. Promptly after the effective time of the Merger, if such individual agrees to serve as a director of Verso and meets the criteria set forth in Verso's Corporate Governance and Nominating Committee Charter, Verso has agreed to use its reasonable best efforts to cause such individual to be appointed to Verso's board of directors and, subject to fiduciary obligations under applicable law, Verso has agreed to use its reasonable best efforts to cause such individual to be elected as a director of Verso at the first annual meeting of stockholders of Verso with a proxy mailing date after the effective time of the Merger.

Verso's obligations under the director appointment letter will expire when the Merger Agreement is terminated in accordance with its terms.

### **Asset Financing Letter**

*The following describes the material provisions of the asset financing letter.*

In connection with the Merger Agreement, Verso and NewPage have entered into the asset financing letter pursuant to which, on the terms and subject to the conditions set forth therein, Verso has agreed to use commercially reasonable efforts to, or to cause one or more of its subsidiaries to, obtain prior to March 4, 2014, a bank commitment for at least \$65 million, which will be secured by certain assets that Verso believes are not essential to its businesses and are permitted by its existing debt agreements to be sold.

The asset financing letter terminates (and Verso will have no further obligations thereunder) upon the earlier to occur of (i) the closing of the Merger and (ii) the termination of the Merger Agreement in accordance with its terms.

### **Cooperation Agreement**

*The following describes the material provisions of the form of cooperation agreement, which is attached as Annex I to this joint proxy and information statement/prospectus and which is incorporated by reference herein. The description in this section and elsewhere in this joint proxy and information statement/prospectus is qualified in its entirety by reference to the form of cooperation agreement. This summary does not purport to be complete and may not contain*

*all of the information about the form of cooperation agreement that is important to you. Verso and NewPage encourage you to read carefully the form of cooperation agreement in its entirety before making any decisions.*

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Following the closing of the Merger, Verso will be subject to cooperation agreements, pursuant to which, on the terms and subject to the conditions set forth therein, Verso has agreed with such NewPage stockholders who receive New First Lien Notes as part of the Merger Consideration, that following the request of noteholders owning at least 20% of the aggregate principal amount of New First Lien Notes, Verso will use its reasonable best efforts to provide, and will use its reasonable best efforts to cause its subsidiaries, directors, officers, employees, consultants, agents, financial advisors, attorneys, accountants or other representatives to use reasonable best efforts to provide, in connection with the sale of the New First Lien Notes, all reasonable cooperation requested by such noteholders including participating in a reasonable and customary number of meetings, drafting sessions, presentations, road shows, due diligence sessions and sessions with prospective investors, making available for inspection all pertinent financial and other records, pertinent corporate documents and properties of Verso, and providing all information reasonably requested by any selling noteholders or underwriters or initial purchasers (or any of their respective attorneys, accountants or consultants) in connection with an offering of New First Lien Notes (provided that the foregoing is subject in all respects to the recipients of any such information executing a customary confidentiality agreement in form and substance reasonably satisfactory to Verso), and will, as expeditiously as possible, use its reasonable best efforts to facilitate the offering, in compliance with applicable laws, of New First Lien Notes in one or more transactions, which may be exempt from the registration requirements of the Securities Act or registered under the Securities Act, at the reasonable discretion of Verso after consultation with noteholders holding at least 20% of the aggregate principal amount of New First Lien Notes, including the entry by Verso into registration rights agreements (if applicable), purchase agreements and other agreements and the obtaining of opinions, comfort letters and other closing documents, in each case consistent with Verso's past practices in connection with prior offerings of debt securities of Verso, including, for the avoidance of doubt, indemnification provisions in favor of selling noteholders in connection with any such marketed offering on the same basis as granted to the initial purchasers or underwriters in such offering. Verso is not required to comply with more than one such request referenced above in any six-month period or more than four such requests in total during the period beginning on the closing date of the Merger and ending on the second anniversary thereof. Verso may, under certain circumstances determined in good faith by its board of directors and upon written notice to noteholders, delay or suspend such requested offerings for one or more periods not to exceed 90 days in the aggregate in any twelve-month period.

**Release Agreement**

*The following describes the material provisions of the form of release agreement, which is attached as Annex J to this joint proxy and information statement/prospectus. The description in this section and elsewhere in this joint proxy and information statement/prospectus is qualified in its entirety by reference to the release agreement. This summary does not purport to be complete and may not contain all of the information about the release agreement that is important to you. Verso and NewPage encourage you to read carefully the release agreement in its entirety before making any decisions.*

Prior to receiving their pro rata portion of the Merger Consideration, NewPage stockholders and holders of in-the-money NewPage stock options and NewPage restricted stock units will be required to deliver a release agreement whereby such person releases NewPage and Verso and their respective predecessors, successors, assigns, equityholders, directors, officers, employees, affiliates and representatives from certain claims (the Released Claims). If a releasing party is an entity and not a natural person, the release will also be made on behalf of such entity's controlled affiliates and its and their equityholders, directors, managers, partners, members, officers, employees and representatives. The Released Claims do not include any rights arising out of the Merger Agreement, any unpaid salary and accrued bonuses to which the releasing party is entitled in his or her capacity as an employee, director or consultant to NewPage, rights under any employment agreement, employee welfare, incentive compensation or similar arrangement as a result of the releasing party acting as an employee, director or consultant to NewPage, claims for unreimbursed business expenses incurred on behalf of NewPage, claims for director and/or officer indemnification

pursuant to the organizational documents of NewPage or any indemnification agreement or applicable law, or rights of a releasing party that arise other than from such releasing party's capacity as a former stockholder or holder of stock options or restricted stock units of NewPage.

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**DESCRIPTION OF THE NEW FIRST LIEN NOTES**

**General**

Verso Paper Holdings LLC (together with its successors in interest and each other Person that assumes the Obligations of the Company under the Notes, the *Company* ) and Verso Paper Inc. (together with its successors in interest, *Finance Co.* and, together with the Company, the *Issuers* ) will issue up to \$650,000,000 aggregate principal amount of 11.75% Senior Secured Notes due 2019 (the *Initial Notes* ) under an indenture (the *Indenture* ) to be entered into by and among the Issuers, as joint and several obligors, the Note Guarantors and Wilmington Trust, National Association, as trustee (in such capacity, the *Trustee* ).

The Issuers may issue additional notes ( *Additional Notes* ) from time to time under the Indenture. Any subsequent issue of Additional Notes will be secured, equally and ratably, with the Notes. As a result, the issuance of Additional Notes has the effect of diluting the security interest of the Collateral for the then outstanding Notes. Any offering of Additional Notes will be subject to the covenants described below under the captions *Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock* and *Certain Covenants Liens*. It is possible, however, that any series of such Additional Notes (i) will not be fungible with other Notes for United States federal income tax purposes, (ii) will therefore be issued under a separate CUSIP number and (iii) will not trade fungibly with other Notes. The Initial Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single series of Notes for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Holders of the Notes and the Additional Notes will vote as one class under the Indenture. Unless the context otherwise requires, for all purposes of the Indenture and this *Description of Notes*, references to the Notes include the Initial Notes and any Additional Notes actually issued.

Finance Co. is a Wholly Owned Subsidiary of the Company that was created to be a co-issuer of securities of the Company, including the Notes. Finance Co. does not own and is not expected to own any significant assets.

The following summary of certain provisions of the Indenture, the Notes, the intercreditor agreements and the security documents does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture, including the definitions of certain terms therein and those terms made a part thereof by the TIA, the intercreditor agreements and the security documents. The Indenture, the Senior Lien Intercreditor Agreement, the First-Priority Intercreditor Agreement, the First-Lien Intercreditor Agreement, the Junior Lien Intercreditor Agreement and the Security Documents, and not this *Description of Notes*, will govern your rights as a holder of Notes. We refer you to copies of those documents, which are filed as exhibits to the Registration Statement on Form S-4. Capitalized terms used in this *Description of Notes* section and not otherwise defined have the meanings set forth in the section *Certain Definitions*.

**Terms of the Notes**

The Notes will be senior obligations of the Issuers, will have the benefit of the first-priority security interest in the Notes Priority Collateral and a second-priority security interest in the ABL Priority Collateral (in each case, subject to certain exceptions, Permitted Liens and release under certain circumstances) as described under *Security for the Notes* and will mature on January 15, 2019, provided, however, that, if, as of 45 days prior to the maturity date of our Existing Senior Subordinated Notes, more than \$100.0 million of Existing Senior Subordinated Notes remain outstanding, then the notes will mature on that day. Each Note will bear interest at a rate of 11.75% per annum from the Issue Date or from the most recent date to which interest has been paid or provided for, payable semiannually to holders of record at the close of business on the January 1 and July 1 immediately preceding the interest payment date on January 15 and July 15 of each year.

Principal of, premium, if any, and interest on the Notes will be payable, and the Notes may be exchanged or transferred, at the office or agency designated by the Issuers (which initially shall be the principal corporate trust office of the Trustee).

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The Notes will be issued only in fully registered form, without coupons, in minimum denominations of \$2,000 and any integral multiple of \$1,000 in excess of \$2,000. Notes may be issuable in denominations of less than \$2,000 solely to the extent necessary to accommodate book-entry positions that have been created in denominations of less than \$2,000 by a participant of the Depository Trust Company ( *DTC* ). No service charge will be made for any registration of transfer or exchange of Notes, but the Issuers may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

**Optional Redemption**

On or after the first anniversary of the Issue Date (the *First Call Date* ), the Issuers may redeem the Notes at their option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days prior notice mailed by the Issuers by first-class mail, or delivered electronically if held by DTC, to each holder's registered address, at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest and additional interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during periods set forth below:

<b>Period</b>	<b>Redemption Price</b>
First Call Date through January 14, 2016	108.813%
January 15, 2016 through January 14, 2017	105.875%
January 15, 2017 through January 14, 2018	102.938%
January 15, 2018 and thereafter	100.000%

In addition, prior to the First Call Date, the Issuers may redeem the Notes at their option, in whole at any time or in part, from time to time, upon not less than 30 nor more than 60 days prior notice mailed by the Issuers by first-class mail, or delivered electronically if held by DTC, to each holder's registered address, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and additional interest, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

**Selection**

In the case of any partial redemption, selection of Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed (and the Issuers shall notify the Trustee of any such listing), or if the Notes are not so listed, on a pro rata basis, by lot or by such other method as the Trustee shall deem fair and appropriate (and in such manner as complies with applicable legal requirements and the requirements of the DTC, if applicable); *provided*, that no Notes of \$2,000 or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Issuers have deposited with the Paying Agent funds sufficient to pay the principal of, plus accrued and unpaid interest and additional interest (if any) on, the Notes to be redeemed.

**Mandatory Redemption; Offers to Purchase; Open Market Purchases**

The Issuers will not be required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuers may be required to offer to purchase Notes as described

under Change of Control and Certain Covenants Asset Sales. We may at any time and from time to time purchase Notes in the open market or otherwise.



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The Indebtedness evidenced by the Notes will be senior Indebtedness of the Issuers and will rank pari passu in right of payment with all existing and future senior Indebtedness of the Issuers. The Notes will have the benefit of (i) a first-priority security interest in the Notes Priority Collateral, which will also secure the ABL Obligations of the Issuers on a second-priority basis and the First-Lien Revolving Facility Obligations and all Other First-Priority Lien Obligations of the Issuers on a first-priority basis, and (ii) a second-priority security interest in the ABL Priority Collateral, which will also secure the ABL Obligations of the Issuers on a first-priority basis and the First-Lien Revolving Facility Obligations and all Other First-Priority Lien Obligations of the Issuers on a second-priority basis, in each case subject to Permitted Liens and exceptions described under Security for the Notes. The Notes will rank effectively senior to the ABL Obligations of the Issuers, to the extent of the value of the Notes Priority Collateral held by the Issuers, and effectively junior to the ABL Obligations of the Issuers, to the extent of the value of the ABL Priority Collateral held by the Issuers. The Notes will rank effectively pari passu with all First-Lien Revolving Facility Obligations and all Other First-Priority Lien Obligations of the Issuers, which include the Obligations under the Existing First-Lien Notes, to the extent of the value of the Notes Priority Collateral held by the Issuers. The Notes will be senior in right of payment to all existing and future Junior Indebtedness of the Issuers and effectively senior to all unsecured Indebtedness of the Issuers and to all Indebtedness of the Issuers secured by junior liens on the Collateral, to the extent of the value of the Collateral held by the Issuers.

The Indebtedness evidenced by the Note Guarantees will be senior Indebtedness of the applicable Note Guarantor and will rank pari passu in right of payment with all existing and future senior Indebtedness of such Note Guarantor. The Note Guarantee of each Note Guarantor will have the benefit of (i) a first-priority security interest in the Notes Priority Collateral, which will also secure the ABL Obligations of such Note Guarantor on a second-priority basis and the First-Lien Revolving Facility Obligations and all Other First-Priority Lien Obligations of such Note Guarantor on a first-priority basis, and (ii) a second-priority security interest in the ABL Priority Collateral, which will also secure the ABL Obligations of such Note Guarantor on a first-priority basis and the First-Lien Revolving Facility Obligations and all Other First-Priority Lien Obligations of such Note Guarantor on a second-priority basis, in each case subject to Permitted Liens and exceptions described under Security for the Notes. The Note Guarantee of each Note Guarantor will rank effectively senior to the ABL Obligations of such Note Guarantor, to the extent of the value of the Notes Priority Collateral held by such Note Guarantor, and effectively junior to the ABL Obligations of such Note Guarantor, to the extent of the value of the ABL Priority Collateral held by such Note Guarantor. The Note Guarantee of each Note Guarantor will rank effectively pari passu with all First-Lien Revolving Facility Obligations and all Other First-Priority Lien Obligations of such Note Guarantor, which include the Obligations under the Existing First-Lien Notes, to the extent of the value of the Notes Priority Collateral held by such Note Guarantor. The Note Guarantee of each Note Guarantor is senior in right of payment to all existing and future Junior Indebtedness of such Note Guarantor and effectively senior to all unsecured Indebtedness of such Note Guarantor and to all Indebtedness of such Note Guarantor secured by junior Liens on the Collateral, to the extent of the value of the Collateral held by such Note Guarantor.

Because the Existing Secured Notes and the related guarantees are, and the New Second-Lien Notes and the related guarantees will be, secured by security interests ranking junior in priority to the security interests securing the Note Obligations, the First-Lien Revolving Facility Obligations, all Other First-Priority Lien Indebtedness and the ABL Obligations, such Existing Secured Notes and the related guarantees and such New Second-Lien Notes and the related guarantees will rank effectively junior to all such Obligations.

At March 31, 2014, we had:

- (1) \$417.9 million of outstanding Existing First-Lien Notes;
  
- (2) \$60.0 million outstanding under the ABL Facility (with \$40.3 million letters of credit outstanding thereunder and \$32.4 million available for future borrowing thereunder, based on a borrowing base of \$132.7 million and a maximum availability of \$150.0 million);

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- (3) \$38.0 million outstanding under the First-Lien Revolving Facility (with no letters of credit outstanding thereunder and \$12.0 million available for borrowing thereunder);
- (4) \$271.6 million of outstanding Existing Secured Notes;
- (5) \$396.0 million of outstanding Existing Fixed Rate Second-Lien Notes; and
- (6) \$13.3 million of outstanding Existing Floating Rate Second-Lien Notes; and
- (7) \$142.5 million of outstanding Existing Senior Subordinated Notes.

In addition, after giving effect to the Merger, the NewPage Entities would have had (i) \$750.0 million outstanding under the New NewPage Term Loan Facility and (ii) \$53.0 million outstanding under the New NewPage ABL Facility. The Indebtedness of the NewPage Entities will be structurally senior to the Notes with respect to the assets of the NewPage Entities and the NewPage Entities will not guarantee the Notes.

Although the Indenture will limit the Incurrence of Indebtedness by the Company and its Restricted Subsidiaries and the issuance of Disqualified Stock and Preferred Stock by the Restricted Subsidiaries, such limitation will be subject to a number of significant qualifications. Under certain circumstances, the Company and its Subsidiaries may be able to incur substantial amounts of Indebtedness. Such Indebtedness may be Secured Indebtedness constituting First-Priority Lien Obligations or ABL Obligations. See **Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock** and **Certain Covenants Liens**.

A significant portion of the operations of the Company is conducted through its Subsidiaries. Unless a Subsidiary is Finance Co. or a Note Guarantor, claims of creditors of such Subsidiary, including trade creditors, and preferred stockholders (if any) of such Subsidiary generally will have priority with respect to the assets and earnings of such Subsidiary over the claims of creditors of the Company, including holders of the Notes. The Notes, therefore, will be effectively subordinated to obligations to creditors (including trade creditors) and preferred stock (if any) of Subsidiaries of the Company other than Finance Co. and the Note Guarantors. The Company's Subsidiaries other than Finance Co. and the Note Guarantors have no material assets or liabilities, except that Verso Quinnesec REP LLC, an Unrestricted Subsidiary, owns restricted cash and a parcel of land at the Quinnesec mill with certain renewable energy facilities used by the mill under a long-term lease and Verso Androscoggin Power LLC, also an Unrestricted Subsidiary, owns four hydroelectric facilities associated with our Androscoggin Mill and related electricity transmission equipment.

**Security for the Notes**

The Note Obligations will be secured by first-priority security interests in the Notes Priority Collateral and by second-priority security interests in the ABL Priority Collateral (second in priority to the first-priority liens on the ABL Priority Collateral that secure the ABL Obligations), in each case subject to Permitted Liens. The Existing First-Lien Notes and the New First-Lien Revolving Facility are secured by security interests in both the ABL Priority Collateral and the Notes Priority Collateral that rank pari passu to the respective security interests securing the Notes Obligations. The Existing Secured Notes are, and the New Second-Lien Notes will be, secured by security interests in both the ABL Priority Collateral and the Notes Priority Collateral that rank junior to the security interests securing the Note Obligations and the ABL Obligations. The secured parties under the ABL Facility will have rights and remedies

with respect to the ABL Priority Collateral that, if exercised, could adversely affect the value of the ABL Priority Collateral or the ability of the respective agents under the applicable intercreditor agreement to realize or foreclose on the ABL Priority Collateral on behalf of the First-Priority Lien Secured Parties. First-Priority Lien Secured Parties other than the holders of the Notes will have rights and remedies with respect to the Collateral that, if exercised, could also adversely affect the value of the Collateral or the ability of the holders of the Notes to cause a realization or foreclosure on the Collateral, particularly the rights described below under Security for the Notes Intercreditor Agreements.

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The *Notes Priority Collateral* will consist of any and all of the following assets and properties now owned or at any time hereafter acquired by the Issuers or any of the Note Guarantors (collectively, the *Pledgors*): (a) all real property, fixtures and equipment; (b) all intellectual property; (c) all equity interests in each Pledgor's subsidiaries (limited to 65% of the interests of the Pledgors' foreign subsidiaries); (d) all general intangibles, chattel paper, instruments and documents (other than general intangibles, chattel paper, instruments and documents that are ABL Priority Collateral); (e) all payment intangibles that represent tax refunds in respect of or otherwise relate to real property, fixtures or equipment; (f) all intercompany indebtedness of the Company and its subsidiaries; (g) all permits and licenses related to any of the foregoing (including any permits or licenses related to the ownership or operation of real property, fixtures or equipment of any Pledgor); (h) all proceeds of insurance policies (excluding any such proceeds that relate to ABL Priority Collateral); (i) all books and records related to the foregoing and not relating to ABL Priority Collateral; (j) all products and proceeds of any and all of the foregoing (other than any such proceeds that are ABL Priority Collateral); and (k) all other collateral not constituting ABL Priority Collateral.

The *ABL Priority Collateral* will consist of any and all of the following assets and properties now owned or at any time hereafter acquired by the Pledgors: (a) all accounts; (b) all inventory; (c) to the extent evidencing, governing, securing or otherwise related to the items referred to in the preceding clauses (a) and (b), all (i) general intangibles, (ii) chattel paper, (iii) instruments and (iv) documents; (d) all payment intangibles (including corporate tax refunds), other than any payment intangibles that represent tax refunds in respect of or otherwise relate to real property, fixtures or equipment; (e) all payments received from the Pledgors' credit card clearinghouses and processors or otherwise in respect of all credit card charges for sales of inventory by the Pledgors; (f) all collection accounts, deposit accounts, securities accounts and commodity accounts and any cash or other assets in any such accounts (other than separately identified cash proceeds of Notes Priority Collateral) and securities entitlements and other rights with respect thereto; (g) to the extent relating to any of the items referred to in the preceding clauses (a) through (f) constituting ABL Priority Collateral, all supporting obligations and letter-of-credit rights; (h) all books and records related to the foregoing; and (i) all products and proceeds of any and all of the foregoing in whatever form received, including proceeds of insurance policies related to inventory of any Pledgor and business interruption insurance (in each case, except to the extent constituting proceeds of Notes Priority Collateral). The Collateral is pledged pursuant to the Security Documents to the Collateral Agent on behalf of all holders of First-Priority Lien Obligations on an equal and ratable basis.

The Collateral will not include (i) any property or assets owned by any Foreign Subsidiaries, (ii) Excluded Equity; (iii) any debt securities issued to a Pledgor having, in the case of each instance of debt securities, an aggregate principal amount not in excess of \$5.0 million; (iv) any securities of any of the Company's Subsidiaries to the extent a pledge of such securities to secure any of the First-Priority Lien Obligations would require the filing of financial statements pursuant to Rule 3-16 of Regulation S-X; (v) any vehicle covered by a certificate of title or ownership; (vi) the Bucksport Co-Gen Assets; (vii) any assets acquired after the Issue Date to the extent that, and for so long as granting a security interest in such assets would violate an enforceable contractual obligation binding on such assets that existed at the time of acquisition thereof and was not created or made binding on such assets in contemplation or in connection with the acquisition of such assets (except in the case of assets acquired with indebtedness pursuant clause (d)(1) of the covenants described below under the captions *Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock* or any equivalent exception under any other agreement governing First-Priority Lien Obligations that is secured by a Permitted Lien); (viii) any letter of credit rights to the extent any Pledgor is required by applicable law to apply the proceeds of a drawing of such letter of credit for a specified purpose; and (ix) any Pledgor's right, title or interest in any license, contract or agreement to which such Pledgor is a party to the extent that such a grant would, under the terms of such license, contract or agreement, result in a breach of the terms of, or constitute a default under, or result in the abandonment, invalidation or unenforceability of such license, contract or agreement (other than to the extent that any such term would be rendered ineffective pursuant to Section 9-406, 9-407, 9-408 or 9-409 of the New York Uniform Commercial Code or any other applicable

law (including, without limitation, the Bankruptcy Code or principles of equity), provided that immediately upon the ineffectiveness, lapse or termination of any such provision, the Collateral shall include, and such Pledgor shall be

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deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect (collectively, the *Excluded Property*). *Except for securities of certain of our Subsidiaries that are excluded pursuant to clause (iv) above, the foregoing excluded property and assets do not secure the ABL Obligations, the First-Lien Revolving Facility Obligations or the Other First-Priority Lien Obligations, including the Obligations under the Existing First-Lien Notes. Pursuant to the Security Documents, the Issuers and the Guarantors will not be required to take steps to create or perfect security interests in certain assets, including real estate with a value below \$3.0 million.*

The Issuers and the Note Guarantors will be able to incur additional indebtedness in the future which could share in the Notes Priority Collateral, including Other First-Priority Lien Obligations and additional Indebtedness which would be secured by Liens ranking junior to the Liens securing the Notes. The amount of such First-Priority Lien Obligations and additional Indebtedness will be limited by the covenant set forth under Certain Covenants Liens and the covenant described under Certain Covenants Limitation on Incurrence of Indebtedness and Issuances of Disqualified Stock and Preferred Stock. Under certain circumstances, the amount of such First-Priority Lien Obligations and additional Indebtedness could be significant.

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the ABL Obligations, the Notes, the First-Lien Revolving Facility Obligations and the Other First-Priority Lien Obligations. By its nature some or all of the Collateral is and will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, if salable. See Risk Factors Risks Relating to the New First Lien Notes It may be difficult to realize the value of the collateral securing the New First Lien Notes and The value of the collateral securing the New First Lien Notes may not be sufficient to satisfy Verso's obligations under the New First Lien Notes, the Existing First Lien Notes, the Existing ABL Facility and the Existing Cash Flow Facility. Holders of the New First Lien Notes will not have control over many decisions related to the collateral.

**After-Acquired Collateral**

From and after the Issue Date if (i) property (other than Excluded Property) is acquired by an Issuer or a Note Guarantor that is not automatically subject to a perfected security interest under the Security Documents, (ii) a Restricted Subsidiary (including a newly created or newly acquired Subsidiary) becomes a Note Guarantor or (iii) assets or other property held by the Issuers or a Note Guarantor are no longer Excluded Property, then the Issuer or Note Guarantor will, as soon as practical thereafter, provide security over such assets or property (or, in the case of a new Note Guarantor, all of its assets except Excluded Property) in favor of the Collateral Agent and deliver certain certificates and opinions in respect thereof as required by the Indenture and the Security Documents. If the Issuer or a Note Guarantor creates any additional security interest upon any property or asset that would constitute Notes Priority Collateral to secure any other First-Priority Lien Obligations (other than securities described in clause (iv) of the definition of *Excluded Property* above), it must concurrently grant (i) a first-priority security interest (subject to Permitted Liens) upon such property as security for the Note Obligations, the First-Lien Revolving Facility Obligations and Other First-Priority Lien Obligations, and (ii) a second priority security interest upon such property as security for the ABL Obligations. The Issuers and Note Guarantors will also ensure that second-priority security interests are maintained as security for the Notes in the ABL Priority Collateral pledged to secure the ABL Obligations (other than securities described in clause (iv) of the definition of *Excluded Property* above). If granting a security interest in such property requires the consent of a third party, the Company will use commercially reasonable efforts to obtain such consent. If such third party does not consent to the granting of the required security interests after the use of such commercially reasonable efforts, the applicable entity will not be required to provide such security interests.

**Security Documents**

The Issuers, the Note Guarantors, the trustee for the Existing First-Lien Notes and the collateral agent for the Existing First-Lien Notes entered into a security agreement, which provides for the security interests to



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secure the Obligations under the Existing First-Lien Notes. At the same time, the Issuers and the Note Guarantors entered into separate security agreements with each of the First-Lien Revolving Facility Collateral Agent and the ABL Facility Collateral Agent, which security agreements provide for the security interests to secure the Obligations under the New First-Lien Revolving Facility and the ABL Obligations, respectively. On the Issue Date, the Collateral Agent will enter into a joinder to the existing security agreement that provides for the security interests that secure the Obligations under the Existing First-Lien Notes, or the Issuers, the Note Guarantors, the Trustee and the Collateral Agent will enter into a new security agreement that will provide for the security interests to secure the Notes Obligations, in either case, on a pari passu basis with the security interests securing the Existing First-Lien Notes.

The Issuers and the Note Guarantors will use their commercially reasonable efforts to complete on or prior to the Issue Date all mortgage recordings and other similar actions required in connection with the perfection of such security interests as well as obtain title insurance policies, confirmatory lien subordinations and legal opinions with respect to the mortgages. For any actions not completed on or prior to the Issue Date, they will use their commercially reasonable efforts to complete such actions within 90 days after the Issue Date. Accordingly, the Notes may not have the benefit of some or all of the Collateral on or after the Issue Date. Thus, at the time of issuance of the Notes, such liens would not yet be created or perfected. In addition, our leased real property will not be mortgaged, no surveys will be delivered for non-mill sites, and no updates to existing surveys will be delivered as to the mill sites. In addition, no title insurance reports or policies will be delivered to the Trustee in connection with the mortgages prior to the issuance of the Notes. There will be no independent assurance, therefore, among other things, that there are no liens other than those permitted by the Indenture encumbering such real properties. See also Risk Factors Risks Relating to the New First Lien Notes Delivery of security interests in certain collateral after the issue date increases the risk that the mortgages or other security interests could be avoidable in bankruptcy.

Subject to the terms of the Security Documents, the Issuers and the Note Guarantors will have the right to remain in possession and retain exclusive control of the Collateral (other than any cash, securities, obligations and Cash Equivalents constituting part of the Collateral and deposited with the Collateral Agent in accordance with the provisions of the Security Documents and other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

**Intercreditor Agreements*****Senior Lien Intercreditor Agreement***

The collateral agent for the Existing First-Lien Notes, on its own behalf and on behalf of the First-Priority Lien Secured Parties under the indenture governing the Existing First-Lien Notes, the First-Lien Revolving Facility Collateral Agent, on its own behalf and on behalf of the First-Priority Lien Secured Parties under the First-Lien Revolving Facility, the ABL Facility Collateral Agent, on its own behalf and on behalf of the administrative agent and lenders under the ABL Facility, the Issuers and the Note Guarantors entered into a senior lien intercreditor agreement, dated as of May 4, 2012 (as hereafter amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the *Senior Lien Intercreditor Agreement* ) that sets forth the relative priority of the Liens securing the First-Priority Lien Obligations compared to the Liens securing the ABL Obligations. On the Issue Date, the Collateral Agent, on its own behalf and on behalf of the First-Priority Lien Secured Parties under the Indenture, will enter into a joinder to the Senior Lien Intercreditor Agreement. The Collateral Agent, the collateral agent for the Existing First-Lien Notes, the First-Lien Revolving Facility Collateral Agent and the ABL Facility Collateral Agent are referred to as the *Applicable Collateral Agents*, and the First-Priority Lien Obligations and the ABL Obligations are referred to as the *Applicable Obligations*. Although the holders of First-Priority Lien Obligations and the ABL Obligations are not parties to the Senior Lien Intercreditor Agreement, by their acceptance of the instruments evidencing such Obligations, each agrees to be bound thereby. In addition, the Senior Lien Intercreditor

Agreement provides that it may be amended from time to time to add Additional First-Priority Lien Secured Parties with respect to Other First-Priority Lien Obligations to the extent permitted to be incurred under the

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Indenture, the indenture governing the Existing First-Lien Notes, the First-Lien Revolving Facility and the ABL Facility and to add holders of ABL Obligations arising under any ABL Facility Documents. The Notes Obligations will constitute Other First-Priority Lien Obligations for purposes of the Senior Lien Intercreditor Agreement upon the Collateral Agent's entry into the joinder described above. The Senior Lien Intercreditor Agreement allocates the benefits of any Collateral between the holders of the ABL Obligations on the one hand and the holders of the First-Priority Lien Obligations on the other hand.

The Senior Lien Intercreditor Agreement provides, among other things:

*Lien Priority.* Notwithstanding the time, order or method of grant, creation, attachment or perfection of any Liens securing any ABL Obligations (the *ABL Liens*), the Liens securing any First-Priority Lien Obligations (the *First-Priority Liens*), or the enforceability of any such Liens or Obligations, (1) the ABL Liens on the ABL Priority Collateral will rank senior to any First-Priority Liens on the ABL Priority Collateral, and (2) the First-Priority Liens on the Notes Priority Collateral will rank senior to any ABL Liens on the Notes Priority Collateral.

*Prohibition on Contesting Liens and Obligations.* No Applicable Collateral Agent or holder of any Applicable Obligation may contest or support any other person in contesting the validity or enforceability of the Liens of any other Applicable Collateral Agent or holder of any other class of Applicable Obligations.

*Exercise of Remedies and Release of Liens with Respect to the ABL Priority Collateral.* Prior to the Discharge of ABL Obligations, the ABL Facility Collateral Agent will have the sole power to exercise remedies against the ABL Priority Collateral (subject to the right of any First-Lien Collateral Agent to take limited protective measures with respect to the First-Priority Liens and to take certain actions that would be permitted to be taken by unsecured creditors) and to foreclose upon and dispose of the ABL Priority Collateral. Upon any sale of any ABL Priority Collateral in connection with any enforcement action consented to by the ABL Facility Collateral Agent, which results in the release of the Liens of such ABL Facility Collateral Agent on such item of ABL Priority Collateral, the Liens of each other class of Applicable Obligations on such item of ABL Priority Collateral will be automatically released.

*Exercise of Remedies and Release of Liens with Respect to the Notes Priority Collateral.* Prior to the Discharge of First-Priority Lien Obligations, the Authorized First-Lien Collateral Agent (as defined below) will have the sole power to exercise remedies against the Notes Priority Collateral (subject to the right of the ABL Facility Collateral Agent to take limited protective measures with respect to the ABL Liens and to take certain actions that would be permitted to be taken by unsecured creditors) and to foreclose upon and dispose of the Notes Priority Collateral. Upon any sale of any Notes Priority Collateral in connection with any enforcement action consented to by the Authorized First-Lien Collateral Agent, which results in the release of the Liens of such Authorized First-Lien Collateral Agent on such item of Notes Priority Collateral, the Liens of each other class of Applicable Obligations on such item of Notes Priority Collateral will be automatically released.

*Application of Proceeds and Turn-Over Provisions.* In connection with any enforcement action with respect to the Collateral or including in respect of any Insolvency or Liquidation Proceeding, (x)(1) all proceeds of ABL Priority Collateral will first be applied to the repayment of all ABL Obligations, before being applied to any First-Priority Lien Obligations; and (2) after the Discharge of ABL Obligations, if any First-Priority Lien Obligations remain outstanding, all proceeds of ABL Priority Collateral will be applied to the repayment of any outstanding First-Priority Lien Obligations in accordance with the terms of the First-Priority Intercreditor Agreement; and (y)(1) all proceeds of Notes Priority Collateral shall be applied to First-Priority Lien Obligations in accordance with the terms of the First-Priority Intercreditor Agreement, before being applied to any ABL Obligations; (2) after the Discharge of First-Priority Lien Obligations, if any ABL Obligations remain outstanding, all proceeds of Notes Priority Collateral will be applied to the repayment of any outstanding ABL Obligations. If any holder of any Applicable Obligations or if any Applicable Collateral Agent receives

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any proceeds of Collateral in contravention of the foregoing, such proceeds will be turned over to the Applicable Collateral Agent entitled to receive such proceeds pursuant to the prior sentence, for application in accordance with the prior sentence.

*Amendment and Refinancings.* The ABL Obligations and the First-Priority Lien Obligations may be amended or refinanced subject to continuing rights of the holders of such refinancing Indebtedness under the Senior Lien Intercreditor Agreement.

*Intercreditor Agent.* The Senior Lien Intercreditor Agreement provides for the appointment of an intercreditor agent (the *Intercreditor Agent*) who entered into a joinder to the existing Junior Lien Intercreditor Agreement. With respect to any Collateral, the Intercreditor Agent will take direction from the Applicable Collateral Agent that is at the time entitled to enforce remedies with respect to such Collateral under the Senior Lien Intercreditor Agreement.

In addition, the Senior Lien Intercreditor Agreement provides that if the Company or any of its subsidiaries is subject to a case under the Bankruptcy Code or any other bankruptcy law:

(x) if the ABL Facility Collateral Agent desires to permit the use of cash collateral or to permit the Issuers or any Note Guarantor to obtain financing under Section 363 or Section 364 of the Bankruptcy Code or under any other similar law ( *DIP Financing* ) secured by a lien on ABL Priority Collateral, then the Authorized First-Lien Collateral Agent and the holders of First-Priority Lien Obligations agree not to object to such use of cash collateral or DIP Financing or to request adequate protection (except as otherwise permitted under the Senior Lien Intercreditor Agreement) or any other relief in connection therewith and, to the extent the Liens on ABL Priority Collateral securing the ABL Obligations are subordinated or pari passu with such DIP Financing, will subordinate its Liens in the ABL Priority Collateral to such DIP Financing (and all Obligations relating thereto) on the same basis as such Liens are subordinated to the Liens in such ABL Priority Collateral securing the ABL Obligations; and (y) if the Authorized First-Lien Collateral Agent desires to permit the Issuers or any Note Guarantor to obtain any DIP Financing secured by a Lien on Notes Priority Collateral, then the ABL Facility Collateral Agent and the holders of ABL Obligations agree not to object to such DIP Financing or to request adequate protection (except as otherwise permitted under the Senior Lien Intercreditor Agreement) or any other relief in connection therewith and, to the extent the Liens on Notes Priority Collateral securing the First-Priority Lien Obligations are subordinated or pari passu with respect to such DIP Financing, will subordinate its Liens in the Notes Priority Collateral to such DIP Financing (and all Obligations relating thereto) on the same basis as such Liens are subordinated to the First-Priority Liens in the Notes Priority Collateral.

(x) in the case of ABL Priority Collateral, the Authorized First-Lien Collateral Agent and the holders of First-Priority Lien Obligations will not object to, and will not otherwise contest (i) any motion for relief from the automatic stay or from any injunction against foreclosure or enforcement in respect of the ABL Obligations made by the ABL Facility Collateral Agent or any holder of such ABL Obligations; (ii) any lawful exercise by any holder of ABL Obligations of the right to credit bid ABL Obligations in any sale in foreclosure of ABL Priority Collateral; and (iii) any other request for judicial relief made in any court by any holder of ABL Obligations relating to the lawful enforcement of any Lien on the ABL Priority Collateral; and (y) in the case of Notes Priority Collateral, the ABL Facility Collateral Agent and the holders of ABL

Obligations will not object to, and will not otherwise contest (i) any motion for relief from the automatic stay or from any injunction against foreclosure or enforcement in respect of the First-Priority Lien Obligations made by the Authorized First-Lien Collateral Agent or any holder of such First-Priority Lien Obligations; (ii) any lawful exercise by any holder of First-Priority Lien Obligations of the right to credit bid First-Priority Lien Obligations in any sale in foreclosure of Notes Priority Collateral; and (iii) any other request for judicial relief made in any court by any holder of First-Priority Lien Obligations relating to the lawful enforcement of any Lien on the Notes Priority Collateral.

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(x) in the case of ABL Priority Collateral, the Authorized First-Lien Collateral Agent and the holders of First-Priority Lien Obligations will not object to (and will not otherwise contest) any order relating to a sale of ABL Priority Collateral of any Issuer or Note Guarantor for which the ABL Facility Collateral Agent has consented that provides, to the extent the sale is to be free and clear of Liens, that the ABL Liens and the First-Priority Liens will attach to the proceeds of the sale on the same basis of priority as the Liens securing such Obligations on the assets being sold, in accordance with the Senior Lien Intercreditor Agreement; and (y) in the case of Notes Priority Collateral, the ABL Facility Collateral Agent and the holders of ABL Obligations will not object to (and will not otherwise contest) any order relating to a sale of Notes Priority Collateral of any Issuer or Note Guarantor for which the Authorized First-Lien Collateral Agent has consented that provides, to the extent the sale is to be free and clear of Liens, that the ABL Liens and the First-Priority Liens will attach to the proceeds of the sale on the same basis of priority as such Liens attached to the assets being sold, in accordance with the Senior Lien Intercreditor Agreement.

(x) in the case of ABL Priority Collateral, the Authorized First-Lien Collateral Agent and the holders of First-Priority Lien Obligations will not seek relief from the automatic stay or any other stay in any insolvency or liquidation proceeding without the prior consent of the ABL Facility Collateral Agent; and (y) in the case of Notes Priority Collateral, the ABL Facility Collateral Agent and the holders of ABL Obligations will not seek relief from the automatic stay or any other stay in any insolvency or liquidation proceeding without the prior consent of the Authorized First-Lien Collateral Agent.

In respect of the ABL Priority Collateral, the Authorized First-Lien Collateral Agent and the holders of First-Priority Lien Obligations will not contest (or support any other person contesting) (a) any request by the ABL Facility Collateral Agent or the holders of ABL Obligations for adequate protection or (b) any objection by the ABL Facility Collateral Agent or the holders of ABL Obligations to any motion, relief, action or proceeding based on the ABL Facility Collateral Agent or the holders of ABL Obligations claiming a lack of adequate protection. Notwithstanding the foregoing, in any insolvency or liquidation proceeding, (i) if the holders of ABL Obligations (or any subset thereof) are granted adequate protection in the form of additional collateral in connection with any DIP Financing or use of cash collateral under Section 363 or Section 364 of the Bankruptcy Code or any similar law, then the Authorized First-Lien Collateral Agent may seek or request adequate protection in the form of a replacement Lien on such additional collateral, so long as, with respect to ABL Priority Collateral, such Lien is subordinated to the Liens securing the ABL Obligations and such DIP Financing (and all Obligations relating thereto), on the same basis as the other First-Priority Liens on ABL Priority Collateral are subordinated to the Liens on ABL Priority Collateral securing the ABL Obligations under the Senior Lien Intercreditor Agreement and (ii) in the event the Authorized First-Lien Collateral Agent seeks or requests adequate protection and such adequate protection is granted in the form of additional collateral, then the Authorized First-Lien Collateral Agent and the holders of First-Priority Lien Obligations agree that the holders of the ABL Obligations shall also be granted a Lien on such additional collateral as security for the applicable ABL Obligations and any such DIP Financing and that any Lien on such additional collateral that constitutes ABL Priority Collateral securing the First-Priority Lien Obligations shall be subordinated to the Liens on such collateral securing the ABL Obligations and any such DIP Financing (and all Obligations relating thereto) and any other Liens on ABL Priority Collateral granted to the holders of ABL Obligations as adequate protection on the same basis as the First-Priority Liens are so subordinated to the Liens securing the ABL Obligations under the Senior Lien Intercreditor Agreement.

(x) neither the Authorized First-Lien Collateral Agent nor any other First-Priority Lien Secured Party shall oppose or seek to challenge any claim by the ABL Facility Collateral Agent or any holder of ABL Obligations for allowance of ABL Obligations consisting of post-petition interest, fees or expenses to the extent of the value of the ABL Liens on the ABL Priority Collateral, without regard to the existence of the First-Priority Liens on the ABL Priority Collateral; and (y) neither the ABL Facility Collateral Agent nor any holder of ABL Obligations shall oppose or seek to challenge any claim by the Authorized First-Lien Collateral Agent or any other First-Priority Lien Secured Party for allowance of



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First-Priority Lien Obligations consisting of post-petition interest, fees or expenses to the extent of the value of the First-Priority Liens on the Notes Priority Collateral, without regard to the existence of the ABL Liens on the Notes Priority Collateral;

In respect of the Notes Priority Collateral, the ABL Facility Collateral Agent and the holders of ABL Obligations will not contest (or support any other person contesting) (a) any request by the Authorized First-Lien Collateral Agent and the holders of First-Priority Lien Obligations for adequate protection or (b) any objection by the Authorized First-Lien Collateral Agent and the holders of First-Priority Lien Obligations to any motion, relief, action or proceeding based on the Authorized First-Lien Collateral Agent and the holders of First-Priority Lien Obligations claiming a lack of adequate protection. Notwithstanding the foregoing, in any insolvency or liquidation proceeding, (i) if the holders of First-Priority Lien Obligations (or any subset thereof) are granted adequate protection in the form of additional collateral in connection with any DIP Financing or use of cash collateral under Section 363 or Section 364 of the Bankruptcy Code or any similar law, then the ABL Facility Collateral Agent may seek or request adequate protection in the form of a replacement Lien on such additional collateral, so long as, with respect to Notes Priority Collateral, such Lien is subordinated to the Liens on Notes Priority Collateral securing the First-Priority Lien Obligations and such DIP Financing (and all Obligations relating thereto), on the same basis as the other ABL Liens on Notes Priority Collateral are subordinated to the First-Priority Liens on Notes Priority Collateral under the Senior Lien Intercreditor Agreement and (ii) in the event the ABL Facility Collateral Agent seeks or requests adequate protection and such adequate protection is granted in the form of additional collateral, then the ABL Facility Collateral Agent and the holders of ABL Obligations agree that the holders of the First-Priority Lien Obligations shall also be granted a Lien on such additional collateral as security for the applicable First-Priority Lien Obligations and any such DIP Financing and that any Lien on such additional collateral that constitutes Notes Priority Collateral securing the ABL Obligations shall be subordinated to the Liens on such collateral securing the First-Priority Lien Obligations and any such DIP Financing (and all Obligations relating thereto) and any other Liens on Notes Priority Collateral granted to the holders of First-Priority Lien Obligations as adequate protection on the same basis as the other ABL Liens on Notes Priority Collateral are subordinated to the First-Priority Liens on Notes Priority Collateral under the Senior Lien Intercreditor Agreement; and

(x) until the Discharge of ABL Obligations has occurred, the Authorized First-Lien Collateral Agent, on behalf of itself and the holders of First-Priority Lien Obligations, will not assert or enforce any claim under Section 506(c) of the United States Bankruptcy Code senior to or on a parity with the ABL Liens on ABL Priority Collateral for costs or expenses of preserving or disposing of any Collateral; and (y) until the Discharge of First-Priority Lien Obligations has occurred, the ABL Facility Collateral Agent, on behalf of itself and the holders of ABL Obligations, will not assert or enforce any claim under Section 506(c) of the United States bankruptcy Code senior to or on a parity with the First-Priority Liens on Notes Priority Collateral for costs or expenses of preserving or disposing of any Collateral.

***First-Priority Intercreditor Agreement***

The collateral agent for the Existing First-Lien Notes, on its own behalf and on behalf of the holders of the Existing First-Lien Notes, and the First-Lien Revolving Facility Collateral Agent, on its own behalf and on behalf of the First-Priority Lien Secured Parties under the First-Lien Revolving Facility, the Issuers and the Note Guarantors entered into the senior first-priority lien intercreditor agreement, dated as of May 4, 2012 (as hereafter amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the

*First-Priority Intercreditor Agreement* ). On the Issue Date, the Collateral Agent, on its own behalf and on behalf of

the holders of the Notes under the Indenture, will enter into a joinder to the First-Priority Intercreditor Agreement. Although the holders of First-Priority Lien Obligations are not parties to the First-Priority Intercreditor Agreement, by their acceptance of the instruments evidencing such Obligations, each agrees to be bound thereby. In addition, the First-Priority Intercreditor Agreement provides that it may be amended from

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time to time to add Additional First-Priority Lien Secured Parties and collateral agents therefor with respect to Other First-Priority Lien Obligations to the extent permitted to be incurred under the Indenture, the indenture governing the Existing First-Lien Notes, the First-Lien Revolving Facility and the ABL Facility. The Notes Obligations will constitute Other First-Priority Lien Obligations for purposes of the First-Priority Intercreditor Agreement upon the Collateral Agent's entry into the joinder described above. The First-Priority Intercreditor Agreement allocates the benefits of the Collateral among the holders of First-Priority Lien Obligations.

The First-Priority Intercreditor Agreement provides, among other things:

Notwithstanding the date, time, method, manner or order of grant, attachment or perfection of any liens on any Collateral in which one or more collateral agents for any Series of First-Priority Lien Obligations have perfected security interests, the security interests of each First-Lien Collateral Agent in such Collateral will rank equal in priority. Under the First-Priority Intercreditor Agreement, only the authorized First-Lien Collateral Agent (the *Authorized First-Lien Collateral Agent*) will, subject to the terms of the Senior Lien Intercreditor Agreement, have the right to exercise remedies and take enforcement actions with respect to the Collateral, and the Authorized Representatives of other Series of First-Priority Lien Obligations will have no right to take actions with respect to the Collateral (subject to the right of any such Authorized Representative of such other Series of First-Priority Lien Obligations to take limited protective measures with respect to the liens securing such First-Priority Lien Obligations and to take certain actions that would be permitted to be taken by unsecured creditors). The Authorized First-Lien Collateral Agent is initially the First-Lien Revolving Facility Collateral Agent. The First-Lien Revolving Facility Collateral Agent will remain the Authorized First-Lien Collateral Agent until such date as the principal amount of commitments outstanding under the First-Lien Revolving Facility is less than \$30.0 million. Thereafter, the Authorized First-Lien Collateral Agent will be appointed by holders of a majority in aggregate outstanding principal amount of the series of First-Priority Lien Obligations that is the largest principal amount of any such series, unless the outstanding principal amount of First-Priority Lien Obligations of each other series is less than the principal amount of commitments outstanding under the First-Lien Revolving Facility, in which case the Authorized First-Lien Collateral Agent shall continue to be the First-Lien Revolving Facility Collateral Agent. The Collateral Agent, as Authorized Representative in respect of the Notes, will initially have no rights to exercise remedies or take enforcement actions under the Senior First-Priority Intercreditor Agreement (other than as described in the immediately preceding sentence).

Subject to the rights of the ABL Facility Collateral Agent under the Senior Lien Intercreditor Agreement, the Authorized First-Lien Collateral Agent has the sole right to act or refrain from acting with respect to the Collateral. No other collateral agent with respect to First-Priority Lien Obligations may exercise remedies or take enforcement actions with respect to the Collateral, and no Authorized Representative of any other First-Priority Lien Secured Party (other than the Authorized First-Lien Collateral Agent) may commence any judicial or non-judicial foreclosure proceedings with respect to, seek to have a trustee, receiver, liquidator or similar official appointed for or over, attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its interests in or realize upon, or take any other action available to it in respect of, the Collateral.

Notwithstanding the equal priority of the Liens securing each Series of First-Priority Lien Obligations, the Authorized First-Lien Collateral Agent may deal with the Collateral as if the Authorized First-Lien

Collateral Agent had a senior Lien on such Collateral. No other collateral agent or Authorized Representative may contest, protest or object to any foreclosure proceeding or action brought by the Authorized First-Lien Collateral Agent. Each of the First-Priority Lien Secured Parties also will agree that it will not contest or support any other Person in contesting, in any proceeding (including any insolvency or liquidation proceeding), the perfection, priority, validity or enforceability of a Lien held by or on behalf of any of the First-Priority Lien Secured Parties in all or any part of the Collateral, or the provisions of the First-Priority Intercreditor Agreement.

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With respect to any Collateral (other than the ABL Priority Collateral, and subject to the terms of the Senior Lien Collateral Agreement) in which a Lien can be perfected by the possession or control of such Collateral or of any deposit, securities or other account in which such Collateral is held, then the Authorized First-Lien Collateral Agent shall also hold or control such Collateral as gratuitous bailee and sub-agent for each other collateral agent in respect of First-Priority Lien Obligations. Subject to the rights of the Authorized First-Lien Collateral Agent and the other terms of the First-Priority Intercreditor Agreement, any such collateral agent that holds or controls Collateral as gratuitous bailee and sub-agent shall be entitled to deal with the applicable pledged or controlled Collateral as if the liens thereon of the collateral agent or First-Priority Lien Secured Parties or Series of First-Priority Lien Obligations did not exist; *provided*, that any proceeds arising from such pledged or controlled Collateral shall be subject to application in accordance with the terms of the First-Priority Intercreditor Agreement.

Subject to the terms of the Senior Lien Intercreditor Agreement, if an event of default has occurred and is continuing under the documents governing any of the First-Priority Lien Obligations and the Authorized First-Lien Collateral Agent is taking action to enforce rights in respect of any Collateral, or any distribution is made with respect to any Collateral in any bankruptcy case of any Issuer or Note Guarantor, the proceeds of any sale, collection or other liquidation of any such Collateral by the Authorized First-Lien Collateral Agent or any First-Priority Lien Secured Party (or received pursuant to any other intercreditor agreement), as applicable, and proceeds of any such distribution (subject, in the case of any such distribution, to the paragraph immediately following) to which the First-Priority Lien Obligations are entitled under any other intercreditor agreement shall be applied among the First-Priority Lien Obligations to the payment in full of the First-Priority Lien Obligations on a ratable basis, after payment of all amounts owing to the Authorized First-Lien Collateral Agent, all other collateral agents party to the First-Priority Intercreditor Agreement and all paying agents, agents and trustees party to the First-Priority Intercreditor Agreement.

Notwithstanding the foregoing, with respect to any Collateral for which a third party (other than a First-Priority Lien Secured Party or the holders of ABL Obligations) has a Lien that is junior in priority to the Lien of any Series of First-Priority Lien Obligations but senior (as determined by appropriate legal proceedings in the case of any dispute) to the Lien of any other Series of First-Priority Lien Obligations (such third party, an *Intervening Creditor* ), the value of any Collateral or proceeds which are allocated to such Intervening Creditor shall be deducted on a ratable basis solely from the Collateral or proceeds to be distributed in respect of such other Series of First-Priority Lien Obligations.

None of the First-Priority Lien Secured Parties may institute any suit or assert in any suit, bankruptcy, insolvency or other proceeding any claim against the Authorized First-Lien Collateral Agent, any other collateral agent party to the First-Priority Intercreditor Agreement or any other First-Priority Lien Secured Party seeking damages from or other relief by way of specific performance, instructions or otherwise with respect to any Collateral. In addition, none of the First-Priority Lien Secured Parties may seek to have any Collateral or any part thereof marshaled upon any foreclosure or other disposition of such Collateral. If any First-Priority Lien Secured Party obtains possession of any Collateral or realizes any proceeds or payment in respect thereof, at any time prior to the Discharge of First-Priority Lien Obligations, then it must, subject to the terms of the Senior Lien Intercreditor Agreement, hold such Collateral, proceeds or payment in trust for the other First-Priority Lien Secured Parties and promptly transfer such Collateral, proceeds or payment to the Authorized First-Lien Collateral Agent to be distributed in accordance with the First-Priority Intercreditor Agreement.

In addition, the First-Priority Intercreditor Agreement provides that if any of the Issuers or Note Guarantors is subject to a case under the Bankruptcy Code:

If the Authorized First-Lien Collateral Agent desires to permit the use of cash collateral or to obtain any DIP Financing secured by a Lien on Collateral, then the Authorized Representatives of other Series of First-Priority Lien Obligations and the holders of each other Series of First-Priority Lien Obligations

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agree not to object to such use of cash collateral or DIP Financing or the Liens securing the same (the *DIP Financing Liens* ) or to request adequate protection (except as otherwise permitted under the First-Priority Intercreditor Agreement) or any other relief in connection therewith (and (i) to the extent the Liens for the benefit of the Authorized First-Lien Collateral Agent are subordinated to such DIP Financing Liens, will subordinate its Liens in the Collateral to such DIP Financing Liens on the same basis as they are subordinated to the Liens for the benefit of the Authorized First-Lien Collateral Agent, and (ii) to the extent such DIP Financing liens rank *pari passu* with the Liens on such Collateral granted pursuant to the First-Priority Lien Security Documents, each Authorized Representative for the First-Priority Lien Obligations will, for itself and on behalf of the other First-Priority Lien Secured Parties that it represents, confirm the priorities with respect to such Collateral as set forth in the Senior First-Priority Collateral Intercreditor Agreement), in each case so long as:

- (i) the First-Priority Lien Secured Parties of each Series retain the benefit of their Liens on all such Collateral pledged to secure the DIP Financing, including proceeds thereof arising after the commencement of such proceeding, with the same priority *vis-à-vis* all the other First-Priority Lien Secured Parties (other than any Liens of the First-Priority Lien Secured Parties constituting DIP Financing Liens) as existed prior to the commencement of the bankruptcy case;
- (ii) the First-Priority Lien Secured Parties of each Series are granted Liens on any additional collateral pledged to any First-Priority Lien Secured Parties as adequate protection or otherwise in connection with such DIP Financing or use of cash collateral, with the same priority *vis-à-vis* all the other First-Priority Lien Secured Parties as set forth in the First-Priority Intercreditor Agreement;
- (iii) if any amount of such DIP Financing or cash collateral is applied to repay any of the First-Priority Lien Obligations, such amount is applied pursuant to the First-Priority Intercreditor Agreement; and
- (iv) if any First-Priority Lien Secured Party is granted adequate protection, including in the form of periodic payments, in connection with such DIP Financing or use of cash collateral, the proceeds of such adequate protection are applied pursuant to the First-Priority Intercreditor Agreement;

*provided*, that the First-Priority Lien Secured Parties of each Series shall have a right to object to the grant of a Lien to secure the DIP Financing over any asset of the Issuer or a Note Guarantor subject to Liens in favor of the First-Priority Lien Secured Parties of such Series or its representative that is not Common Collateral; and provided, further that the First-Priority Lien Secured Parties shall not object to any other First-Priority Lien Secured Party receiving adequate protection comparable to any adequate protection granted to such First-Priority Lien Secured Party in connection with a DIP Financing or use of cash collateral.

The First-Priority Lien Secured Parties will acknowledge that the First-Priority Lien Obligations of any Series may, subject to the limitations set forth in the Senior Lien Intercreditor Agreement and the First-Priority Intercreditor Agreement, be increased, extended, renewed, replaced, restated, supplemented, restructured, repaid, refunded, refinanced or otherwise amended or modified from time to time, all without affecting the priorities set forth in the First-Priority Intercreditor Agreement defining the relative rights of the First-Priority Lien Secured Parties.

***First-Lien Intercreditor Agreement***

The obligations under the Existing Secured Notes are secured by a second-priority security interest in all of the Collateral, which security interest ranks junior to that securing the Obligations under the Notes, the Existing First-Lien Notes and other First-Priority Lien Obligations. On May 11, 2012, the collateral agent under the indenture governing the Existing Secured Notes entered into the First-Lien Intercreditor Agreement with the trustee under the Existing First-Lien Notes and representatives of certain then-outstanding Indebtedness that provides for the relative priority of the Liens securing the obligations under the Existing Secured Notes and the



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Liens securing the First-Priority Lien Obligations, as well as the time and method by which such Liens may be enforced. The First-Lien Intercreditor Agreement may be amended from time to time to add other parties holding certain designated obligations that are *pari passu* to the Existing Secured Notes and other First-Priority Lien Obligations. On the Issue Date, the Collateral Agent, on its own behalf and on behalf of the holders of the Notes under the Indenture, will enter into a joinder to the First-Lien Intercreditor Agreement.

The ABL Facility Collateral Agent and the First-Lien Revolving Facility Collateral Agent are also parties to the First-Lien Intercreditor Agreement. The obligations of the Issuers and the Note Guarantors under the ABL Facility, the New First-Lien Revolving Facility, the Existing First-Lien Notes and the Notes constitute Senior Priority Obligations under the First-Lien Intercreditor Agreement after giving effect to the joinder described above.

At any time at which Obligations (the *Senior Priority Obligations*) secured by Liens ranking higher in priority than those securing the Issuers' obligations under the Existing Secured Notes are outstanding, the intercreditor agent for the parties holding Senior Priority Obligations (the *First-Lien Notes Intercreditor Agent*) will determine the time and method by which the security interests in the Collateral will be enforced. The collateral agent for the Existing Secured Notes will not be permitted to enforce the security interests even if any event of default under the indenture governing the Existing Secured Notes has occurred and any Obligations under the Existing Secured Notes have been accelerated except (a) in any insolvency or liquidation proceeding, as necessary to file a claim or statement of interest with respect to such Obligations under the Existing Secured Notes or (b) as necessary to take any action in order to create, prove, preserve, perfect or protect (but not enforce) its rights in the Obligations under the Existing Secured Notes.

The First-Lien Intercreditor Agreement provides that, so long as there are Senior Priority Obligations outstanding, (1) the holders of Senior Priority Obligations may direct the First-Lien Notes Intercreditor Agent, to take actions with respect to the Collateral (including the release of Collateral and the manner of realization) without the consent of the holders of Obligations under the Existing Secured Notes, (2) the Issuers and the Note Guarantors may require the First-Lien Notes Intercreditor Agent to agree to modify the First-Lien Intercreditor Agreement, without the consent of the holders of Senior Priority Obligations or any agent in respect thereof, or of the holders of Obligations under the Existing Secured Notes or any agent in respect thereof to secure additional extensions of credit and add additional secured creditors so long as such modifications do not expressly violate the provisions of the indenture governing the Existing Secured Notes and the security documents related thereto or the various documents governing the Senior Priority Obligations, and (3) in the event the collateral documents relating to the Senior Priority Obligations are amended or waived, the provisions of the such documents will automatically be amended and or waived correspondingly, without the consent of the holders of the Obligations under the Existing Secured Notes or the collateral agent for the Existing Secured Notes; provided that any such change, waiver or modification may not materially adversely affect the rights or interests of holders of the Obligations under the Existing Secured Notes and not the other secured creditors in a like or similar manner.

The First-Lien Intercreditor Agreement provides that, so long as the discharge of Senior Priority Obligations has not occurred, the Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies as a secured party, shall be applied by the First-Lien Notes Intercreditor Agent to the Senior Priority Obligations in such order as specified in the relevant documents governing such Senior Priority Obligations until the discharge of Senior Priority Obligations has occurred. Upon the discharge of Senior Priority Obligations, the First-Lien Notes Intercreditor Agent will be required to deliver promptly to the agent designated by the holders of any Indebtedness that is represented by the Existing Secured Notes or that ranks *pari passu* with the Existing Secured Notes (collectively, the *Pari Passu Obligations*) any Collateral or proceeds thereof held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by such agent ratably to the *Pari Passu Obligations* and, with respect to each class of Obligations under the Existing Secured Notes, in such order as specified in the relevant documents governing such

Existing Secured Notes. Any Collateral or proceeds thereof received by either the trustee under the indenture governing the Existing Secured Notes or the

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collateral agent for any designated obligation that is *pari passu* to the Existing Secured Notes (collectively, the *Pari Passu Agent* ) or any holder of *Pari Passu* Obligations in connection with the exercise of any right or remedy (including setoff) relating to the Collateral in contravention of the First-Lien Intercreditor Agreement prior to the discharge of Senior Priority Obligations will be required to be segregated and held in trust for the benefit of and forthwith paid over to the First-Lien Notes Intercreditor Agent (and/or its designees) for the benefit of the applicable holders of Senior Priority Obligations, in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct.

The First-Lien Intercreditor Agreement provides that, if the Issuers or any Note Guarantor is subject to any insolvency or liquidation proceeding:

if the First-Lien Notes Intercreditor Agent desires to permit the use of cash collateral or to permit the Issuers or any Note Guarantor to obtain any DIP Financing, then the *Pari Passu* Agents and holders of the *Pari Passu* Obligations may not object to such use of cash collateral or DIP Financing or to request adequate protection or any other relief in connection therewith (except to the extent permitted by the First-Lien Intercreditor Agreement) and, to the extent the Liens securing the Senior Priority Obligations are subordinated or *pari passu* with such DIP Financing, will subordinate its Liens in the Collateral to such DIP Financing (and all Obligations relating thereto) on the same basis as they are subordinated to the Liens securing the Senior Priority Obligations under the First-Lien Intercreditor Agreement;

the *Pari Passu* Agents and the holders of the *Pari Passu* Obligations may not object to (and may not otherwise contest): (i) any motion for relief from the automatic stay or from any injunction against foreclosure or enforcement in respect of the Senior Priority Obligations made by the First-Lien Notes Intercreditor Agent or any holder of such Senior Priority Obligations, (ii) any lawful exercise by any holder of Senior Priority Obligations of the right to credit bid Senior Priority Obligations in any sale in foreclosure of collateral securing such Senior Priority Obligations; (iii) any other request for judicial relief made in any court by any holder of Senior Priority Obligations, relating to the lawful enforcement of any Lien on the collateral securing such Senior Priority Obligations; or (iv) any order relating to a sale of assets of any Issuer or Note Guarantor for which the First-Lien Notes Intercreditor Agent has consented that provides, to the extent the sale is to be free and clear of Liens, that the Liens securing the Senior Priority Obligations and the *Pari Passu* Obligations will attach to the proceeds of the sale on the same basis of priority as the Liens attached to the assets being sold, in accordance with the First-Lien Intercreditor Agreement;

until the Senior Priority Obligations have been discharged, the *Pari Passu* Agents and the holders of *Pari Passu* Obligations may not seek relief from the automatic stay or any other stay in any insolvency or liquidation proceeding in respect of the Collateral, without the prior written consent of the First-Lien Notes Intercreditor Agent and the requisite holders of the Senior Priority Obligations;

none of the *Pari Passu* Agents or the holders of *Pari Passu* Obligations may contest (or support any other person contesting) (a) any request by the First-Lien Notes Intercreditor Agent or the holders of Senior Priority Obligations for adequate protection or (b) any objection by the First-Lien Notes Intercreditor Agent or the holders of Senior Priority Obligations to any motion, relief, action or proceeding based on the First-Lien Notes Intercreditor Agent or the holders of Senior Priority Obligations claiming a lack of adequate

protection. Notwithstanding the foregoing, in any insolvency or liquidation proceeding, (i) if the holders of Senior Priority Obligations (or any subset thereof) are granted adequate protection in the form of additional collateral in connection with any DIP Financing or use of cash collateral under Section 363 or Section 364 of the Bankruptcy Code or any similar law, then the Pari Passu Agents and holders of Pari Passu Obligations may seek or request adequate protection in the form of a replacement Lien on such additional collateral, which Lien is subordinated to the Liens securing the Senior Priority Obligations and such DIP Financing (and all Obligations relating thereto) on the same basis as the other Liens securing the Pari Passu Obligations are so subordinated to the Liens securing Senior Priority Obligations under the First-Lien Intercreditor

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Agreement and (ii) in the event any Pari Passu Agent seeks or requests adequate protection and such adequate protection is granted in the form of additional collateral, then such Pari Passu Agent, on behalf of itself and each applicable holder of Pari Passu Obligations, agrees that the holders of Senior Priority Obligations shall also be granted a senior Lien on such additional collateral as security for the applicable Senior Priority Obligations and any such DIP Financing and that any Lien on such additional collateral securing the Pari Passu Obligations shall be subordinated to the Liens on such collateral securing the Senior Priority Obligations and any such DIP Financing (and all Obligations relating thereto) and any other Liens granted to the holders of Senior Priority Obligations as adequate protection on the same basis as the other Liens securing the Pari Passu Obligations are so subordinated to such Liens securing Senior Priority Obligations under the First-Lien Intercreditor Agreement; and

until the discharge of Senior Priority Obligations has occurred, the Pari Passu Agents and the holders of Pari Passu Obligations, will not assert or enforce any claim under Section 506(c) of the Bankruptcy Code senior to or on parity with the Liens securing the Senior Priority Obligations for costs or expenses of preserving or disposing of any Collateral.

***Junior Lien Intercreditor Agreement***

The existing Junior Lien Intercreditor Agreement is supplemented by a joinder executed by the Intercreditor Agent. Pursuant to the terms of the Junior Lien Intercreditor Agreement, at any time at which Obligations (the *Senior Lien Obligations*) secured by Liens ranking higher in priority than those securing the Second-Priority Lien Obligations are outstanding, the Intercreditor Agent will determine the time and method by which the security interests in the Collateral will be enforced. Each Second-Priority Agent will not be permitted to enforce the security interests even if any Event of Default (as defined in any Second-Lien Notes Indenture) or other event of default under a Second-Priority Document has occurred and any Second-Priority Lien Obligations have been accelerated except (a) in any insolvency or liquidation proceeding, as necessary to file a claim or statement of interest with respect to such Second-Priority Lien Obligations or (b) as necessary to take any action in order to create, prove, preserve, perfect or protect (but not enforce) its rights in the Second-Priority Lien Obligations. The Collateral Agent will enter into any joinders or supplements that may be required (if any) under the Junior Lien Intercreditor Agreement to establish that the Notes Obligations constitute Senior Lien Obligations thereunder.

In addition, the Junior Lien Intercreditor Agreement provides that, so long as there are Senior Lien Obligations outstanding, (1) the holders of Senior Lien Obligations may direct the Intercreditor Agent to take actions with respect to the Collateral (including the release of Collateral and the manner of realization) without the consent of the holders of Second-Priority Lien Obligations or any Second-Priority Agent, (2) the Issuers and the Note Guarantors may require the Second-Priority Agents to agree to modify the Junior Lien Intercreditor Agreement, without the consent of the holders of Senior Lien Obligations or any agent (including the Intercreditor Agent) in respect thereof, or of the holders of Second-Priority Lien Obligations or any Second-Priority Agent, to secure additional extensions of credit and add additional secured creditors so long as such modifications do not expressly violate the provisions of the Second-Priority Documents or the various documents governing the Senior Lien Obligations; (3) in the event the collateral documents relating to the Senior Lien Obligations are amended or waived, the provisions of the Second-Lien Security Documents will automatically be amended and or waived correspondingly, without the consent of the holders of the Second-Priority Obligations or any Second-Priority Agent, provided that any such change, waiver or modification may not materially adversely affect the rights or interests of holders of the Second-Priority Obligations and not the other secured creditors in a like or similar manner.

The Junior Lien Intercreditor Agreement also provides that, so long as the discharge of Senior Lien Obligations has not occurred, the Collateral or proceeds thereof received in connection with the sale or other disposition of, or

collection on, such Collateral upon the exercise of remedies as a secured party, shall be applied by the Intercreditor Agent to the Senior Lien Obligations in such order as specified in the relevant documents governing such Senior Lien Obligations until the discharge of Senior Lien Obligations has occurred. Upon the discharge of Senior Lien Obligations, the Intercreditor Agent is required to deliver promptly to the agent

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designated by the holders of Second-Priority Lien Obligations any Collateral or proceeds thereof held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by the such agent ratably to the Second-Priority Lien Obligations and, with respect to each class of Second-Priority Lien Obligations, in such order as specified in the relevant Second-Priority Documents. Any Collateral or proceeds thereof received by any Second-Priority Agent or any holder of Second-Priority Lien Obligations in connection with the exercise of any right or remedy (including setoff) relating to the Collateral in contravention of the Junior Lien Intercreditor Agreement prior to the discharge of Senior Lien Obligations is required to be segregated and held in trust for the benefit of and forthwith paid over to the Intercreditor Agent (and/or its designees) for the benefit of the applicable holders of Senior Lien Obligations in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct.

In addition, the Junior Lien Intercreditor Agreement provides that, if the Issuers or any Guarantor is subject to any insolvency or liquidation proceeding:

if the Intercreditor Agent desires to permit the use of cash collateral or to permit the Issuers or any Note Guarantor to obtain any DIP Financing, then the Second-Priority Agents and holders of the Second-Priority Lien Obligations may not object to such use of cash collateral or DIP Financing or to request adequate protection or any other relief in connection therewith (except to the extent permitted by the Junior Lien Intercreditor Agreement) and, to the extent the Liens securing the Senior Lien Obligations are subordinated or pari passu with such DIP Financing, will subordinate its Liens in the Collateral to such DIP Financing (and all Obligations relating thereto) on the same basis as they are subordinated to the Liens securing the Senior Lien Obligations under the Junior Lien Intercreditor Agreement;

the Second-Priority Agents and the holders of the Second-Priority Lien Obligations may not object to (and may not otherwise contest): (i) any motion for relief from the automatic stay or from any injunction against foreclosure or enforcement in respect of the Senior Lien Obligations made by the Intercreditor Agent or any holder of such Obligations, (ii) any lawful exercise by any holder of Senior Lien Obligations of the right to credit bid Senior Lien Obligations in any sale in foreclosure of collateral securing such Senior Lien Obligations; (iii) any other request for judicial relief made in any court by any holder of Senior Lien Obligations relating to the lawful enforcement of any Lien on the collateral securing such Senior Lien Obligations; or (iv) any order relating to a sale of assets of any Issuer or Guarantor for which the Intercreditor Agent has consented that provides, to the extent the sale is to be free and clear of Liens, that the Liens securing the Senior Lien Obligations and the Second-Priority Lien Obligations will attach to the proceeds of the sale on the same basis of priority as the existing Liens in accordance with the Junior Lien Intercreditor Agreement;

until the Senior Lien Obligations have been discharged, the Second-Priority Agents and the holders of Second-Priority Lien Obligations may not seek relief from the automatic stay or any other stay in any insolvency or liquidation proceeding in respect of the Collateral, without the prior written consent of the Intercreditor Agent and the requisite majority of holders of the Senior Lien Obligations;

none of the Second-Priority Agents or the holders of Second-Priority Lien Obligations may contest (or support any other person contesting) (a) any request by the Intercreditor Agent or the holders of Senior Lien

Obligations for adequate protection or (b) any objection by the Intercreditor Agent or the holders of Senior Lien Obligations to any motion, relief, action or proceeding based on the Intercreditor Agent's or the holders of Senior Lien Obligations' claiming a lack of adequate protection. Notwithstanding the foregoing, in any insolvency or liquidation proceeding, (i) if the holders of Senior Lien Obligations (or any subset thereof) are granted adequate protection in the form of additional collateral in connection with any DIP Financing or use of cash collateral under Section 363 or Section 364 of the Bankruptcy Code or any similar law, then each Second-Priority Agent (on behalf of the holders of Second-Priority Lien Obligations) may seek or request adequate protection in the form of a replacement Lien on such additional collateral, which Lien is subordinated to the Liens securing the Senior Lien Obligations and such DIP Financing (and all Obligations relating thereto) on the same



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basis as the other Liens securing the Second-Priority Lien Obligations are so subordinated to the Liens securing Senior Lien Obligations under the Junior Lien Intercreditor Agreement and (ii) in the event any Second-Priority Agent seeks or requests adequate protection and such adequate protection is granted in the form of additional collateral, then such Second-Priority Agent, on behalf of the holders of Second-Priority Lien Obligations, agrees that the holders of the Senior Lien Obligations shall also be granted a senior Lien on such additional collateral as security for the applicable Senior Lien Obligations and any such DIP Financing and that any Lien on such additional collateral securing the Second-Priority Lien Obligations shall be subordinated to the Liens on such collateral securing the Senior Lien Obligations and any such DIP Financing (and all Obligations relating thereto) and any other Liens granted to the holders of Senior Lien Obligations as adequate protection on the same basis as the other Liens securing the Second-Priority Lien Obligations are so subordinated to such Liens securing Senior Lien Obligations under the Junior Lien Intercreditor Agreement; and

until the discharge of Senior Lien Obligations has occurred, the Second-Lien Notes Trustee, on behalf of itself and the holders of Second-Lien Notes, will not assert or enforce any claim under Section 506(c) of the Bankruptcy Code senior to or on a parity with the Liens securing the Senior Lien Obligations for costs or expenses of preserving or disposing of any collateral.

**Release of Collateral**

The Issuers and the Note Guarantors will be entitled to the releases of property and other assets included in the Collateral from the Liens securing the Notes and Note Guarantees, at the Issuers' sole cost and expense, under any one or more of the following circumstances:

- (1) to enable us to consummate the disposition of such property or assets to the extent not prohibited under the covenant described under **Certain Covenants Asset Sales**;
- (2) in the case of a Note Guarantor that is released from its Note Guarantee with respect to the Notes, the release of the property and assets of such Note Guarantor; or
- (3) as described under **Amendments and Waivers** below.

The security interests in all Collateral securing the Notes and Note Guarantees, at the Issuers' sole cost and expense, also will be released upon (i) payment in full of the principal of, together with accrued and unpaid interest (including additional interest, if any) on, the Notes and all other Obligations under the Indenture, the Note Guarantees and the Security Documents that are due and payable at or prior to the time such principal, together with accrued and unpaid interest (including additional interest, if any), are paid (including pursuant to a satisfaction and discharge of the Indenture as described below under **Satisfaction and Discharge**) or (ii) a legal defeasance or covenant defeasance under the Indenture as described below under **Defeasance**.

The Indenture will provide that, to the extent applicable, the Issuers will cause TIA Section 313(b), relating to reports, and TIA Section 314(d), relating to the release of property or securities or relating to the substitution therefor of any property or securities to be subjected to the Lien of the Security Documents, to be complied with after qualification of the Indenture pursuant to the TIA. Any certificate or opinion required by TIA Section 314(d) may be made by an officer of the Issuers except in cases where TIA Section 314(d) requires that such certificate or opinion be made by an

independent Person, which Person will be an independent appraiser or other expert selected by the Issuers and reasonably satisfactory to the Trustee. Notwithstanding anything to the contrary in this paragraph, the Issuers will not be required to comply with all or any portion of TIA Section 314(d) if they determine, in good faith based on advice of counsel (which may be internal counsel), that under the terms of TIA Section 314(d) and/or any interpretation or guidance as to the meaning thereof of the SEC and its staff, including no action letters or exemptive orders, all or any portion of TIA Section 314(d) is inapplicable to released Collateral. Without limiting the generality of the foregoing, certain no-action letters issued by the SEC have permitted an indenture qualified under the TIA to contain provisions permitting the release of collateral from Liens under an indenture in the ordinary course of an Issuer's business without requiring the Issuers to provide certificates and other documents

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under Section 314(d) of the TIA. In addition, under interpretations provided by the SEC, to the extent that a release of a Lien is made without the need for consent by the holders of the Notes or the Trustee, the provisions of TIA Section 314(d) may be inapplicable to the release. For the avoidance of doubt, under the Indenture, the Issuers and the Note Guarantors may, among other things, without any release or consent by the holders of the Notes or the Trustee, but otherwise in compliance with the covenants of the Indenture and the Security Documents, conduct ordinary course activities with respect to the Collateral, including (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien of the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) abandoning, terminating, canceling, releasing or making alterations in or substitutions of any leases or contracts subject to the Lien of the Security Documents; (iii) surrendering or modifying any franchise, license or permit subject to the Lien of the Security Documents which it may own or under which it may be operating; (iv) altering, repairing, replacing, changing the location or position of and adding to its structures, machinery, systems, equipment, fixtures and appurtenances; (v) granting a license of any intellectual property; (vi) selling, transferring or otherwise disposing of inventory in the ordinary course of business; (vii) collecting accounts receivable in the ordinary course of business or selling, liquidating, factoring or otherwise disposing of accounts receivable in the ordinary course of business; (viii) making cash payments (including for the repayment of Indebtedness or interest and in connection with the Issuers' cash management activities) from cash that is at any time part of the Collateral in the ordinary course of business that are not otherwise prohibited by the Indenture and the Security Documents; and (ix) abandoning any intellectual property which is no longer used or useful in the Issuers' business. The Issuers shall deliver to the Trustee within 30 days following the end of each six-month period (with the second such six-month period being the end of each fiscal year), an Officers' Certificate to the effect that all releases and withdrawals during the preceding six-month period (or since the Issue Date, in the case of the first such certificate) in connection with which no consent of the holders of the Notes or the Trustee was obtained pursuant to the foregoing provisions were made in the ordinary course of the Issuers' or the respective Note Guarantor's business and such release and the use of proceeds in connection therewith were not prohibited by the Indenture.

**Note Guarantees**

Each of the Company's direct and indirect Restricted Subsidiaries (other than Finance Co.) that are wholly owned Domestic Subsidiaries on the Issue Date and guarantee Indebtedness under a Credit Agreement will jointly and severally, irrevocably and unconditionally guarantee on a senior basis the performance and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all obligations of the Issuers under the Indenture and the Notes, whether for payment of principal of, premium, if any, or interest or additional interest on the Notes, expenses, indemnification or otherwise (all such obligations guaranteed by such Note Guarantors being herein called the *Guaranteed Obligations*). The Guaranteed Obligations of each Note Guarantor will be secured as described under Ranking. The Note Guarantors will agree to pay, in addition to the amount stated above, any and all expenses (including counsel fees and expenses) incurred by the Trustee or the holders in enforcing any rights under the Note Guarantees.

Each Note Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Note Guarantor without rendering the Note Guarantee, as it relates to such Note Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. The Company will cause each Restricted Subsidiary (other than Finance Co.) that is a wholly owned Domestic Subsidiary and that incurs or guarantees certain Indebtedness of the Company or any of the Note Guarantors (unless such Subsidiary is a Receivables Subsidiary) to execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will guarantee payment of the Notes on the same secured and unsubordinated basis. See Certain Covenants Future Note Guarantors.

The Notes will not be guaranteed by NewPage Investment Company LLC or any of its Subsidiaries (collectively, the *NewPage Entities* ). Upon the consummation of the Merger, NewPage Holdings Inc. will become a Note Guarantor and execute a Note Guarantee in respect of the Notes.

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Each Note Guarantee will be a continuing guarantee and will:

- (1) remain in full force and effect until payment in full of all the Guaranteed Obligations;
- (2) subject to the next succeeding paragraph, be binding upon each such Note Guarantor and its successors; and
- (3) inure to the benefit of and be enforceable by the Trustee, the holders and their successors, transferees and assigns.

A Note Guarantee of a Note Guarantor will be automatically released upon:

- (1) the sale, disposition or other transfer (including through merger or consolidation) of the Capital Stock (including any sale, disposition or other transfer following which the applicable Note Guarantor is no longer a Restricted Subsidiary), of the applicable Note Guarantor if such sale, disposition or other transfer is not prohibited by the Indenture, and such Note Guarantor is released from its guarantees, if any, of, and all pledges and security, if any, granted in connection with, any Credit Agreement and any other Indebtedness of the Company or any Restricted Subsidiary of the Company;
- (2) the Company designating such Note Guarantor to be an Unrestricted Subsidiary in accordance with the provisions set forth under Certain Covenants Limitation on Restricted Payments and the definition of Unrestricted Subsidiary; and
- (3) the Issuers exercise of their legal defeasance option or covenant defeasance option as described under Defeasance.

## **Change of Control**

Upon the occurrence of a Change of Control, each holder will have the right to require the Issuers to repurchase all or any part of such holder's Notes, at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Issuers have previously elected to redeem Notes as described under Optional Redemption. A *Change of Control* means the occurrence of any of the following events:

- (1) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all the assets of the Company and its Subsidiaries, taken as a whole, to a Person other than any of the Permitted Holders; or
- (2) the Issuers become aware (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) of the acquisition by any Person or group (within the meaning

of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), other than any of the Permitted Holders, in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), of more than 50% of the total voting power of the Voting Stock of the Company or any direct or indirect parent of the Company; or

- (3) individuals who on the Existing First-Lien Issue Date constituted the Board of Directors of the Company (together with any new directors whose election by such Board of Directors of the Company or whose nomination for election by the shareholders of the Company was approved by (a) a vote of a majority of the directors of the Company then still in office who were either directors on the Existing First-Lien Issue Date or whose election or nomination for election was previously so approved or (b) the Permitted Holders) cease for any reason to constitute a majority of the Board of Directors of the Company then in office.

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Within 30 days following any Change of Control, except to the extent that the Issuers have exercised their right to redeem the Notes, as described under *Optional Redemption*, the Issuers shall mail, or deliver electronically if held by DTC, a notice (a *Change of Control Offer*) to each holder of the Notes, with a copy to the Trustee stating:

- (1) that a Change of Control has occurred and that such holder has the right to require the Issuers to repurchase such holder's Notes at a repurchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date);
- (2) the circumstances and relevant facts and financial information regarding such Change of Control;
- (3) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed or delivered electronically); and
- (4) the instructions determined by the Issuers, consistent with this covenant, that a holder must follow in order to have its Notes purchased.

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

In addition, the Issuers will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuers and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Notes repurchased by the Issuers pursuant to a Change of Control Offer will have the status of Notes issued but not outstanding or will be retired and canceled at the option of the Issuers. Notes purchased by a third party pursuant to the preceding paragraph will have the status of Notes issued and outstanding.

The Issuers will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under this paragraph by virtue thereof.

The Company has no present intention to engage in a transaction involving a Change of Control, although it is possible that the Company could decide to do so in the future. Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings.

The occurrence of events that would constitute a Change of Control would constitute a default under each Credit Agreement and require an offer to repurchase the Existing First-Lien Notes, the Existing Secured Notes, the New

Second-Lien Notes and the New Subordinated Notes. Future Indebtedness of the Issuers may contain prohibitions on certain events which would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require the Issuers to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, the Issuers' ability to pay cash to the holders upon a repurchase may be limited by the Issuers' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.



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The definition of Change of Control includes a phrase relating to the sale, lease or transfer of all or substantially all the assets of the Company and its Subsidiaries taken as a whole. Although there is a developing body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuers to repurchase such Notes as a result of a sale, lease or transfer of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain, and for the avoidance of doubt, the term all or substantially all, when applied to the Collateral, as set forth above, shall not be read to mean any of the Collateral as a result of the Issuers or the relevant Subsidiary being in the zone of insolvency.

Under a recent Delaware Chancery Court interpretation of a change of control repurchase requirement with a continuing director provision (as does the definition of Change of Control for purposes of the Indenture), a board of directors may approve a slate of shareholder-nominated directors without endorsing them or while simultaneously recommending and endorsing its own slate instead. The foregoing interpretation would permit the Company's Board of Directors to approve a slate of directors that included a majority of dissident directors nominated pursuant to a proxy contest, and the ultimate election of such directors would not constitute a Change of Control under the Indenture that would trigger the rights of a holder of Notes to require a repurchase of the Notes pursuant to this covenant.

**Certain Covenants**

Set forth below are summaries of certain covenants that will be contained in the Indenture. If on any date following the Issue Date, (i) the Notes have Investment Grade Ratings from both Rating Agencies, and (ii) no Default has occurred and is continuing under the Indenture then, beginning on that day and continuing at all times thereafter (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a Covenant Suspension Event ) until the Reversion Date, if any, the covenants specifically listed under the following captions in this Description of Notes section will not be applicable to the Notes (collectively, the *Suspended Covenants*):

- (1) Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;
- (2) Limitation on Restricted Payments;
- (3) Dividend and Other Payment Restrictions Affecting Subsidiaries;
- (4) Asset Sales;
- (5) Transactions with Affiliates; and
- (6) clause (4) of the first paragraph of Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets.

The period of time between the Covenant Suspension Event and the Reversion Date (as defined below) is referred to in this description as the *Suspension Period*. During the Suspension Period, the Liens securing the Note Obligations will permanently terminate (and the Issuers or the relevant Subsidiary will not be required to reinstate such Liens even

if a Reversion Date occurs).

If and while the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants, the Notes will be entitled to substantially less covenant protection. In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the *Reversion Date* ) one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events. The Issuers will provide the Trustee with notice of each Covenant Suspension Event or Reversion Date within five Business Days of the occurrence thereof.

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On each Reversion Date, all Indebtedness Incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified as having been Incurred or issued pursuant to the first paragraph of Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock below or one of the clauses set forth in the second paragraph of Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock below (to the extent such Indebtedness or Disqualified Stock or Preferred Stock would be permitted to be Incurred or issued thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred or issued prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness or Disqualified Stock or Preferred Stock would not be so permitted to be Incurred or issued pursuant to the first or second paragraph of Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock, such Indebtedness or Disqualified Stock or Preferred Stock will be deemed to have been outstanding on the Existing First-Lien Issue Date, so that it is classified as permitted under clause (c) of the second paragraph under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock. Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under Limitation on Restricted Payments will be made as though the covenant described under Limitation on Restricted Payments had been in effect since the Existing First-Lien Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under the first paragraph of Limitation on Restricted Payments. As described above, however, no Default or Event of Default will be deemed to have occurred on the Reversion Date as a result of any actions taken by the Company or its Restricted Subsidiaries during the Suspension Period.

For purposes of the Asset Sales covenant, on the Reversion Date, the unutilized Excess Proceeds amount will be reset to zero.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Ratings.

***Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock***

The Indenture will provide that:

- (1) the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) or issue any shares of Disqualified Stock; and
- (2) the Company will not permit any of its Restricted Subsidiaries (other than Finance Co. or a Note Guarantor) to issue any shares of Preferred Stock;  
*provided*, however, that any Issuer and any Restricted Subsidiary that is a Note Guarantor or a Foreign Subsidiary may Incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock and any Restricted Subsidiary may issue shares of Preferred Stock, in each case if the Fixed Charge Coverage Ratio of the Company for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred or such Disqualified Stock or Preferred Stock is issued would have been at least 2.00 to 1.00 determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been Incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

The foregoing limitations do not apply to:

- (a) the Incurrence by the Company or its Restricted Subsidiaries of Indebtedness under the Credit Agreement and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof) up to an aggregate principal amount outstanding at any one time not to exceed:
  - (i) an amount equal to the greater of (1) \$200.0 million and (2) the Borrowing Base; plus

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- (ii) the greater of (x) \$50.0 million and (y) an amount such that, on a pro forma basis after giving effect to the incurrence of such Indebtedness (and application of the net proceeds therefrom), the Consolidated First Lien Secured Debt Ratio would be no greater than 2.375 to 1.00;
  
- (b) the Incurrence by the Company and the Note Guarantors of Indebtedness represented by the Notes (not including any Additional Notes) and the Existing First-Lien Notes issued on the Existing First-Lien Issue Date (not including any additional Existing First-Lien Notes issued after the Existing First-Lien Issue Date) and the guarantees thereof, as applicable (including the exchange notes and related guarantees thereof);
  
- (c) (i) Indebtedness existing on the Existing First-Lien Issue Date (after giving effect to the Transactions) (other than Indebtedness described in clauses (a) and (b)) and (ii) reserved;
  
- (d) (1) Indebtedness (including Capitalized Lease Obligations) Incurred by the Company or any of its Restricted Subsidiaries, Disqualified Stock issued by the Company or any of its Restricted Subsidiaries and Preferred Stock issued by any Restricted Subsidiaries of the Company to finance (whether prior to or within 270 days after) the purchase, lease, construction or improvement of property (real or personal) or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets (but no other material assets)) and (2) Acquired Indebtedness; in an aggregate principal amount which, when aggregated with the principal amount of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding that was Incurred pursuant to this clause (d), does not exceed the greater of \$75.0 million and 5.0% of Total Assets at the time of Incurrence;
  
- (e) Indebtedness Incurred by the Company or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit and bank guarantees issued in the ordinary course of business, including without limitation letters of credit in respect of workers' compensation claims, health, disability or other benefits to employees or former employees or their families or property, casualty or liability insurance or self-insurance, and letters of credit in connection with the maintenance of, or pursuant to the requirements of, environmental or other permits or licenses from governmental authorities, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims;
  
- (f) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred in connection with the Transactions or any acquisition or disposition of any business, assets or a Subsidiary of the Company in accordance with the terms of the Indenture, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition;
  
- (g) Indebtedness of the Company to a Restricted Subsidiary; *provided*, that any such Indebtedness owed to a Restricted Subsidiary that is neither Finance Co. nor a Note Guarantor is subordinated in right of

payment to the obligations of the Company under the Notes; *provided*, further, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Company or another Restricted Subsidiary) shall be deemed, in each case, to be an Incurrence of such Indebtedness;

- (h) shares of Preferred Stock of a Restricted Subsidiary issued to the Company or another Restricted Subsidiary; *provided*, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any Restricted Subsidiary that holds such shares of Preferred Stock of another Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Company or another Restricted Subsidiary) shall be deemed, in each case, to be an issuance of shares of Preferred Stock;

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- (i) Indebtedness of a Restricted Subsidiary to the Company or another Restricted Subsidiary; *provided*, that if Finance Co. or a Note Guarantor Incurs such Indebtedness to a Restricted Subsidiary that is neither Finance Co. nor a Note Guarantor, such Indebtedness is subordinated in right of payment to the Notes (in the case of Finance Co.) or the Note Guarantee of such Note Guarantor, as applicable; *provided*, further, that any subsequent issuance or transfer of any Capital Stock or any other event which results in any Restricted Subsidiary holding such Indebtedness ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Company or another Restricted Subsidiary) shall be deemed, in each case, to be an Incurrence of such Indebtedness;
- (j) Hedging Obligations that are not incurred for speculative purposes and (1) for the purpose of fixing or hedging interest rate risk with respect to any Indebtedness that is permitted by the terms of the Indenture to be outstanding; (2) for the purpose of fixing or hedging currency exchange rate risk with respect to any currency exchanges; and/or (3) for the purpose of fixing or hedging commodity price risk with respect to any commodity purchases or sales;
- (k) obligations (including reimbursement obligations with respect to letters of credit and bank guarantees) in respect of performance, bid, appeal and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiary in the ordinary course of business;
- (l) Indebtedness or Disqualified Stock of the Company or any Restricted Subsidiary of the Company and Preferred Stock of any Restricted Subsidiary of the Company not otherwise permitted under the Indenture in an aggregate principal amount, which when aggregated with the principal amount or liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and Incurred pursuant to this clause (l), does not exceed \$100.0 million at any one time outstanding (it being understood that any Indebtedness Incurred under this clause (l) shall cease to be deemed Incurred or outstanding for purposes of this clause (l) but shall be deemed Incurred for purposes of the first paragraph of this covenant from and after the first date on which the Company, or the Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness under the first paragraph of this covenant without reliance upon this clause (l));
- (m) any guarantee (or co-issuance in the case of Finance Co.) by an Issuer or a Note Guarantor of Indebtedness or other obligations of the Company or any of its Restricted Subsidiaries so long as the Incurrence of such Indebtedness Incurred by such Issuer or such Restricted Subsidiary is permitted under the terms of the Indenture; *provided*, that if such Indebtedness is by its express terms subordinated in right of payment to the Notes or the Note Guarantee of such Restricted Subsidiary, as applicable, any such guarantee (or co-issuance in the case of Finance Co.) of such Issuer or Note Guarantor with respect to such Indebtedness shall be subordinated in right of payment to the Notes or such Note Guarantor's Note Guarantee with respect to the Notes, as applicable, substantially to the same extent as such Indebtedness is subordinated to the Notes or the Note Guarantee of such Restricted Subsidiary, as applicable;
- (n) the Incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness or Disqualified Stock or Preferred Stock of a Restricted Subsidiary of the Company which serves to refund, refinance

or defease any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued as permitted under the first paragraph of this covenant and clauses (b), (c)(i), (d), (n), (o), (s) and/or (t) of this paragraph or any Indebtedness, Disqualified Stock or Preferred Stock Incurred to so refund or refinance such Indebtedness, Disqualified Stock or Preferred Stock, including any Indebtedness, Disqualified Stock or Preferred Stock Incurred to pay premiums and fees in connection therewith (subject to the following proviso, *Refinancing Indebtedness* ) prior to its respective maturity; *provided*, however, that such Refinancing Indebtedness:

- (1) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred which is not less than the shorter of (x) the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded or



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refinanced and (y) the Weighted Average Life to Maturity that would result if all payments of principal on the Indebtedness, Disqualified Stock and Preferred Stock being refunded or refinanced that were due on or after the date one year following the last maturity date of any Notes then outstanding were instead due on such date one year following the last date of maturity of the Notes;

- (2) has a Stated Maturity which is not earlier than the earlier of (x) the Stated Maturity of the Indebtedness being refunded or refinanced or (y) 91 days following the maturity date of the Notes;
- (3) to the extent such Refinancing Indebtedness refinances (a) Indebtedness junior to the Notes or the Note Guarantee of such Restricted Subsidiary, as applicable, such Refinancing Indebtedness is junior to the Notes or the Note Guarantee of such Restricted Subsidiary, as applicable, or (b) Disqualified Stock or Preferred Stock, such Refinancing Indebtedness is Disqualified Stock or Preferred Stock;
- (4) is Incurred in an aggregate amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced plus premium, fees and expenses Incurred in connection with such refinancing;
- (5) shall not include (x) Indebtedness of a Restricted Subsidiary of the Company that is neither Finance Co. nor a Note Guarantor that refinances Indebtedness of an Issuer or a Restricted Subsidiary that is a Note Guarantor, or (y) Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary; and
- (6) in the case of any Refinancing Indebtedness Incurred to refinance Indebtedness outstanding under clause (d) or (s), shall be deemed to have been Incurred and to be outstanding under such clause (d) or (s), as applicable, and not this clause (n) for purposes of determining amounts outstanding under such clauses (d) and (s);

*provided, further*, that (A) subclauses (1), (2) and (3) of this clause (n) will not apply to any refunding or refinancing of the Notes, the Second-Lien Notes or any Secured Indebtedness constituting First-Priority Lien Obligations, and (B) subclause (3) of this clause (n) will not apply to any refunding or refinancing of the Senior Subordinated Notes, to the extent such refunding or refinancing occurs within one year of the Stated Maturity thereof;

- (o) Indebtedness, Disqualified Stock or Preferred Stock of (x) the Company or any of its Restricted Subsidiaries, Incurred to finance an acquisition or (y) Persons that are acquired by the Company or any of its Restricted Subsidiaries or merged or amalgamated into the Company or a Restricted Subsidiary in accordance with the terms of the Indenture; *provided*, however, that after giving pro forma effect to such acquisition and the Incurrence of such Indebtedness either:

- (1) the Company would be permitted to Incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of this covenant; or
- (2) the Fixed Charge Coverage Ratio would be greater than immediately prior to such acquisition;
- (p) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing that is not recourse to the Company or any Restricted Subsidiary other than a Receivables Subsidiary (except for Standard Securitization Undertakings);
- (q) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, that such Indebtedness is extinguished within five Business Days of its Incurrence;
- (r) Indebtedness of the Company or any Restricted Subsidiary supported by a letter of credit or bank guarantee issued pursuant to the Credit Agreement, in a principal amount not in excess of the stated amount of such letter of credit;

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- (s) Contribution Indebtedness;
- (t) Indebtedness of Foreign Subsidiaries Incurred for working capital purposes;
- (u) Indebtedness of the Company or any Restricted Subsidiary consisting of (x) the financing of insurance premiums or (y) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business; and
- (v) Indebtedness issued by the Company or a Restricted Subsidiary to current or former officers, directors and employees thereof or any direct or indirect parent thereof, or their respective estates, spouses or former spouses, in each case to finance the purchase or redemption of Equity Interests of the Company or any of its direct or indirect parent companies to the extent permitted under clause (b)(4) of the covenant described under Limitation on Restricted Payments.

For purposes of determining compliance with this covenant, in the event that an item, or a portion of such item, taken by itself, of Indebtedness, Disqualified Stock or Preferred Stock meets the criteria of more than one of the categories of permitted Indebtedness described in clauses (a) through (v) above or such item is (or portion, taken by itself, would be) entitled to be Incurred pursuant to the first paragraph of this covenant, the Company shall, in its sole discretion, divide, classify or reclassify, or later divide, classify or reclassify, such item of Indebtedness or any portion thereof in any manner that complies (based on circumstances existing at the time of such division, classification or reclassification) with this covenant; *provided*, that all Indebtedness under the First-Lien Revolving Facility or ABL Facility outstanding on the Existing First-Lien Issue Date shall be deemed to have been Incurred pursuant to clause (a) and the Company shall not be permitted to reclassify all or any portion of such Indebtedness under the Credit Agreement outstanding on the Existing First-Lien Issue Date until such Indebtedness is no longer outstanding. Accrual of interest, the accretion of accreted value, the payment of interest in the form of additional Indebtedness with the same terms, the payment of dividends on Preferred Stock in the form of additional shares of Preferred Stock of the same class, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included in the determination of such amount of Indebtedness; *provided*, that the Incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was in compliance with this covenant.

Any Indebtedness Incurred under an ABL Facility pursuant to clause (a) of the second paragraph of this covenant shall be deemed for purposes of this covenant to have been Incurred on the date such Indebtedness was first Incurred until such Indebtedness is actually repaid, other than pursuant to cash sweep provisions or any similar provisions under any credit facility that provides that such Indebtedness is deemed to be repaid daily (or otherwise periodically).

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term debt, or first committed or first Incurred (whichever yields the lower U.S. dollar equivalent), in the case of revolving credit debt; *provided*, that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such

refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced.

For the avoidance of doubt, notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, solely as a result of fluctuations in the exchange rate of currencies.

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For the avoidance of doubt, the principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

### **Limitation on Restricted Payments**

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests, including any payment made in connection with any merger, amalgamation or consolidation involving the Company (other than (A) dividends or distributions by the Company payable solely in Equity Interests (other than Disqualified Stock) of the Company; or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Restricted Subsidiary, the Company or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities);
- (2) purchase or otherwise acquire or retire for value any Equity Interests of the Company or any direct or indirect parent of the Company;
- (3) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case prior to any scheduled repayment or scheduled maturity, any Subordinated Indebtedness of the Company or any of its Restricted Subsidiaries (other than the payment, redemption, repurchase, defeasance, acquisition or retirement of (A) Subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such payment, redemption, repurchase, defeasance, acquisition or retirement, and (B) Indebtedness permitted under clauses (g) or (i) of the second paragraph of the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock ); or
- (4) make any Restricted Investment (all such payments and other actions set forth in clauses (1) through (3) above being collectively referred to as *Restricted Payments* ), unless, at the time of such Restricted Payment:
  - (a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;
  - (b) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur \$1.00 of additional Indebtedness under the provisions of the first paragraph of the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred

Stock; and

- (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries on or after August 1, 2006 (including Restricted Payments permitted by clauses (1), (4) (only to the extent of one-half of the amounts paid pursuant to such clause), (6) and (8) of the definition of Permitted Payments, but excluding all other Restricted Payments that are Permitted Payments), is less than the amount equal to the Cumulative Credit.

*Cumulative Credit* means the sum of (without duplication):

- (1) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period, the *Reference Period* ) from July 1, 2006 to the end of the Company's most recently ended fiscal

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quarter for which internal financial statements are available at the time of such Restricted Payment (or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit), plus

- (2) 100% of the aggregate net proceeds, including cash and the Fair Market Value (as determined in accordance with the next succeeding sentence) of property other than cash, received by the Company after August 1, 2006 from the issue or sale of Equity Interests of the Company (excluding Refunding Capital Stock (as defined below), Designated Preferred Stock, Excluded Contributions, Disqualified Stock and the Cash Contribution Amount), including Equity Interests issued upon conversion of Indebtedness or Disqualified Stock or upon exercise of warrants or options (other than an issuance or sale to a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any of its Subsidiaries), plus
- (3) 100% of the aggregate amount of contributions to the capital of the Company received in cash and the Fair Market Value (as determined in accordance with the next succeeding sentence) of property other than cash after August 1, 2006 (other than Excluded Contributions, Refunding Capital Stock, Designated Preferred Stock, Disqualified Stock and the Cash Contribution Amount), plus
- (4) the principal amount of any Indebtedness, or the liquidation preference or maximum fixed repurchase price, as the case may be, of any Disqualified Stock of the Company or any Restricted Subsidiary thereof issued after August 1, 2006 (other than Indebtedness or Disqualified Stock issued to a Restricted Subsidiary) which has been converted into or exchanged for Equity Interests in the Company (other than Disqualified Stock) or any direct or indirect parent of the Company (provided in the case of any parent, such Indebtedness or Disqualified Stock is retired or extinguished), plus
- (5) 100% of the aggregate amount received by the Company or any Restricted Subsidiary after the Existing First-Lien Issue Date in cash and the Fair Market Value (as determined in accordance with the next succeeding sentence) of property other than cash received by the Company or any Restricted Subsidiary from:
  - (A) the sale or other disposition (other than to the Company or a Restricted Subsidiary of the Company) of Restricted Investments made by the Company and its Restricted Subsidiaries and from repurchases and redemptions of such Restricted Investments from the Company and its Restricted Subsidiaries by any Person (other than the Company or any of its Restricted Subsidiaries) and from repayments of loans or advances which constituted Restricted Investments (other than in each case to the extent that the Restricted Investment was made pursuant to clause (7) or (10) of the definition of Permitted Payments ),
  - (B) the sale (other than to the Company or a Restricted Subsidiary of the Company) of the Capital Stock of an Unrestricted Subsidiary, or
  - (C) a distribution or dividend from an Unrestricted Subsidiary, plus
- (6)

in the event any Unrestricted Subsidiary of the Company has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company after the Existing First-Lien Issue Date, the Fair Market Value (as determined in accordance with the next succeeding sentence) of the Investment of the Company in such Unrestricted Subsidiary at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable), after taking into account any Indebtedness associated with the Unrestricted Subsidiary so designated or combined or any Indebtedness associated with the assets so transferred or conveyed (other than in each case to the extent that the designation of such Subsidiary as an Unrestricted Subsidiary was made pursuant to clause (7) or (10) of the definition of Permitted Payments or constituted a Permitted Investment).

The Fair Market Value of property other than cash covered by clauses (2), (3), (4), (5) and (6) of the definition of Cumulative Credit shall be determined in good faith by the Company and

(A) in the event of property with a Fair Market Value in excess of \$10.0 million, shall be set forth in an Officers Certificate or



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(B) in the event of property with a Fair Market Value in excess of \$20.0 million, shall be set forth in a resolution approved by at least a majority of the Board of Directors of the Company.

The foregoing provisions will not prohibit the following items ( Permitted Payments ):

- (1) the payment of any dividend or distribution within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of the Indenture;
- (2)
  - (a) the repurchase, retirement or other acquisition of any Equity Interests ( *Retired Capital Stock* ) of the Company or any direct or indirect parent of the Company or Subordinated Indebtedness of the Company, any direct or indirect parent of the Company, Finance Co. or any Note Guarantor in exchange for, or out of the proceeds of, the substantially concurrent sale of, Equity Interests of the Company or any direct or indirect parent of the Company or contributions to the equity capital of the Company (other than any Disqualified Stock or any Equity Interests sold to a Subsidiary of the Company or to an employee stock ownership plan or any trust established by the Company or any of its Subsidiaries) (collectively, including any such contributions, *Refunding Capital Stock* ); and
  - (b) the declaration and payment of dividends on the Retired Capital Stock out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company or to an employee stock ownership plan or any trust established by the Company or any of its Subsidiaries) of Refunding Capital Stock;
- (3) the redemption, repurchase, defeasance or other acquisition or retirement of Subordinated Indebtedness of any Issuer or any Note Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, new Indebtedness of an Issuer or a Note Guarantor which is Incurred in accordance with the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock so long as
  - (a) the principal amount of such new Indebtedness does not exceed the principal amount plus any accrued and unpaid interest, of the Subordinated Indebtedness being so redeemed, repurchased, defeased, acquired or retired for value (plus the amount of any premium required to be paid under the terms of the instrument governing the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired plus any tender premiums, defeasance costs or other fees and expenses incurred in connection therewith),
  - (b) such Indebtedness is subordinated to the Notes or the related Note Guarantee, as the case may be, at least to the same extent as such Subordinated Indebtedness so purchased, exchanged, redeemed, repurchased, defeased, acquired or retired for value,
  - (c)

such Indebtedness has a final scheduled maturity date equal to or later than the earlier of (x) the final scheduled maturity date of the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired or (y) 91 days following the maturity date of the Notes, and

- (d) such Indebtedness has a Weighted Average Life to Maturity at the time Incurred which is not less than the shorter of (x) the remaining Weighted Average Life to Maturity of the Subordinated Indebtedness being so redeemed, repurchased, defeased, acquired or retired and (y) the Weighted Average Life to Maturity that would result if all payments of principal on the Subordinated Indebtedness being redeemed, repurchased, defeased, acquired or retired that were due on or after the date one year following the last maturity date of any Notes then outstanding were instead due on such date one year following the last date of maturity of the Notes;
- (4) the redemption, repurchase, retirement or other acquisition (or dividends to any direct or indirect parent of the Company to finance any such redemption, repurchase, retirement or other acquisition) for value of Equity Interests of the Company or any direct or indirect parent of the Company held by any future, present or former employee, director or consultant of the Company or any direct or indirect parent of the Company or any Subsidiary of the Company pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other agreement or arrangement;

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*provided*, however, that the aggregate amounts paid under this clause (4) do not exceed \$15.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over for the two succeeding calendar years, subject to a maximum payment (without giving effect to the following proviso) of \$15.0 million in any calendar year); *provided*, further, however, that such amount in any calendar year may be increased by an amount not to exceed:

- (a) the cash proceeds received by the Company or any of its Restricted Subsidiaries from the sale of Equity Interests (other than Disqualified Stock) of the Company or any direct or indirect parent of the Company (to the extent contributed to the Company) to members of management, directors or consultants of the Company and its Restricted Subsidiaries or any direct or indirect parent of the Company that occurs after August 1, 2006 (provided that the amount of such cash proceeds utilized for any such repurchase, retirement, other acquisition or dividend will not increase the amount available for Restricted Payments under clause (c) of the immediately preceding paragraph); plus
  - (b) the cash proceeds of key man life insurance policies received by the Company or any direct or indirect parent of the Company (to the extent contributed to the Company) or the Company's Restricted Subsidiaries after August 1, 2006; *provided*, that the Company may elect to apply all or any portion of the aggregate increase contemplated by clauses (a) and (b) above in any calendar year;
- (5) the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Stock of the Company or any of its Restricted Subsidiaries issued or incurred in accordance with the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;
- (6) the declaration and payment of dividends or distributions (a) to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued after August 1, 2006 and (b) to any direct or indirect parent of the Company, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) of any direct or indirect parent of the Company issued after August 1, 2006; *provided*, however, that, (A) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock, after giving effect to such issuance (and the payment of dividends or distributions) on a pro forma basis (including a pro forma application of the net proceeds therefrom), the Company would have had a Fixed Charge Coverage Ratio of at least 2.00 to 1.00 and (B) the aggregate amount of dividends declared and paid pursuant to this clause (6) does not exceed the net cash proceeds actually received by the Company from any such sale of Designated Preferred Stock (other than Disqualified Stock) issued after August 1, 2006;
- (7) Investments in Unrestricted Subsidiaries having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (7) on or after August 1, 2006, that are at that time outstanding, not to exceed \$25.0 million at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

- (8) the payment of dividends on the Company's common stock (or the payment of dividends to any direct or indirect parent of the Company to fund the payment by such direct or indirect parent of the Company of dividends on such entity's common stock) of up to 6% per annum of the net proceeds received by the Company from any public offering of common stock of the Company or any direct or indirect parent of the Company;
- (9) Restricted Payments that are made with Excluded Contributions;
- (10) other Restricted Payments in an aggregate amount not to exceed \$50.0 million;
- (11) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Company or a Restricted Subsidiary of the Company by, Unrestricted Subsidiaries;

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- (12) (a) with respect to each tax year or portion thereof that the Company qualifies as a Flow Through Entity, the distribution by the Company to the holders of Equity Interests of the Company (or to any direct or indirect parent of the Company or holders of Equity Interests in such parent); and
- (b) with respect to any tax year or portion thereof that the Company does not qualify as a Flow Through Entity, the payment of dividends or other distributions to any direct or indirect parent company of the Company that files a consolidated U.S. federal tax return that includes the Company and its subsidiaries;
- in each case, in an amount not to exceed the amount that the Company and its Restricted Subsidiaries would have been required to pay in respect of federal, state or local taxes (as the case may be) in respect of such year if the Company and its Restricted Subsidiaries paid such taxes directly as a stand-alone taxpayer (or stand-alone group) (and deeming the Company to be a taxpaying corporation and parent of a group if it is a Flow Through Entity);
- (13) the payment of any Restricted Payments, other distributions or other amounts or the making of loans or advances by the Company, if applicable:
- (a) in amounts required for any direct or indirect parent of the Company, if applicable, to pay fees and expenses (including franchise or similar taxes) required to maintain its corporate existence, customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of any direct or indirect parent of the Company, if applicable, and general corporate overhead expenses of any direct or indirect parent of the Company, if applicable, in each case to the extent such fees and expenses are attributable to the ownership or operation of the Company, if applicable, and its Subsidiaries;
- (b) in amounts required for any direct or indirect parent of the Company, if applicable, to pay interest and/or principal on Indebtedness the proceeds of which have been contributed to the Company or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Company Incurred in accordance with the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock; and
- (c) in amounts required for any direct or indirect parent of the Company to pay fees and expenses, other than to Affiliates of the Company, related to any unsuccessful equity or debt offering of such parent;
- (14) cash dividends or other distributions on the Company's Capital Stock used to, or the making of loans to any direct or indirect parent of the Company to, fund the Transactions and the payment of fees and expenses incurred in connection with the Transactions or in respect of amounts owed by the Company or any direct or indirect parent of the Company, as the case may be, or Restricted Subsidiaries of the Company to Affiliates, in each case to the extent permitted by the covenant described under Transactions with Affiliates;
- (15)

repurchases of Equity Interests deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

- (16) purchases of receivables pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing and the payment or distribution of Receivables Fees;
- (17) Restricted Payments by the Company or any Restricted Subsidiary to allow the payment in good faith of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of any such Person;
- (18) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness pursuant to the provisions similar to those described under the captions Change of Control and Asset Sales; *provided*, that all Notes tendered by holders of the Notes in connection with a Change of Control or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value;

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- (19) any payments made, including any such payments made to any direct or indirect parent of the Company to enable it to make payments, in connection with the consummation of the Transactions or as contemplated by the Acquisition Documents (other than payments to any Permitted Holder or any Affiliate thereof);
- (20) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness or any dividend or distribution to any direct or indirect parent of the Company to fund any repurchase, redemption or other acquisition or retirement for value of any Indebtedness of such parent (a) in an aggregate amount not to exceed 50% of so-called "black liquor" payment proceeds received after March 31, 2009, (b) in an aggregate amount not to exceed 50% of the net proceeds from the sale of Specified Non-Core Assets, and (c) in an aggregate amount not to exceed \$50.0 million; *provided*, that in the case of clauses (a), (b) or (c), no such repurchases, redemption or other acquisitions or retirements may be made from Affiliates of the Company; *provided*, further, that in the case of clauses (a) or (c) on a pro forma basis after giving effect to such Restricted Payment, the Company's Unrestricted Cash, together with committed and available borrowing capacity under its Credit Agreements, is at least \$75.0 million; or
- (21) any "deemed dividend" resulting from, or in connection with, the filing of a consolidated or combined tax return by a direct or indirect parent of the Company (and not involving any cash distribution from the Company);

*provided*, however, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (6), (7), (10) and (11), no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

As of the Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries, other than subsidiaries designated as Unrestricted Subsidiaries as of the Issue Date pursuant to the Company's existing Indebtedness, including (i) Bucksport Leasing LLC, which has no material operations, (ii) Verso Quinnesec REP LLC, which in connection with certain limited-recourse financing, is an obligor on certain related-party debt and owns restricted cash and a parcel of land at the Quinnesec mill with certain renewable energy facilities used by the mill under a long-term lease, (iii) Verso Androscoggin Power LLC, which is an obligor under a credit agreement providing for a \$40 million revolving credit facility and owns four hydroelectric facilities and related electricity transmission equipment associated with our Androscoggin mill, and (iv) Verso Bucksport Power LLC, which owns a 72% undivided interest in a cogeneration power plant associated with our Bucksport mill. The Company will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the last sentence of the definition of "Investments." Such designation will only be permitted if a Restricted Payment or Permitted Investment in such amount would be permitted at such time and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

**Dividend and Other Payment Restrictions Affecting Subsidiaries**

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (a) (i) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries (1) on its Capital Stock; or (2) with respect to any other interest or participation in, or measured by, its profits; or (ii) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;
  
- (b) make loans or advances to the Company or any of its Restricted Subsidiaries; or



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- (c) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries:

except in each case for such encumbrances or restrictions existing under or by reason of:

- (1) contractual encumbrances or restrictions in effect on the Existing First-Lien Issue Date, including pursuant to a Credit Agreement and the other Senior Credit Documents and pursuant to the indentures governing the Second-Lien Notes, Senior Subordinated Notes and the guarantees thereof;
- (2) the Indenture, the Notes (and any Exchange Notes and guarantees thereof) and the Security Documents, the Existing First-Lien Notes Indenture, the Existing First-Lien Notes, the indenture governing the Existing Secured Notes, the Existing Secured Notes, the indenture governing the New Second-Lien Notes, the New Second-Lien Notes, the indenture governing the New Subordinated Notes, the New Subordinated Notes, the Senior Lien Intercreditor Agreement, the First-Priority Intercreditor Agreement, the First-Lien Intercreditor Agreement, the Junior Lien Intercreditor Agreement or any Other Intercreditor Agreement;
- (3) applicable law or any applicable rule, regulation or order;
- (4) any agreement or other instrument relating to Indebtedness of a Person acquired by the Company or any Restricted Subsidiary which was in existence at the time of such acquisition (but not created in contemplation thereof or to provide all or a portion of the funds or credit support utilized to consummate such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person or its subsidiaries, other than the Person or its subsidiaries, or the property or assets of the Person, so acquired;
- (5) contracts or agreements for the sale of assets, including any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;
- (6) Secured Indebtedness otherwise permitted to be Incurred pursuant to the covenants described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock and Liens that limit the right of the debtor to dispose of the assets securing such Indebtedness;
- (7) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;
- (8) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business;

- (9) purchase money obligations or Capitalized Lease Obligations, in each case for property so acquired or leased in the ordinary course of business that impose restrictions of the nature discussed in clause (c) above on the property so acquired;
  
- (10) customary provisions contained in leases, licenses and other similar agreements entered into in the ordinary course of business that impose restrictions of the type described in clause (c) above on the property subject to such lease;
  
- (11) any encumbrance or restriction of a Receivables Subsidiary effected in connection with a Qualified Receivables Financing; *provided*, however, that such restrictions apply only to such Receivables Subsidiary;
  
- (12) other Indebtedness, Disqualified Stock or Preferred Stock of any Restricted Subsidiary of the Company
  - (i) that is Finance Co. or a Note Guarantor that is Incurred subsequent to the Existing First-Lien Issue Date pursuant to the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock or
  - (ii) that is Incurred by any Restricted Subsidiary of the Company that is not a Note Guarantor subsequent to the Existing First-Lien Issue Date pursuant to the covenant described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;

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(13) any Restricted Investment not prohibited by the covenant described under Limitation on Restricted Payments or any Permitted Investment; or

(14) any encumbrances or restrictions of the type referred to in clauses (a), (b) and (c) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (13) above; *provided*, that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

For purposes of determining compliance with this covenant, (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock and (ii) the subordination of loans or advances made to the Company or a Restricted Subsidiary of the Company to other Indebtedness Incurred by the Company or any such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

**Asset Sales**

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, cause or make an Asset Sale, unless (x) the Company or any of its Restricted Subsidiaries, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value (as determined in good faith by the Company) of the assets sold or otherwise disposed of, and (y) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary, as the case may be, is in the form of Cash Equivalents; *provided*, that the amount of:

- (a) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto) of the Company or any Restricted Subsidiary of the Company (other than liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets or that are otherwise cancelled or terminated in connection with the transaction with such transferee,
- (b) any notes or other obligations or other securities or assets received by the Company or such Restricted Subsidiary of the Company from such transferee that are converted by the Company or such Restricted Subsidiary of the Company into cash within 180 days of the receipt thereof (to the extent of the cash received), and
- (c) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received after the Existing First-Lien Issue Date pursuant to this clause (c) that is at that time outstanding, not to exceed the greater of 3.0% of Total Assets and \$45.0 million at the time of the receipt of such Designated Non-cash Consideration (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without

giving effect to subsequent changes in value) shall be deemed to be Cash Equivalents for the purposes of this provision.

Within 365 days after the Company's or any Restricted Subsidiary of the Company's receipt of the Net Proceeds of any Asset Sale, the Company or such Restricted Subsidiary of the Company may apply the Net Proceeds from such Asset Sale, at its option:

- (1) (a) to repay Indebtedness constituting First-Priority Lien Obligations (and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto), the Notes, any Indebtedness of a Foreign Subsidiary or Pari Passu Indebtedness; provided, that if the Company or

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any Note Guarantor shall so reduce Obligations under Pari Passu Indebtedness (other than any First-Priority Lien Obligations), the Issuers will equally and ratably reduce Obligations under the Notes through open market purchases (provided that such purchases, are at or above 100% of the principal amount thereof) and/or by making an offer (in accordance with the procedures set forth below for an Asset Sale Offer) to all holders to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, of the pro rata principal amount of Notes or Indebtedness of a Restricted Subsidiary that is not an Issuer or a Note Guarantor, in each case other than Indebtedness owed to the Company or an Affiliate of the Company or (b) to repay ABL Obligations, to the extent the Net Proceeds are from an Asset Sale of ABL Priority Collateral (including indirect Asset Sales of ABL Priority Collateral due to the sale of the Capital Stock of a Person);

- (2) to make an investment in any one or more businesses (provided that if such investment is in the form of the acquisition of Capital Stock of a Person, such acquisition results in such Person becoming a Restricted Subsidiary of the Company), assets, or property or capital expenditures, in each case used or useful in a Similar Business; and/or
- (3) to make an investment in any one or more businesses (provided that if such investment is in the form of the acquisition of Capital Stock of a Person, such acquisition results in such Person becoming a Restricted Subsidiary of the Company), properties or assets that replace the properties and assets that are the subject of such Asset Sale.

In the case of clauses (2) and (3) above, a binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment; *provided*, that (x) such investment is consummated within 545 days after receipt by the Company or any Restricted Subsidiary of the Net Proceeds of any Asset Sale and (y) if such investment is not consummated within the period set forth in subclause (x), the Net Proceeds not so applied will be deemed to be Excess Proceeds (as defined below).

Pending the final application of any such Net Proceeds, the Company or such Restricted Subsidiary of the Company may temporarily reduce Indebtedness under a revolving credit facility, if any, or otherwise invest such Net Proceeds in any manner not otherwise prohibited by the Indenture. Any Net Proceeds received after the Existing First-Lien Issue Date from any Asset Sale that are not applied as provided and within 365 days after the Company's or any Restricted Subsidiary of the Company's receipt of the Net Proceeds of any Asset Sale (it being understood that any portion of such Net Proceeds used to make an offer to purchase Notes, as described in clause (1) above, shall be deemed to have been invested whether or not such offer is accepted) will be deemed to constitute Excess Proceeds. When the aggregate amount of Excess Proceeds exceeds \$15.0 million, the Issuers shall make an offer to all holders of Notes (and, at the option of the Issuers, to holders of any Pari Passu Indebtedness) (an *Asset Sale Offer*) to purchase the maximum principal amount of Notes (and such Pari Passu Indebtedness), that is at least \$2,000 and an integral multiple of \$1,000 in excess thereof that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof (or, in the event such Pari Passu Indebtedness was issued with significant original issue discount, 100% of the accreted value thereof), plus accrued and unpaid interest and additional interest, if any (or, in respect of such Pari Passu Indebtedness, such lesser price, if any, as may be provided for by the terms of such Pari Passu Indebtedness), to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. The Issuers will commence an Asset Sale Offer with respect to Excess Proceeds within ten (10) Business Days after the date that Excess Proceeds exceeds \$15.0 million by mailing, or delivering electronically, the notice required pursuant to the terms of the Indenture, with a copy to the Trustee. To the extent that the aggregate amount of Notes (and such Pari Passu Indebtedness) tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Issuers may use any remaining Excess Proceeds for general corporate purposes. If

the aggregate principal amount of Notes (and such Pari Passu Indebtedness) surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased in the manner described below. Upon completion of any such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero. The Company and its Restricted Subsidiaries may make an Asset Sale Offer under this covenant using Net Proceeds prior to the time any such Net Proceeds become Excess Proceeds, in which case such Net Proceeds shall be deemed to have been applied within the time frame required by this covenant.

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The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuers will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

If more Notes (and such Pari Passu Indebtedness) are tendered pursuant to an Asset Sale Offer than the Issuers are required to purchase, selection of such Notes for purchase will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which such Notes are listed (and the Issuers shall notify the Trustee of any such listing), or if such Notes are not so listed, on a pro rata basis, by lot or by such other method as the Trustee shall deem fair and appropriate (and in such manner as complies with the requirements of DTC, if applicable); *provided*, that no Notes of \$2,000 or less shall be purchased in part. Selection of such Pari Passu Indebtedness will be made pursuant to the terms of such Pari Passu Indebtedness.

Notices of an Asset Sale Offer shall be mailed by first class mail, postage prepaid, or delivered electronically if held by DTC, at least 30 but not more than 60 days before the purchase date to each holder of Notes at such holder's registered address. If any Note is to be purchased in part only, any notice of purchase that relates to such Note shall state the portion of the principal amount thereof that has been or is to be purchased.

## **Transactions with Affiliates**

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction or series of transactions, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each of the foregoing, an *Affiliate Transaction*) involving aggregate consideration in excess of \$5.0 million, unless:

- (a) such Affiliate Transaction is on terms that are not materially less favorable to the Company or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and
- (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$20.0 million, the Company delivers to the Trustee a resolution adopted in good faith by the majority of the Board of Directors of the Company, approving such Affiliate Transaction and set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (a) above.

The foregoing provisions will not apply to the following:

- (1) (a) transactions between or among the Company and/or any of its Restricted Subsidiaries and (b) any merger of the Company and any direct parent of the Company; *provided*, that such parent shall have no material liabilities and no material assets other than cash, Cash Equivalents and the Capital Stock of the Company and such merger is otherwise in compliance with the terms of the Indenture and effected for a bona fide

business purpose;

- (2) Restricted Payments permitted by the provisions of the Indenture described above under the covenant Limitation on Restricted Payments and Permitted Investments;
- (3) Reserved;
- (4) the payment of reasonable and customary fees and reimbursement of expenses paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company;



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- (5) payments by the Company or any of its Restricted Subsidiaries to the Sponsors made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, which payments are (x) made pursuant to the agreements with the Sponsors described in the Issuers' offering circular dated May 28, 2009, or (y) approved by a majority of the Board of Directors of the Company in good faith;
- (6) transactions in which the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (a) of the preceding paragraph;
- (7) payments or loans (or cancellation of loans) to employees or consultants which are approved by a majority of the Board of Directors of the Company in good faith;
- (8) any agreement as in effect as of the Existing First-Lien Issue Date or any amendment thereto (so long as any such agreement together with all amendments thereto, taken as a whole, is not more disadvantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Existing First-Lien Issue Date) or any transaction contemplated thereby as determined in good faith by senior management or the Board of Directors of the Company;
- (9) the existence of, or the performance by the Company or any of its Restricted Subsidiaries of its obligations under the terms of the Acquisition Documents or any stockholders agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party as of the Existing First-Lien Issue Date and any amendment thereto or similar agreements which it may enter into thereafter; *provided*, however, that the existence of, or the performance by the Company or any of its Restricted Subsidiaries of its obligations under, any future amendment to any such existing agreement or under any similar agreement entered into after the Existing First-Lien Issue Date shall only be permitted by this clause (9) to the extent that the terms of any such existing agreement together with all amendments thereto, taken as a whole, or new agreement are not otherwise more disadvantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Existing First-Lien Issue Date;
- (10) the execution of the Transactions and the payment of all fees and expenses related to the Transactions, including fees to the Sponsors, which are described in the March 2012 Offering Circular (or in the documents incorporated by reference into the March 2012 Offering Circular) or contemplated by the Acquisition Documents;
- (11) (a) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Company and its Restricted Subsidiaries in the reasonable determination of the Board of Directors or the senior management of the Company, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party or (b) transactions with joint ventures or Unrestricted Subsidiaries entered into in the ordinary course of business;

- (12) any transaction effected as part of a Qualified Receivables Financing;
- (13) the issuance of Equity Interests (other than Disqualified Stock) of the Company to any Person;
- (14) the issuances of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock option and stock ownership plans or similar employee benefit plans approved by the Board of Directors of the Company or any direct or indirect parent of the Company or of a Restricted Subsidiary of the Company, as appropriate, in good faith;
- (15) the entering into of any tax sharing agreement or arrangement and any payments permitted by clause (12) of the second paragraph of the covenant described under Limitation on Restricted Payments;
- (16) any contribution to the capital of the Company;

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- (17) transactions permitted by, and complying with, the provisions of the covenant described under Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets;
- (18) transactions between the Company or any of its Restricted Subsidiaries and any Person, a director of which is also a director of the Company or any direct or indirect parent of the Company; *provided*, however, that such director abstains from voting as a director of the Company or such direct or indirect parent, as the case may be, on any matter involving such other Person;
- (19) pledges of Equity Interests of Unrestricted Subsidiaries;
- (20) any employment agreements entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business; and
- (21) intercompany transactions undertaken in good faith (as certified by a responsible financial or accounting officer of the Company in an Officers Certificate) for the purpose of improving the consolidated tax efficiency of the Company and its Subsidiaries and not for the purpose of circumventing any covenant set forth in the Indenture.

**Liens**

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or suffer to exist (i) any Lien on any asset or property of the Company or such Restricted Subsidiary securing Indebtedness (other than Permitted Liens), (ii) any Lien securing any First-Priority Lien Obligation of any Issuer or any Note Guarantor without effectively providing that the Notes or the applicable Note Guarantee, as the case may be, shall be granted, on a basis no less favorable to the holders of the Notes than that set forth under Security for the Notes, a security interest (subject to Permitted Liens) upon the assets or property constituting the collateral for such First-Priority Lien Obligations, except as set forth under Security for the Notes or (iii) any Lien securing any ABL Obligation of any Issuer or any Note Guarantor without effectively providing that the Notes or the applicable Note Guarantee, as the case may be, shall be granted, on a basis no less favorable to the holders of the Notes than that set forth under Security for the Notes, a security interest (subject to Permitted Liens) upon the assets or property constituting the collateral for such ABL Obligations, except as set forth under Security for the Notes; *provided*, however, that if granting any of the foregoing security interests requires the consent of a third party, the Company will use commercially reasonable efforts to obtain such consent with respect to such security interests for the benefit of the Trustee on behalf of the holders of the Notes; *provided*, further, however, that if such third party does not consent to the granting of such security interests after the use of commercially reasonable efforts, the Company will not be required to provide such security interests.

For purposes of determining compliance with this covenant, (A) a Lien securing an item of Indebtedness need not be permitted solely by reference to one category (or portion thereof) of Permitted Liens described in clauses (1) through (28) of the definition of Permitted Liens but may be permitted in part under any combination thereof and (B) in the event that a Lien securing an item of Indebtedness, Disqualified Stock of Preferred Stock (or any portion thereof) meets the criteria of one or more of the categories (or portions thereof) of Permitted Liens described in clauses (1) through (28) of the definition of Permitted Liens or pursuant to the first paragraph of this covenant, the Company shall, in its sole discretion, divide, classify or reclassify, or later divide, classify, or reclassify, such Lien securing such item of Indebtedness (or any portion thereof) in any manner that complies (based on circumstances existing at the time

of such division, classification or reclassification) with this covenant and will only be required to include the amount and type of such Lien or such item of Indebtedness secured by such Lien in one of the clauses (or portion thereof) of the definition of Permitted Liens and such Lien securing such item of Indebtedness will be treated as being Incurred or existing pursuant to only one of such clauses (or portion thereof).

With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such

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Indebtedness. The *Increased Amount* of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms or in the form of common stock of the Company, the payment of dividends on Preferred Stock in the form of additional shares of Preferred Stock of the same class accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness described in clause (3) of the definition of Indebtedness.

## **Reports and Other Information**

The Indenture will provide that notwithstanding that the Company may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or otherwise report on an annual and quarterly basis on forms provided for such annual and quarterly reporting pursuant to rules and regulations promulgated by the SEC, the Company will file with the SEC (and provide the Trustee and holders with copies thereof, without cost to each holder, within 15 days after it files them with the SEC),

- (1) within the time period specified in the SEC's rules and regulations, annual reports on Form 10-K (or any successor or comparable form) containing the information required to be contained therein (or required in such successor or comparable form),
  - (2) within the time period specified in the SEC's rules and regulations, reports on Form 10-Q (or any successor or comparable form) containing the information required to be contained therein (or required in such successor or comparable form),
  - (3) promptly from time to time after the occurrence of an event required to be therein reported (and in any event within the time period specified in the SEC's rules and regulations), such other reports on Form 8-K (or any successor or comparable form), and
  - (4) any other information, documents and other reports which the Company would be required to file with the SEC if it were subject to Section 13 or 15(d) of the Exchange Act;
- provided*, however, that the Company shall not be so obligated to file such reports with the SEC if the SEC does not permit such filing, in which event the Company will put such information on its website, in addition to providing such information to the Trustee and the holders, in each case within 15 days after the time the Company would be required to file such information with the SEC if it were subject to Section 13 or 15(d) of the Exchange Act.

In the event that:

- (a) the rules and regulations of the SEC permit the Company and any direct or indirect parent of the Company to report at such parent entity's level on a consolidated basis and

- (b) such parent entity of the Company is not engaged in any business in any material respect other than incidental to its ownership, directly or indirectly, of the capital stock of the Company, such consolidated reporting at such parent entity's level in a manner consistent with that described in this covenant for the Company will satisfy this covenant.

In addition, the Company will make such information available to prospective investors upon request. In addition, the Company has agreed that, for so long as any Notes remain outstanding during any period when it is not subject to Section 13 or 15(d) of the Exchange Act, or otherwise permitted to furnish the SEC with certain information pursuant to Rule 12g3-2(b) of the Exchange Act, it will furnish to the holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

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Notwithstanding the foregoing, the Company will be deemed to have furnished such reports referred to above to the Trustee and the holders if the Company has filed such reports with the SEC via the EDGAR filing system and such reports are publicly available.

In the event that any direct or indirect parent of the Company is or becomes a Note Guarantor of the Notes, the Indenture will permit the Company to satisfy its obligations in this covenant with respect to financial information relating to the Company by furnishing financial information relating to such direct or indirect parent; *provided*, that the same is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to such direct or indirect parent and any of its Subsidiaries other than the Company and its Subsidiaries, on the one hand, and the information relating to the Company, the Note Guarantors and the other Subsidiaries of the Company on a standalone basis, on the other hand.

## **Shared Services Agreement**

The Indenture will provide that prior to the second anniversary of the Issue Date, the Company (x) shall not, and shall not permit any of its Restricted Subsidiaries to, enter into any amendment to the Shared Services Agreement unless such amendment, taken as a whole, is fair to the Issuers from a financial point of view (as determined in good faith by the Board of Directors of the Company), it being understood that if the Issuers obtain a letter from an Independent Financial Advisor stating that such amendment is fair to the Issuers from a financial point of view, such requirement shall be deemed satisfied and (y) shall, and shall cause each of its Restricted Subsidiaries to, maintain in effect, and enforce its rights and comply with its material obligations under, the Shared Services Agreement.

## **Distributions from NewPage**

The Indenture will provide that within 30 days following the end of each of the first two four full fiscal quarter periods ending after the Issue Date, the Issuers shall cause the NewPage Entities to directly or indirectly distribute to the Issuers an aggregate amount equal to the lesser of (x) \$50.0 million and (y) the NewPage Available Funds for such period; *provided*, that this covenant shall not require the NewPage Entities to distribute any amounts to the Issuers if (1) a default or event of default (including any event that after notice or passage of time or both would constitute a default or event of default) exists under any material agreement, indenture, instrument or other document governing any of the NewPage Entities Indebtedness, (2) such distribution would result in a default or event of default (including any event that after notice or the passage of time or both would be a default or event of default) under, or breach an obligation under or violate, any material agreement, indenture, instrument or other document governing any of the NewPage Entities Indebtedness, or (3) such distribution would not be permitted under applicable law and provided, further, that for the avoidance of doubt, the provisions of this covenant shall not apply subsequent to the second period of four full fiscal quarters after the Issue Date.

## **Distribution of Proceeds of NewPage Indebtedness**

The Indenture will provide that the Company shall cause the NewPage Asset Entities to distribute the proceeds of any third-party Indebtedness for borrowed money incurred or guaranteed by the NewPage Asset Entities or secured by a Lien on any NewPage Assets (other than NewPage Excluded Amounts) during any NewPage Applicable Period to the Issuers or any Guarantor within 30 calendar days of the end of such NewPage Applicable Period; *provided*, that this covenant shall not require the NewPage Asset Entities to distribute any amounts to the Issuers or any Guarantor if (1) a default or event of default (including any event that after notice or passage of time or both would constitute a default or event of default) exists under any material agreement, indenture, instrument or other document governing any of the NewPage Asset Entities Indebtedness, (2) such distribution would result in a default or event of default (including any event that after notice or the passage of time or both would be a default or event of default) under, or

breach an obligation under or violate, any material agreement, indenture, instrument or other document governing any of the NewPage Asset Entities Indebtedness, or (3) such distribution would not be permitted under applicable law.



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**Incurrence of First-Priority Indebtedness in Exchange for Certain Obligations**

The Indenture will provide that:

- (a) The Company will not, and will cause its Restricted Subsidiaries not to, (i) exchange (x) First-Priority Lien Obligations or (y) ABL Obligations for Specified Indebtedness or Equity Interests of the Company or any of its Restricted Subsidiaries or (ii) redeem, repurchase, defease or otherwise acquire or retire Specified Indebtedness or Equity Interests of the Company or any of its Restricted Subsidiaries with the proceeds of the issuance of (x) First-Priority Lien Obligations or (y) ABL Obligations, in each case unless after giving effect to the incurrence thereof, the Consolidated First-Lien Secured Debt Ratio (*provided*, that solely for the purposes of this covenant, at any time that the Consolidated First-Lien Secured Debt Ratio is calculated, it shall include any Senior Subordinated Notes outstanding at such time with a Stated Maturity no later than the date that is one year after the Stated Maturity of the Notes in the numerator of such ratio after giving effect to the transaction for which such ratio is being calculated) would be less than or equal to 2.00 to 1.00.
- (b) The Company will not, and will cause its Restricted Subsidiaries not to, (i) exchange Indebtedness with respect to which any NewPage Asset Entity is obligated in any respect or the obligations of which are secured by a Lien on any NewPage Assets for Specified Indebtedness or Equity Interests of the Company or any of its Restricted Subsidiaries or (ii) redeem, repurchase, defease or otherwise acquire or retire Specified Indebtedness or Equity Interests of the Company or any of its Restricted Subsidiaries with the proceeds of Indebtedness with respect to which any NewPage Asset Entity is obligated in any respect or the obligations of which are secured by a Lien on any NewPage Assets.

The limitations set forth in this covenant shall not restrict the ability of the Company or its Restricted Subsidiaries to exchange First-Priority Lien Obligations, ABL Obligations or Indebtedness with respect to which any NewPage Asset Entity is obligated in any respect or the obligations of which are secured by a Lien on any NewPage Assets for Senior Subordinated Notes or to redeem, repurchase, defease or otherwise acquire or retire Senior Subordinated Notes with the proceeds of the issuance of First-Priority Lien Obligations, ABL Obligations or Indebtedness with respect to which any NewPage Asset Entity is obligated in any respect or the obligations of which are secured by a Lien on any NewPage Assets to the extent such exchange, redemption, repurchase or defeasance occurs within one year of the Stated Maturity of such Senior Subordinated Notes.

**Future Note Guarantors**

The Indenture will provide that the Company will cause each Restricted Subsidiary that is a wholly owned Domestic Subsidiary and that guarantees Indebtedness of the Company or any of the Guarantors (unless such Subsidiary is Finance Co. or a Receivables Subsidiary) to execute and deliver to the Trustee a supplemental indenture pursuant to which such Subsidiary will guarantee payment of the Notes. Each Note Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by that Restricted Subsidiary without rendering the Note Guarantee, as it relates to such Restricted Subsidiary, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Each Note Guarantee shall be released in accordance with the provisions of the Indenture described under Note Guarantees.

**Limitation on Business Activities of Finance Co.**

The Indenture will provide that Finance Co. will not own any material assets or other property, other than Indebtedness or other obligations owing to Finance Co. by the Company and its Restricted Subsidiaries and Cash Equivalents, or engage in any trade or conduct any business other than treasury, cash management, hedging and cash pooling activities and activities incidental thereto. Finance Co. will not Incur any material liabilities or obligations other than the Note Obligations, Obligations under the Credit Agreements, Obligations under the Existing First-Lien Notes, Obligations under the Existing Secured Notes, the Second Lien Notes Obligations, its Obligations under the Senior Subordinated Notes and other Indebtedness permitted to be Incurred by Finance Co.

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as described under Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock and liabilities and obligations pursuant to business activities permitted by this covenant. Finance Co. shall be a Wholly Owned Subsidiary of the Company at all times.

**Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets**

***The Company***

The Indenture will provide that the Company may not, directly or indirectly, consolidate, amalgamate or merge with or into or wind up or convert into (whether or not the Company is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to any Person unless:

- (1) the Company is the surviving person or the Person formed by or surviving any such consolidation, amalgamation, merger, winding up or conversion (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership or limited liability company organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (the Company or such Person, as the case may be, being herein called a *Successor Company* );
- (2) the Successor Company (if other than the Company) expressly assumes all the obligations of the Company under the Indenture, the Notes and the Security Documents pursuant to supplemental indentures;
- (3) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Company (including any Successor Company thereto) or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Company or such Restricted Subsidiary at the time of such transaction) no Default or Event of Default shall have occurred and be continuing;
- (4) immediately after giving pro forma effect to such transaction, as if such transaction had occurred at the beginning of the applicable four-quarter period (and treating any Indebtedness which becomes an obligation of the Company (including any Successor Company thereto) or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Company or such Restricted Subsidiary at the time of such transaction), either
  - (a) the Company (including any Successor Company thereto) would be permitted to Incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of the covenant described under Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock; or
  - (b) the Fixed Charge Coverage Ratio for the Company (including any Successor Company thereto) and its Restricted Subsidiaries would be greater than such ratio for the Company and its Restricted

Subsidiaries immediately prior to such transaction;

- (5) each Note Guarantor, unless it is the other party to the transactions described above, shall have by supplemental indenture confirmed that its Note Guarantee shall apply to such Person's obligations under the Indenture and the Notes; and
- (6) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures (if any) comply with the Indenture.

A Successor Company (if other than the Company) will succeed to, and be substituted for, the Company under the Indenture and the Notes, and in such event the Company will automatically be released and discharged from its obligations under the Indenture and the Notes.

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Notwithstanding the foregoing clauses (3) and (4), (a) any Restricted Subsidiary may merge, consolidate or amalgamate with or transfer all or part of its properties and assets to the Company or to another Restricted Subsidiary, and (b) the Company may merge, consolidate or amalgamate with an Affiliate incorporated solely for the purpose of reincorporating such Issuer in another state of the United States, the District of Columbia or any territory of the United States, so long as the amount of Indebtedness of the Company and its Restricted Subsidiaries is not increased thereby. This Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets covenant will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and its Restricted Subsidiaries.

***Finance Co.***

The Indenture will provide that Finance Co. may not, directly or indirectly, consolidate, amalgamate or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, any Person, unless:

- (1) Finance Co. is the surviving person or the Person formed by or surviving any such consolidation, amalgamation, merger, winding up or conversion (if other than Finance Co.) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (Finance Co. or such Person, as the case may be, being herein called a *Successor Co-Issuer* );
- (2) the Successor Co-Issuer (if other than Finance Co.) expressly assumes all the obligations of Finance Co. under the Indenture, the Notes and the Security Documents pursuant to supplemental indentures;
- (3) immediately after such transaction, no Default or Event of Default will have occurred and be continuing; and
- (4) the Successor Co-Issuer (if other than Finance Co.) shall have delivered or caused to be delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that such consolidation, amalgamation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

***The Guarantors***

The Indenture will further provide that subject to certain limitations in the Indenture governing release of a Note Guarantee upon the sale or disposition of a Restricted Subsidiary of the Company that is a Note Guarantor, each Note Guarantor will not, and the Company will not permit any Note Guarantor to, consolidate, amalgamate or merge with or into or wind up into (whether or not such Note Guarantor is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, any Person unless:

- (1) either (a) such Note Guarantor is the surviving Person or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than such Note Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation,

partnership or limited liability company organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (such Note Guarantor or such Person, as the case may be, being herein called the *Successor Note Guarantor* ) and the Successor Note Guarantor (if other than such Note Guarantor) expressly assumes all the obligations of such Note Guarantor under the Indenture, such Note Guarantors Note Guarantee and the Security Documents pursuant to a supplemental indenture or (b) such sale or disposition or consolidation, amalgamation or merger is not in violation of the covenant described above under the caption Certain Covenants Asset Sales; and

- (2) the Successor Note Guarantor (if other than such Note Guarantor) shall have delivered or caused to be delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that such consolidation, amalgamation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

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Subject to certain limitations described in the Indenture, the Successor Note Guarantor (if other than such Note Guarantor) will succeed to, and be substituted for, such Note Guarantor under the Indenture and such Note Guarantor's Note Guarantee, and such Note Guarantor will automatically be released and discharged from its obligations under the Indenture and such Note Guarantor's Note Guarantee. Notwithstanding the foregoing, (1) a Note Guarantor may merge, amalgamate or consolidate with an Affiliate incorporated solely for the purpose of reincorporating such Note Guarantor in another state of the United States, the District of Columbia or any territory of the United States or may convert into a limited liability company so long as the amount of Indebtedness of the Note Guarantor is not increased thereby and (2) a Note Guarantor may merge, amalgamate or consolidate with another Note Guarantor or an Issuer.

In addition, notwithstanding the foregoing, any Note Guarantor may consolidate, amalgamate or merge with or into or wind up into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets (collectively, a *Transfer*) to any Restricted Subsidiary of the Company that is neither Finance Co. nor a Note Guarantor; *provided*, that at the time of each such Transfer the aggregate amount of all such Transfers since the Existing First-Lien Issue Date shall not exceed 5.0% of the consolidated assets of the Company, Finance Co. and the Note Guarantors as shown on the most recent available balance sheet of the Company and the Restricted Subsidiaries after giving effect to each such Transfer and including all Transfers occurring from and after the Existing First-Lien Issue Date.

**Defaults**

An Event of Default will be defined in the Indenture as:

- (1) a default in any payment of interest (including any additional interest) on any Note when due, continued for 30 days,
- (2) a default in the payment of principal or premium, if any, of any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise,
- (3) the failure by the Company or any of its Restricted Subsidiaries to comply with the covenant described under Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets above,
- (4) the failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after notice with its other agreements contained in the Notes or the Indenture,
- (5) the failure by the Company or any Significant Subsidiary to pay any Indebtedness (other than Indebtedness owing to the Company or a Restricted Subsidiary of the Company) within any applicable grace period after final maturity or the acceleration of any such Indebtedness by the holders thereof because of a default, in each case, if the total amount of such Indebtedness unpaid or accelerated exceeds \$20.0 million or its foreign currency equivalent (the *cross-acceleration provision*),
- (6)

certain events of bankruptcy, insolvency or reorganization of the either Issuer or a Significant Subsidiary (the *bankruptcy provisions* ),

- (7) failure by the Company or any Significant Subsidiary to pay final judgments aggregating in excess of \$20.0 million or its foreign currency equivalent (net of any amounts which are covered by enforceable insurance policies issued by solvent carriers), which judgments are not discharged, waived or stayed for a period of 60 days (the *judgment default provision* ),
- (8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms thereof) or any Note Guarantor denies or disaffirms its obligations under the Indenture or any Note Guarantee and such Default continues for 10 days,
- (9) unless all of the Collateral has been released from the Liens in accordance with the provisions of the Security Documents, any Issuer shall assert or any Note Guarantor shall assert, in any pleading in any court of competent jurisdiction, that any such security interest is invalid or unenforceable and, in the case of any such Person that is a Subsidiary of the Company, the Company fails to cause such Subsidiary to rescind such assertions within 30 days after the Company has actual knowledge of such assertions, or



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(10) the failure by any Issuer or any Note Guarantor to comply for 60 days after notice with its other agreements contained in the Security Documents except for a failure that would not be material to the holders of the Notes and would not materially affect the value of the Collateral taken as a whole (together with the defaults described in clauses (8) and (9) the *security default provisions* ).

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

However, a default under clause (4) or (10) will not constitute an Event of Default until the Trustee or the holders of at least 25% in principal amount of outstanding Notes notify the Issuers of the default and the Company does not cure such default within the time specified in clause (4) and (10) hereof after receipt of such notice.

If an Event of Default (other than a Default relating to certain events of bankruptcy, insolvency or reorganization of the Issuers or a Significant Subsidiary) occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of outstanding Notes by notice to the Issuers may declare the principal of, premium, if any, and accrued but unpaid interest on all the Notes to be due and payable. Upon such a declaration, such principal and interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Issuers or a Significant Subsidiary occurs, the principal of, premium, if any, and interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holders. Under certain circumstances, the holders of a majority in principal amount of outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

In the event of any Event of Default specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Notes, if within 20 days after such Event of Default arose the Company delivers an Officers Certificate to the Trustee stating that (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the Notes as described above be annulled, waived or rescinded upon the happening of any such events.

In case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such holder has previously given the Trustee notice that an Event of Default is continuing,
- (2) holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy,
- (3)

such holders have offered the Trustee security or indemnity satisfactory to it against any loss, liability or expense,

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity, and

(5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the

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Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and is actually known to the Trustee, the Trustee must mail, or deliver electronically if held by DTC, to each holder of Notes notice of the Default within the earlier of 90 days after it occurs or 30 days after it is actually known to a Trust Officer or written notice of it is received by the Trustee. Except in the case of a Default in the payment of principal of, premium (if any) or interest on any Note, the Trustee may withhold notice if and so long as a committee of its Trust Officers in good faith determines that withholding notice is in the interests of the Noteholders. In addition, the Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

## **Amendments and Waivers**

Subject to certain exceptions and the provisions of the Senior Lien Intercreditor Agreement, the Senior Lien Intercreditor Agreement, the First-Priority Intercreditor Agreement, the First-Lien Intercreditor Agreement, the Junior Lien Intercreditor Agreement and the Note Documents may be amended with the consent of the holders of a majority in principal amount of the Notes then outstanding and any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding. However, without the consent of each holder of an outstanding Note affected, no amendment may, among other things:

- (1) reduce the amount of Notes whose holders must consent to an amendment,
- (2) reduce the rate of or extend the time for payment of interest on any Note,
- (3) reduce the principal of or change the Stated Maturity of any Note,
- (4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed as described under **Optional Redemption** above,
- (5) make any Note payable in money other than that stated in such Note,
- (6) impair the right of any holder to receive payment of principal of, premium, if any, and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes,

- (7) make any change in the amendment provisions which require each holder's consent or in the waiver provisions,
  - (8) except as expressly permitted by the Indenture, modify any Note Guarantee in any manner adverse to the holders,
  - (9) expressly subordinate the Notes or any Note Guarantee in right of payment to any other Indebtedness of the Issuers or any Note Guarantor, or
  - (10) make any change in the provisions in the Security Documents or the Indenture dealing with the application of proceeds of Collateral that would adversely affect the holders of the Notes.
- Without the consent of the holders of at least two-thirds in aggregate principal amount of the Notes then outstanding, no amendment or waiver may release all or substantially all of the Collateral from the Lien of the Indenture and the Security Documents.

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Without the consent of any holder, the Issuers, the Note Guarantors (as applicable) and the Trustee may amend the Senior Lien Intercreditor Agreement, the First-Priority Intercreditor Agreement, the First-Lien Intercreditor Agreement, the Junior Lien Intercreditor Agreement and the Note Documents to cure any ambiguity, omission, defect or inconsistency, to provide for the assumption by a Successor Company or Successor Co-Issuer of the obligations of an Issuer under the Indenture and the Notes, to provide for the assumption by a Successor Note Guarantor of the obligations of a Note Guarantor under the Indenture and its Note Guarantee, to provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code), to add a Note Guarantee with respect to the Notes, to secure the Notes, to add additional assets as Collateral, to release Collateral from the Lien pursuant to the Indenture and the Security Documents when permitted or required by the Indenture or the Security Documents, to add to the covenants of the Company for the benefit of the holders or to surrender any right or power conferred upon the Issuers, to make any change that does not adversely affect the rights of any holder, to comply with any requirement of the SEC in connection with the qualification of the Indenture under the TIA to effect any provision of the Indenture or to make certain changes to the Indenture to provide for the issuance of Additional Notes, as the case may be. In addition, the Senior Lien Intercreditor Agreement, the First-Priority Intercreditor Agreement, the First-Lien Intercreditor Agreement, the Junior Lien Intercreditor Agreement and the Security Documents may be amended to reflect the addition of holders of additional secured Indebtedness to the extent the grant of Liens to secure such Indebtedness is permitted by the Indenture. The Senior Lien Intercreditor Agreement, the First-Priority Intercreditor Agreement, the First-Lien Intercreditor Agreement and the Junior Lien Intercreditor Agreement provide that, subject to certain exceptions, any amendment, waiver or consent to any of the collateral documents with respect to ABL Obligations or First-Priority Lien Obligations will also apply automatically to the comparable Security Documents with respect to the Notes.

The consent of the Noteholders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the Indenture becomes effective, the Issuers are required to mail, or deliver electronically if held by DTC, to the respective Noteholders a notice briefly describing such amendment. However, the failure to give such notice to all Noteholders entitled to receive such notice, or any defect therein, will not impair or affect the validity of the amendment.

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or holder of any Equity Interests in the Company or any direct or indirect parent corporation, as such, will have any liability for any obligations of the Issuers under the Notes, the Indenture, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

**Transfer and Exchange**

A Noteholder may transfer or exchange Notes in accordance with the Indenture. Upon any transfer or exchange, the registrar and the Trustee may require a Noteholder, among other things, to furnish appropriate endorsements and transfer documents and the Issuers may require a Noteholder to pay any taxes required by law or permitted by the Indenture. The Issuers are not required to transfer or exchange any Note selected for redemption or to transfer or exchange any Note for a period of 15 days prior to a selection of Notes to be redeemed. The Notes will be issued in registered form and the registered holder of a Note will be treated as the owner of such Note for all purposes.



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**Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights and immunities of the Trustee and rights of registration or transfer or exchange of Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (1) either (a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuers and thereafter repaid to the Issuers or discharged from such trust) have been delivered to the Trustee for cancellation or (b) all of the Notes (i) have become due and payable, (ii) will become due and payable at their stated maturity within one year or (iii) if redeemable at the option of the Issuers, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuers, and the Issuers have irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Issuers directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (2) the Issuers and/or the Note Guarantors have paid all other sums payable under the Indenture; and
- (3) the Issuers have delivered to the Trustee an Officers Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

**Defeasance**

The Issuers at any time may terminate all their obligations under the Notes and their obligations under the Indenture with respect to the holders of the Notes ( *legal defeasance* ), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes. The Issuers at any time may terminate their obligations under the covenants described under Certain Covenants for the benefit of the Notes, the operation of the cross-acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision, the change of control default provision and the security default provisions described under Defaults (but only to the extent that those provisions relate to the Defaults with respect to the Notes) and certain provisions of the covenant described under Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets ( *covenant defeasance* ) for the benefit of the Notes. If the Issuers exercise their legal defeasance option or their covenant defeasance option, each Note Guarantor will be released from all of its obligations with respect to its Note Guarantee and the Security Documents.

The Issuers may exercise their legal defeasance option notwithstanding their prior exercise of its covenant defeasance option. If the Issuers exercise their legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect thereto. If the Issuers exercise their covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3), (4), (5), (6), (7) (with respect only to Significant Subsidiaries), (8), (9), or (10) under Defaults or because of the failure of the Company to comply

with Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets.

In order to exercise either defeasance option, the Issuers must irrevocably deposit in trust (the defeasance trust ) with the Trustee money or U.S. Government Obligations for the payment of principal, premium (if any) and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel from counsel of recognized standing in



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respect of U.S. federal income tax matters stating that holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or change in applicable U.S. federal income tax law).

### **Concerning the Trustee**

Wilmington Trust, National Association will be the Trustee under the Indenture and will be appointed by the Issuers as registrar (in such capacity, the *Registrar* ) and a paying agent (in such capacity, the *Paying Agent* ) with regard to the Notes.

Wilmington Trust National Association or its affiliate, Wilmington Trust Company, serves as trustee for each series of the Issuers' existing notes and will serve as the trustee for the New Second-Lien Notes and the New Subordinated Notes. Consequently, if a default occurs with respect to the Notes, the Existing Fixed Rate Second-Lien Notes, the Existing Floating Rate Second-Lien Notes or the Senior Subordinated Notes, Wilmington Trust, National Association or Wilmington Trust Company (as applicable) may be considered to have a conflicting interest for the purposes of the TIA. In that case, the applicable trustee may be required to resign under one or more of the indentures, and would be required to appoint a successor trustee.

The Indenture will contain and the TIA contains certain limitations on the rights of the Trustee, should it become a creditor of the Issuers, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the TIA) it must eliminate such conflict within 90 days, apply to the SEC for permission to continue or resign.

### **Governing Law**

The Indenture will provide that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

### **Certain Definitions**

*11.5% First-Lien Notes* means the 11.5% Senior Secured Notes due 2014 of the Issuers.

*ABL Facility* means (i) the revolving credit agreement designated by the Company as the *ABL Facility* entered into on May 4, 2012, among Verso Paper Financing Holdings LLC, the Company and each other Subsidiary of the Company from time to time designated as a *Borrower* thereunder, the lenders and agents party thereto and Citibank, N.A. (or an affiliate thereof), as administrative agent, as amended, restated, supplemented, waived, replaced (whether or not upon termination, and whether with the original lenders or otherwise), restructured, repaid, refunded, refinanced or otherwise modified from time to time after the Existing First-Lien Issue Date, including any agreement or indenture extending the maturity thereof, refinancing, replacing or otherwise restructuring all or any portion of the Indebtedness under such agreement or agreements or indenture or indentures or any successor or replacement agreement or agreements or indenture or indentures or increasing the amount loaned or issued thereunder or altering the maturity thereof, and (ii) whether or not the facility referred to in clause (i) remains outstanding, if designated by the Company to be included in the definition of *ABL Facility*, one or more (A) debt facilities or commercial paper facilities, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit,

(B) debt securities, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers' acceptances), or (C) instruments or agreements evidencing any other indebtedness, in each case, with the same or different borrowers or issuers and, in each case, as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, replaced or refunded in whole or in part from time to time.

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*ABL Facility Collateral Agent* means the Collateral Agent (or similar entity) under the ABL Facility Documents and any successor thereto in such capacity.

*ABL Facility Documents* means the agreements and other instruments governing the ABL Facility, together with any guarantees thereof and any security documents, other collateral documents and other instruments relating thereto (including documents and instruments governing Hedging Obligations required by the ABL Facility or relating to ABL Obligations).

*ABL Liens* has the meaning ascribed to such term under Intercreditor Agreements Senior Lien Intercreditor Agreement.

*ABL Obligations* means the Obligations of the borrowers and other obligors (including the Issuers and the Note Guarantors) under the ABL Facility or any of the other ABL Facility Documents, to pay principal, premium, if any, and interest (including any interest accruing after the commencement of bankruptcy or insolvency proceedings) when due and payable, and all other amounts due or to become due under or in connection with the ABL Facility Documents and the performance of all other Obligations of the obligors thereunder to the lenders and agents under the ABL Facility Documents, according to the respective terms thereof.

*ABL Priority Collateral* has the meaning ascribed to such term under Security for the Notes.

*Acquired Indebtedness* means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged, consolidated or amalgamated with or into or became a Restricted Subsidiary of such specified Person, and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

*Acquisition* means the acquisition by the Company and certain of its Affiliates of certain assets and equity interests in certain entities, in each case related to the catalog and magazine paper business of International Paper Company, a New York corporation, pursuant to the Agreement of Purchase and Sale.

*Acquisition Documents* means the Agreement of Purchase and Sale and any other document entered into in connection therewith, in each case as amended, supplemented or modified from time to time.

*Additional First-Priority Lien Secured Party* means the holders of any Other First-Priority Lien Obligations that are Incurred after the Issue Date.

*Adjusted EBITDA* means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication, to the extent the same was deducted in calculating Consolidated Net Income:

(1) Consolidated Taxes; plus

- (2) Consolidated Interest Expense; plus
  
- (3) Consolidated Non-cash Charges; plus
  
- (4) business optimization income and expenses and other restructuring charges or expenses (which, for the avoidance of doubt, shall include, without limitation, the effect of inventory optimization programs, plant closure, retention, systems establishment costs and excess pension charges); *provided*, that with respect to each business optimization expense or other restructuring charge, the Company shall have delivered to the Trustee an Officers Certificate specifying and quantifying such expense or charge and stating that such expense or charge is a business optimization expense or other restructuring charge, as the case may be; plus
  
- (5) the amount of management, monitoring, consulting and advisory fees and related expenses paid to the Sponsors (or any accruals relating to such fees and related expenses) during such period pursuant to the

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terms of the agreements between the Sponsors and the Company and its Subsidiaries as described with particularity in the March 2012 Offering Circular (including the documents incorporated therein by reference) and as in effect on the Existing First-Lien Issue Date; plus

- (6) non-operating expenses (minus non-operating income);

less, without duplication,

- (7) non-cash items increasing Consolidated Net Income for such period (excluding the recognition of deferred revenue or any items which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges in any prior period and any items for which cash was received in a prior period).

*Affiliate* of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, control (including, with correlative meanings, the terms controlling, controlled by and under common control with ), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

*Agreement of Purchase and Sale* means the agreement of purchase and sale, dated as of June 4, 2006, by and among International Paper Company, a New York corporation, CMP Investments LP, a Delaware limited partnership, and CMP Holdings LLC, a Delaware limited liability company, as amended, supplemented or modified from time to time.

*Applicable Accounting Standards* means, initially, GAAP; *provided*, however, that the Company may, upon not less than sixty (60) days prior written notice to the Trustee, change to IFRS; *provided*, however, that notwithstanding the foregoing, if the Company changes to IFRS, it may elect, in its sole discretion, to continue to utilize GAAP for the purposes of making all calculations under the Indenture that are subject to Applicable Accounting Standards and the notice to the Trustee required upon the change to IFRS shall set forth whether or not the Company intends to continue to use GAAP for purposes of making all calculations under the Indenture. In the event the Company elects to change to IFRS for purposes of making calculations under the Indenture, references in the Indenture to a standard or rule under GAAP shall be deemed to refer to the most nearly comparable standard or rule under IFRS.

*Applicable Collateral Agent* has the meaning ascribed to such term under Intercreditor Agreements Senior Lien Intercreditor Agreement.

*Applicable Obligations* has the meaning ascribed to such term under Intercreditor Agreements Senior Lien Intercreditor Agreement.

*Applicable Premium* means, with respect to any Note on any applicable redemption date, as determined by the Issuers, the greater of:

- (1) 1% of the then outstanding principal amount of the Note; and

- (2) the excess of:
- (a) the present value at such redemption date of (i) the redemption price of the Note, at the first anniversary of the Issue Date (such redemption price being set forth in the applicable table appearing above under "Optional Redemption") plus (ii) all required interest payments due on the Note through the first anniversary of the Issue Date (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over
  - (b) the then outstanding principal amount of such Note.

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*Asset Sale* means:

- (1) the sale, conveyance, transfer or other disposition (whether in a single transaction or a series of related transactions) of property or assets (including by way of a Sale Leaseback Transaction) outside the ordinary course of business of the Company or any Restricted Subsidiary of the Company (each referred to in this definition as a *disposition* ) or
- (2) the issuance or sale of Equity Interests (other than directors' qualifying shares and shares issued to foreign nationals or other third parties to the extent required by applicable law) of any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary of the Company) (whether in a single transaction or a series of related transactions), in each case other than:
  - (a) a disposition of Cash Equivalents or Investment Grade Securities or obsolete or worn out property or equipment in the ordinary course of business;
  - (b) the disposition of all or substantially all of the assets of the Company in a manner permitted pursuant to the provisions described above under Merger, Amalgamation, Consolidation or Sale of All or Substantially All Assets or any disposition that constitutes a Change of Control;
  - (c) any Restricted Payment or Permitted Investment that is permitted to be made, and is made, under the covenant described above under Certain Covenants Limitation on Restricted Payments;
  - (d) any disposition of assets or issuance or sale of Equity Interests of any Restricted Subsidiary, which assets or Equity Interests so disposed or issued have an aggregate Fair Market Value of less than \$10.0 million;
  - (e) any disposition of property or assets, or the issuance of securities, by a Restricted Subsidiary of the Company to the Company or by the Company or a Restricted Subsidiary of the Company to a Restricted Subsidiary of the Company;
  - (f) any exchange of assets (including a combination of assets and Cash Equivalents) for assets related to a Similar Business of comparable or greater market value or usefulness to the business of the Company and its Restricted Subsidiaries as a whole, as determined in good faith by the Company, which in the event of an exchange of assets with a Fair Market Value in excess of (1) \$10.0 million shall be evidenced by an Officers' Certificate, and (2) \$20.0 million shall be set forth in a resolution approved in good faith by at least a majority of the Board of Directors of the Company;
  - (g) foreclosure on assets of the Company or any of its Restricted Subsidiaries;

- (h) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;
- (i) the lease, assignment or sublease of any real or personal property in the ordinary course of business;
- (j) any sale of inventory or other assets in the ordinary course of business;
- (k) any grant in the ordinary course of business of any license of patents, trademarks, know-how or any other intellectual property;
- (l) a transfer of accounts receivable and related assets of the type specified in the definition of Receivables Financing (or a fractional undivided interest therein) by a Receivables Subsidiary in a Qualified Receivables Financing;
- (m) the grant in the ordinary course of business of any licenses of patents, trademarks, know-how and any other intellectual property;
- (n) the sale of any property in a Sale/Leaseback Transaction within six months of the acquisition of such property; and
- (o) any sale of Specified Non-Core Assets.



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*Authorized First-Lien Collateral Agent* has the meaning ascribed to such term under Intercreditor Agreements First-Priority Intercreditor Agreement.

*Authorized Representative* means (i) in the case of the Notes, the Collateral Agent, (ii) in the case of the Existing First-Lien Notes, the collateral agent for the Existing First-Lien Notes, (iii) in the case of the First-Lien Revolving Facility, the First-Lien Revolving Facility Collateral Agent, and (iv) in the case of any Series of Other First-Priority Lien Obligation that become subject to the First-Priority Intercreditor Agreement, the authorized representative (and any successor thereto) named for such Series in the applicable joinder agreement.

*Bank Indebtedness* means any and all amounts payable under or in respect of a Credit Agreement and the other Senior Credit Documents as amended, restated, supplemented, waived, replaced, restructured, repaid, refunded, refinanced or otherwise modified from time to time (including after termination of the Credit Agreement), including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

*Bankruptcy Code* means Title 11 of the United States Code.

*Board of Directors* means, as to any Person, the board of directors or managers, as applicable, of such Person (or, if such Person is a partnership, the board of directors or other governing body of the general partner of such Person) or any duly authorized committee thereof.

*Borrowing Base* means, as of any date, the sum of (x) 90% of the book value of the inventory of the Company and its Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date, (y) 90% of the book value of the accounts receivable of the Company and its Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date and (z) 100% of the Unrestricted Cash of the Company and its Restricted Subsidiaries as of the end of the most recent fiscal quarter preceding such date, in each case calculated on a consolidated basis in accordance with Applicable Accounting Standards (calculated on a pro forma basis to give effect to any Investment, acquisition, disposition, mergers, consolidations and dispositions, mergers, consolidations and discontinued operation, in each case with such pro forma adjustments as are consistent with the pro forma adjustment provisions set forth in the definition of Fixed Charge Coverage Ratio).

*Bucksport Co-Gen Assets* means all right, title and interest of Verso Bucksport LLC in, to and under the Amended and Restated Co-Ownership, Operating & Mutual Sales Agreement, dated as of July 27, 1999, by and between Champion International Corporation and Bucksport Energy LLC (as the same may be amended from time to time on terms, taken as a whole, not materially adverse to the holders of Notes, in the good-faith determination of the Company), including without limitation any ownership interests as tenants in common in the property rights established pursuant thereto.

*Business Day* means a day other than a Saturday, Sunday or other day on which banking institutions are authorized or required by law to close in New York City or the place of payment.

*Capital Stock* means:

- (1) in the case of a corporation, corporate stock or shares;

- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

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*Capitalized Lease Obligation* means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with Applicable Accounting Standards.

*Cash Contribution Amount* means the aggregate amount of cash contributions made to the capital of the Company described in the definition of Contribution Indebtedness.

*Cash Equivalents* means:

- (1) U.S. dollars, pounds sterling, euros, the national currency of any member state in the European Union or, in the case of any Foreign Subsidiary that is a Restricted Subsidiary, such local currencies held by it from time to time in the ordinary course of business;
- (2) securities issued or directly and fully guaranteed or insured by the U.S. government or any country that is a member of the European Union or any agency or instrumentality thereof in each case maturing not more than two years from the date of acquisition;
- (3) in the case of any Foreign Subsidiary, securities issued or directly and fully guaranteed or insured by the government of the jurisdiction of such Foreign Subsidiary, or any agency or instrumentality thereof, in each case with maturities not exceeding 270 days after the date of acquisition and held by it from time to time in the ordinary course of business;
- (4) certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances, in each case with maturities not exceeding one year and overnight bank deposits, in each case with any commercial bank having capital and surplus in excess of \$250.0 million and whose long-term debt is rated A or the equivalent thereof by Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency);
- (5) repurchase obligations for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;
- (6) commercial paper issued by a corporation (other than an Affiliate of the Company) rated at least A-1 or the equivalent thereof by Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency) and in each case maturing within one year after the date of acquisition;
- (7) readily marketable direct obligations issued by any state of the United States of America or any political subdivision thereof having one of the two highest rating categories obtainable from either Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency) in each case with maturities not exceeding two years from the date of acquisition;

- (8) Indebtedness issued by Persons (other than the Sponsors or any of their Affiliates) with a rating of A or higher from S&P or A-2 or higher from Moody's in each case with maturities not exceeding two years from the date of acquisition;
- (9) investment funds investing at least 95% of their assets in securities of the types described in clauses (1) through (8) above; and
- (10) instruments equivalent to those referred to in clauses (1) through (9) above denominated in euros or any other foreign currency and comparable in credit quality and tenor to those referred to above and commonly used by corporations for cash management purposes in any jurisdiction outside the United States to the extent reasonably required in connection with any business conducted by any Subsidiary organized in such jurisdiction.

*Cash Tender Offer* means the Issuers' tender offer for the 11.5% First-Lien Notes pursuant to the Offer to Purchase, dated as of March 7, 2012.

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*Code* means the Internal Revenue Code of 1986, as amended.

*Collateral* means all the collateral described in the Security Documents.

*Collateral Agent* means Wilmington Trust, National Association, in its capacity as *Collateral Agent* under the Indenture, the Senior Lien Intercreditor Agreement, the First-Priority Intercreditor Agreement, the First-Lien Intercreditor Agreement and the Security Documents and any successor thereto in such capacity.

*Common Collateral* means, at any time, Collateral in which the holders of two or more Series of First-Priority Lien Obligations (or their respective Authorized Representatives) hold a valid and perfected security interest at such time. If more than two Series of First-Priority Lien Obligations are outstanding at any time and the holders of less than all Series of First-Priority Lien Obligations hold a valid and perfected security interest in any Collateral at such time, then such Collateral shall constitute Common Collateral for those Series of First Priority Lien Obligations that hold a valid security interest in such Collateral at such time and shall not constitute Common Collateral for any Series which does not have a valid and perfected security interest in such Collateral at such time.

*Consolidated First-Lien Secured Debt Ratio* means, as of any date of determination, the ratio of (a) Consolidated Total Indebtedness of the Company and its Restricted Subsidiaries on the date of determination that constitutes ABL Obligations or First-Priority Lien Obligations (with any Indebtedness incurred pursuant to clause (a)(ii)(y) of the second paragraph of the covenant described under *Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock* deemed to be a First-Priority Lien Obligation for this purpose in connection with any measurement of the Consolidated First-Lien Secured Debt Ratio pursuant to such clause) less the Unrestricted Cash of the Company and its Restricted Subsidiaries on such date to (b) the aggregate amount of Adjusted EBITDA for the then most recent four fiscal quarters for which internal financial statements of the Company and its Restricted Subsidiaries are available in each case with such pro forma adjustments to Consolidated Total Indebtedness and Adjusted EBITDA as are consistent with the pro forma adjustment provisions set forth in the definition of Fixed Charge Coverage Ratio; *provided*, however, that solely for purposes of the calculation of the Consolidated First-Lien Secured Debt Ratio, in connection with the incurrence of Indebtedness to be secured by any Lien pursuant to clause (6)(C) of the definition of *Permitted Liens*, the Company or its Restricted Subsidiaries may elect, pursuant to an Officers Certificate delivered to the Trustee, to treat all or any portion of the commitment under any Indebtedness (including any Bank Indebtedness) which is to be secured by such Lien as being Incurred at such time and any subsequent Incurrence of Indebtedness under such commitment shall not be deemed, for purposes of this calculation, to be an Incurrence at such subsequent time.

*Consolidated Interest Expense* means, with respect to any Person for any period, the sum, without duplication, of:

- (1) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted in computing Consolidated Net Income (including amortization of original issue discount, the interest component of Capitalized Lease Obligations, and net payments and receipts (if any) pursuant to interest rate Hedging Obligations and excluding amortization of deferred financing fees and expensing of any bridge or other financing fees); plus
- (2) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued; plus

- (3) commissions, discounts, yield and other fees and charges Incurred in connection with any Receivables Financing which are payable to Persons other than the Company and its Restricted Subsidiaries; minus
  
- (4) interest income for such period.

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*Consolidated Net Income* means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis; *provided*, however, that:

- (1) any net after-tax extraordinary, nonrecurring or unusual gains or losses or income, expenses or charges (less all fees and expenses relating thereto), including, without limitation, any expenses related to any reconstruction, recommissioning or reconfiguration of fixed assets for alternate uses, any expenses constituting transition expenses attributable to the Company becoming an independent operating company in connection with the Transactions, any severance expenses, any fees, expenses or charges related to any Equity Offering, Permitted Investment, acquisition or Indebtedness permitted to be Incurred by the Indenture (in each case, whether or not successful), including any such fees, expenses, charges or change in control payments in connection with the Transactions, in each case, shall be excluded;
- (2) any increase in amortization or depreciation or any one-time non-cash charges or reductions in Net Income, in each case resulting from purchase accounting in connection with the Transactions or any acquisition that is consummated after August 1, 2006 shall be excluded;
- (3) the Net Income for such period shall not include the cumulative effect of a change in accounting principles during such period;
- (4) any net after-tax income or loss from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations shall be excluded;
- (5) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to business dispositions or asset dispositions other than in the ordinary course of business (as determined in good faith by the Board of Directors of the Company) shall be excluded;
- (6) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of indebtedness shall be excluded;
- (7) the Net Income for such period of any Person that is not a Subsidiary of such Person, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting, shall be included only to the extent of the amount of dividends or distributions or other payments paid in cash (or to the extent converted into cash) to the referent Person or a Restricted Subsidiary thereof in respect of such period;
- (8) solely for the purpose of determining the amount available for Restricted Payments under clause (1) of the definition of Cumulative Credit contained in Certain Covenants Limitation on Restricted Payments, the Net Income for such period of any Restricted Subsidiary (other than Finance Co. or any Note Guarantor) shall be excluded to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of its Net Income is not at the date of determination permitted without any prior governmental

approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restrictions with respect to the payment of dividends or similar distributions have been legally waived; *provided*, that the Consolidated Net Income of such Person shall be increased by the amount of dividends or other distributions or other payments actually paid in cash (or converted into cash) by any such Restricted Subsidiary to such Person, to the extent not already included therein;

- (9) an amount equal to the amount of Tax Distributions actually made to any parent or equity holder of such Person in respect of such period in accordance with clause (12) of the second paragraph under Certain Covenants Limitation on Restricted Payments shall be included as though such amounts had been paid as income taxes directly by such Person for such period;



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- (10) any non-cash impairment charges resulting from the application of Statement of Financial Accounting Standards Nos. 142 and 144, and the amortization of intangibles arising pursuant to No. 141, shall be excluded;
- (11) any non-cash expense realized or resulting from employee benefit plans or post-employment benefit plans, grants of stock appreciation or similar rights, stock options or other rights to officers, directors and employees of such Person or any of its Restricted Subsidiaries shall be excluded;
- (12) any (a) severance or relocation costs or expenses, (b) one-time non-cash compensation charges, (c) the costs and expenses after August 1, 2006 related to employment of terminated employees, (d) costs or expenses realized in connection with, resulting from or in anticipation of the Transactions or (e) costs or expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other rights existing on the Existing First-Lien Issue Date of officers, directors and employees, in each case of such Person or any of its Restricted Subsidiaries, shall be excluded;
- (13) accruals and reserves that are established within twelve months after August 1, 2006, and that are so required to be established in accordance with Applicable Accounting Standards shall be excluded;
- (14) solely for purposes of calculating Adjusted EBITDA, (a) the Net Income of any Person and its Restricted Subsidiaries shall be calculated without deducting the income attributable to, or adding the losses attributable to, the minority equity interests of third parties in any non-wholly owned Restricted Subsidiary except to the extent of dividends declared or paid in respect of such period or any prior period on the shares of Capital Stock of such Restricted Subsidiary held by such third parties and (b) any ordinary course dividend, distribution or other payment paid in cash and received from any Person in excess of amounts included in clause (7) above shall be included;
- (15) (a)(i) the non-cash portion of straight-line rent expense shall be excluded and (ii) the cash portion of straight-line rent expense which exceeds the amount expensed in respect of such rent expense shall be included and (b) non-cash gains, losses, income and expenses resulting from fair value accounting required by Statement of Financial Accounting Standards No. 133 shall be excluded;
- (16) unrealized gains and losses relating to hedging transactions and mark-to-market of Indebtedness denominated in foreign currencies resulting from the applications of FAS 52 shall be excluded; and
- (17) solely for the purpose of calculating Restricted Payments, the difference, if positive, of the Consolidated Taxes of the Company calculated in accordance with Applicable Accounting Standards and the actual Consolidated Taxes paid in cash by the Company during any Reference Period shall be included.
- Notwithstanding the foregoing, for the purpose of the covenant described under Certain Covenants Limitation on Restricted Payments only, there shall be excluded from Consolidated Net Income any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries of the Company or a Restricted Subsidiary of the Company to the extent such dividends, repayments or transfers increase the amount of Restricted Payments

permitted under such covenant pursuant to clauses (4) and (5) of the definition of Cumulative Credit contained therein.

*Consolidated Non-cash Charges* means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses of such Person and its Restricted Subsidiaries reducing Consolidated Net Income of such Person for such period on a consolidated basis and otherwise determined in accordance with Applicable Accounting Standards, but excluding any such charge which consists of or requires an accrual of, or cash reserve for, anticipated cash charges for any future period.

*Consolidated Taxes* means provision for taxes based on income, profits or capital, including, without limitation, state, franchise and similar taxes and any Tax Distributions taken into account in calculating Consolidated Net Income.

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*Consolidated Total Indebtedness* means, as of any date of determination, an amount equal to the sum of (1) the aggregate amount of all outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding any undrawn letters of credit) consisting of Capitalized Lease Obligations, bankers' acceptances, Indebtedness for borrowed money and Indebtedness in respect of the deferred purchase price of property or services and (2) the aggregate amount of all outstanding Disqualified Stock of the Company and its Restricted Subsidiaries and all Preferred Stock of Restricted Subsidiaries of Company, with the amount of such Disqualified Stock and Preferred Stock equal to the greater of their respective voluntary or involuntary liquidation preferences, in each case determined on a consolidated basis in accordance with Applicable Accounting Standards.

*Contingent Obligations* means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ( *primary obligations* ) of any other Person (the *primary obligor* ) in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor,
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

*Contribution Indebtedness* means Indebtedness of any Issuer or any Note Guarantor in an aggregate principal amount not greater than twice the aggregate amount of cash contributions (other than Excluded Contributions) made to the capital of such Issuer or such Note Guarantor after August 1, 2006; *provided*, that:

- (1) such cash contributions have not been used to make a Restricted Payment,
- (2) if the aggregate principal amount of such Contribution Indebtedness is greater than the aggregate amount of such cash contributions to the capital of such Issuer or such Note Guarantor, as the case may be, the amount in excess shall be Subordinated Indebtedness with a Stated Maturity later than the Stated Maturity of the Notes, and
- (3)

such Contribution Indebtedness (a) is Incurred within 180 days after the making of such cash contributions and (b) is so designated as Contribution Indebtedness pursuant to an Officers Certificate on the Incurrence date thereof.

*Credit Agreement* means (i) (A) the Existing Credit Agreement, (B) the ABL Facility and (C) the First-Lien Revolving Facility, in each case, as amended, restated, supplemented, waived, replaced (whether or not upon termination, and whether with the original lenders or otherwise), restructured, repaid, refunded, refinanced or otherwise modified from time to time after the Existing First-Lien Issue Date, including any agreement or indenture extending the maturity thereof, refinancing, replacing or otherwise restructuring all or any portion of the Indebtedness under such agreement or agreements or indenture or indentures or any successor or replacement agreement or agreements or indenture or indentures or increasing the amount loaned or issued thereunder or altering the maturity thereof, and (ii) whether or not any credit agreement referred to in clause (i) remains outstanding, if designated by the Company to be included in the definition of Credit Agreement, one or more (A) debt facilities or commercial paper facilities, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, (B) debt securities, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers acceptances),

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or (C) instruments or agreements evidencing any other Indebtedness, in each case, with the same or different borrowers or issuers and, in each case, as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, replaced or refunded in whole or in part from time to time.

*Default* means any event which is, or after notice or passage of time or both would be, an Event of Default.

*Designated Non-cash Consideration* means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officers Certificate, setting forth the basis of such valuation, less the amount of Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

*Designated Preferred Stock* means Preferred Stock of the Company or any direct or indirect parent of the Company (other than Disqualified Stock), that is issued for cash (other than to the Company or any of its Subsidiaries or an employee stock ownership plan or trust established by the Company or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officers Certificate, on the issuance date thereof.

*DIP Financing* has the meaning ascribed to such term under Intercreditor Agreements Senior Lien Intercreditor Agreement.

*Discharge of ABL Obligations* shall mean, except to the extent otherwise provided in the Senior Lien Intercreditor Agreement or the Junior Lien Intercreditor Agreement with respect to the reinstatement or continuation of any ABL Obligations under certain circumstances, the payment in full in cash (except for contingent indemnities and cost and reimbursement obligations to the extent no claim has been made) of all ABL Obligations then outstanding, if any, and, with respect to letters of credit or letter of credit guaranties outstanding under the ABL Facility, delivery of cash collateral or backstop letters of credit in respect thereof in a manner reasonably satisfactory to the ABL Facility Collateral Agent and issuing lenders under the ABL Facility, in each case after or concurrently with the termination of all commitments to extend credit thereunder, and the termination of all commitments of secured parties under the ABL Facility (as defined therein); *provided*, that the Discharge of ABL Obligations shall not be deemed to have occurred if such payments are made in connection with the establishment of a replacement asset backed credit facility (unless in connection with such replacement all of the ABL Obligations are repaid in full in cash (and the other conditions set forth in this definition prior to the proviso are satisfied) with the proceeds of a Qualified Receivables Financing, in which case a Discharge of ABL Obligations shall be deemed to have occurred). In the event the ABL Obligations are modified and the ABL Obligations are paid over time or otherwise modified pursuant to Section 1129 of the Bankruptcy Code, the ABL Obligations shall be deemed to be discharged when the final payment is made, in cash, in respect of such indebtedness and any obligations pursuant to such new indebtedness shall have been satisfied.

*Discharge of First-Priority Lien Obligations* shall mean, except to the extent otherwise provided in the Senior Lien Intercreditor Agreement or the Junior Lien Intercreditor Agreement with respect to the reinstatement or continuation of any First-Priority Lien Obligation under certain circumstances, payment in full in cash (except for contingent indemnities and cost and reimbursement obligations to the extent no claim has been made) of all First-Priority Lien Obligations and, with respect to any letters of credit or letter of credit guaranties outstanding under a document evidencing a First-Priority Lien Obligation, delivery of cash collateral or backstop letters of credit in respect thereof in a manner consistent with such document, in each case after or concurrently with the termination of all commitments to extend credit thereunder, and the termination of all commitments of the First-Priority Lien Secured Parties under such document evidencing such Obligation; *provided*, that the Discharge of First-Priority Lien Obligations shall not be deemed to have occurred if such payments are made with the proceeds of other First-Priority Lien Obligations that constitute an exchange or replacement for or a refinancing of such Obligations or First-Priority Lien Obligations. In the event the First-Priority Lien Obligations are



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modified and the Obligations are paid over time or otherwise modified pursuant to Section 1129 of the Bankruptcy Code, the First-Priority Lien Obligations shall be deemed to be discharged when the final payment is made, in cash, in respect of such indebtedness and any obligations pursuant to such modified indebtedness shall have been satisfied.

*Disqualified Stock* means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is redeemable or exchangeable), or upon the happening of any event:

- (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than as a result of a change of control or asset sale; *provided*, that the relevant asset sale or change of control provisions, taken as a whole, are no more favorable in any material respect to holders of such Capital Stock than the asset sale and change of control provisions applicable to the Notes and any purchase requirement triggered thereby may not become operative until compliance with the asset sale and change of control provisions applicable to the Notes (including the purchase of any Notes tendered pursuant thereto)),
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock of such Person, or
- (3) is redeemable at the option of the holder thereof, in whole or in part, in each case prior to 91 days after the maturity date of the Notes; *provided*, however, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided*, further, however, that if such Capital Stock is issued to any employee or to any plan for the benefit of employees of the Company or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability; *provided*, further, that any class of Capital Stock of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Capital Stock that is not Disqualified Stock shall not be deemed to be Disqualified Stock.

*Domestic Subsidiary* means a Restricted Subsidiary that is not a Foreign Subsidiary.

*Equity Interests* means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

*Equity Offering* means any public or private sale after the Existing First-Lien Issue Date of common stock or Preferred Stock of the Company or any direct or indirect parent of the Company, as applicable (other than Disqualified Stock), other than:

- (1) public offerings with respect to the Company's or such direct or indirect parent's common stock registered on Form S-8; and
- (2) any such public or private sale that constitutes an Excluded Contribution.

*Exchange Act* means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

*Exchange Notes* means new Notes issued in an exchange offer registered under the Securities Act in respect of the Notes issued in transactions not registered under the Securities Act.

*Excluded Contributions* means the Cash Equivalents or other assets (valued at their Fair Market Value as determined in good faith by senior management or the Board of Directors of the Company) received by the Company after August 1, 2006 from:

- (1) contributions to its common equity capital, and



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(2) the sale (other than to a Subsidiary of the Company or to any Subsidiary management equity plan or stock option plan or any other management or employee benefit plan or agreement) of Capital Stock (other than Disqualified Stock and Designated Preferred Stock) of the Company, in each case designated as Excluded Contributions pursuant to an Officers Certificate executed by an Officer of the Company on or promptly after the date such capital contributions are made or the date such Capital Stock is sold, as the case may be.

*Excluded Equity* means:

- (1) the issued and outstanding voting equity interests of any Foreign Subsidiary directly owned by a Pledgor, to the extent the pledge of any such equity interest would cause more than 65% of the outstanding voting equity interests of such Foreign Subsidiary to be pledged;
- (2) to the extent applicable law requires that a Subsidiary of a Pledgor issue director qualifying shares, such shares or nominee or other similar shares,
- (3) any equity interests of a Subsidiary to the extent that, as of the Issue Date, and for so long as, such a pledge of such equity interests would violate applicable law or an enforceable contractual obligation binding on or relating to such equity interests;
- (4) any equity interests acquired after the Issue Date in a person that is not a Subsidiary if, and to the extent that, and for so long as, a grant of a security interest in such equity interest would violate applicable law or an enforceable contractual obligation binding on or relating to such equity interests (if such obligation existed at the time of acquisition of such equity interests and was not created or made binding on such equity interests in contemplation of or in connection with the acquisition of such equity interests); and
- (5) equity interests owned by Verso Paper LLC in each of (a) Androscoggin Reservoir Company and (b) Gulf Island Oxygenation Project L.P., for so long as such interests are subject to an enforceable contractual obligation (including rights of first refusal) restricting the grant of a security interest therein.

*Existing Credit Agreement* means the Amended and Restated Credit Agreement dated as of June 3, 2009, among Verso Paper Finance Holdings LLC, the Company, the other Subsidiaries of the Company party thereto, Credit Suisse, Cayman Islands Branch, as administrative agent and the other agents and lenders party thereto.

*Existing First-Lien Issue Date* means March 21, 2012.

*Existing First-Lien Notes* means the 11.75% Senior Secured Notes due 2019 issued by the Issuers under the Existing First-Lien Notes Indenture.

*Existing First-Lien Notes Indenture* means the Indenture, dated as of March 21, 2012, among the Issuers, the Guarantors party thereto from time to time and Wilmington Trust, National Association, as trustee, as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

*Existing Fixed Rate Second-Lien Notes* means the ~~3~~<sup>4</sup>% Second Priority Senior Secured Notes due 2019 issued by the Issuers.

*Existing Floating Rate Second-Lien Notes* means the Second-Priority Senior Secured Floating Rate Notes due 2014 issued by the Issuers.

*Existing Junior Indebtedness* means, collectively, (i) the Senior Subordinated Notes outstanding on the Issue Date and (ii) the Second-Lien Notes outstanding on the Issue Date.

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*Existing Secured Notes* means the 11.75% Secured Notes due 2019 issued by the Issuers.

*Existing Senior Subordinated Notes* means the 11.375% Senior Subordinated Notes due 2016 issued by the Issuers.

*Fair Market Value* means, with respect to any asset or property, the price which could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction.

*First-Lien Intercreditor Agreement* means the Intercreditor Agreement dated as of May 11, 2012, among Verso Paper Holdings LLC, Verso Paper Finance Holdings LLC, the subsidiaries of Verso Paper Holdings LLC name therein, Citibank, N.A., as intercreditor agent, Citibank, N.A., as administrative agent under the credit agreement dated as of May 4, 2012, Credit Suisse AG, Cayman Islands Branch, as administrative agent under the credit agreement dated as of May 4, 2012, Wilmington Trust, National Association, as trustee under the Existing First-Lien Notes Indenture and Wilmington Trust, National Association, as trustee and collateral agent under the indenture dated as of May 11, 2012, as it may be amended, restated, supplemented or otherwise modified from time to time.

*First-Lien Collateral Agent* means each of the Collateral Agent, the First-Lien Revolving Facility Collateral Agent and any other collateral agent with respect to any Other First-Priority Lien Obligation.

*First-Lien Revolving Facility* means (i) the Existing Credit Agreement as amended, restated, supplemented, waived, replaced (whether or not upon termination, and whether with the original lenders or otherwise), restructured, repaid, refunded, refinanced or otherwise modified from time to time after the Existing First-Lien Issue Date, including any agreement or indenture extending the maturity thereof, refinancing, replacing or otherwise restructuring all or any portion of the Indebtedness under such agreement or agreements or indenture or indentures or any successor or replacement agreement or agreements or indenture or indentures or increasing the amount loaned or issued thereunder or altering the maturity thereof, and (ii) whether or not the credit agreement referred to in clause (i) remains outstanding, if designated by the Company to be included in the definition of First-Lien Revolving Facility, one or more (A) debt facilities or commercial paper facilities, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, (B) debt securities, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers' acceptances), or (C) instruments or agreements evidencing any other Indebtedness, in each case, with the same or different borrowers or issuers and, in each case, as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, replaced or refunded in whole or in part from time to time. References to the First-Lien Revolving Facility also refer to the New First-Lien Revolving Facility.

*First-Lien Revolving Facility Collateral Agent* means Credit Suisse, Cayman Islands Branch, in its capacity as Collateral Agent under the First-Lien Revolving Facility Documents and any successor thereto in such capacity.

*First-Lien Revolving Facility Documents* means the agreements and other instruments governing the First-Lien Revolving Facility, together with any guarantees thereof and any security documents, other collateral documents and other instruments relating thereto (including documents and instruments governing Hedging Obligations required by the First-Lien Revolving Facility or relating to First-Lien Revolving Facility Obligations).

*First-Lien Revolving Facility Obligations* means the Obligations of the borrowers and other obligors (including the Issuers and the Note Guarantors) under the First-Lien Revolving Facility or any of the other First-Lien Revolving Facility Documents, to pay principal, premium, if any, and interest (including any interest



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accruing after the commencement of bankruptcy or insolvency proceedings) when due and payable, and all other amounts due or to become due under or in connection with the First-Lien Revolving Facility Documents and the performance of all other Obligations of the obligors thereunder to the lenders and agents under the First-Lien Revolving Facility Documents, according to the respective terms thereof.

*First-Priority Intercreditor Agreement* has the meaning ascribed to such term under Intercreditor Agreements First-Priority Intercreditor Agreement.

*First-Priority Lien Obligations* means (a) all First-Lien Revolving Facility Obligations (to the extent such Obligations are secured by Permitted Liens ranking equally with the Liens securing the Note Obligations), (b) all Note Obligations, (c) all Other First-Priority Lien Obligations and (d) all other Obligations of the Issuers or any of their Subsidiaries in respect of Hedging Obligations or Obligations in respect of cash management services in each case owing to a Person that is a holder of Obligations described in clause (a) or (c) or an Affiliate of such holder at the time of entry into such Hedging Obligations or Obligations in respect of cash management services.

*First-Priority Lien Secured Parties* means (a) the holders of the First-Priority Lien Obligations and (b) any Additional First-Priority Lien Secured Parties.

*First-Priority Liens* has the meaning ascribed to such term under Intercreditor Agreements Senior Lien Intercreditor Agreement.

*Fixed Charge Coverage Ratio* means, with respect to any Person for any period, the ratio of Adjusted EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the Company or any of its Restricted Subsidiaries Incurs, repays, repurchases or redeems any Indebtedness (other than in the case of revolving credit borrowings or revolving advances under any Qualified Receivables Financing, in which case interest expense shall be computed based upon the average daily balance of such Indebtedness during the applicable period) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the event for which the calculation of the Fixed Charge Coverage Ratio is made (the *Calculation Date*), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period (including in the case of any such Incurrence or issuance a pro forma application of the net proceeds therefrom).

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, consolidations and discontinued operations (as determined in accordance with Applicable Accounting Standards), in each case with respect to an operating unit of a business, and any operational changes that the Company or any of its Restricted Subsidiaries has both determined to make and made after August 1, 2006 and during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Calculation Date (each, for purposes of this definition, a *pro forma event*) shall be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations (including the Transactions), discontinued operations and operational changes (and the change of any associated fixed charge obligations and the change in Adjusted EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation, discontinued operation or operational change, in each case with respect to an operating unit of a business, that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment,

acquisition, disposition, discontinued operation, merger, consolidation or operational change had occurred at the beginning of the applicable four-quarter period.

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For purposes of this definition, whenever pro forma effect is to be given to any pro forma event, the pro forma calculations shall be made in good faith by a responsible financial or accounting officer of the Company. Any such pro forma calculation may include adjustments appropriate, in the reasonable good faith determination of the Company as set forth in an Officers Certificate (such Officers Certificate shall also set forth any adjustment made in connection with any previous calculation of Adjusted EBITDA under the Indenture which either was realized or is no longer expected to be realized and the remaining amount of adjustments permitted in accordance with the first proviso of this paragraph), to reflect (1) operating expense reductions and other operating improvements or synergies reasonably expected to result from the applicable pro forma event (including, to the extent applicable, from the Transactions and the Merger) and (2) all adjustments of the nature used in connection with the calculation of Adjusted EBITDA as set forth in footnote 3 to the Summary Historical Financial Data under Summary in the March 2012 Offering Circular to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period.; *provided, however*, that at the time of any calculation of Adjusted EBITDA under the Indenture, the aggregate amount of adjustments described in clause (1) above made in connection with such calculation shall not exceed \$175.0 million less the amount of any such adjustment made in connection with any previous calculation of Adjusted EBITDA under the Indenture which either was realized or is no longer expected to be realized; *provided, further*, that the aggregate amount of such adjustments in respect of the profitability program or any other pro forma amounts that have not yet been realized described in clause (2) above shall not exceed (w) \$30.0 million in any four-quarter reference period ending on or before the end of the fourth full fiscal quarter following the Issue Date, (x) \$25.0 million in any four-quarter reference period ending thereafter and on or before the end of the eighth full fiscal quarter following the Issue Date, (y) \$20.0 million in any four-quarter reference period ending thereafter and on or before the end of the twelfth full fiscal quarter following the Issue Date and (z) \$0 thereafter.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of twelve months). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with Applicable Accounting Standards. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate.

*Fixed Charges* means, with respect to any Person for any period, the sum, without duplication, of:

- (1) Consolidated Interest Expense of such Person for such period, and
- (2) all cash dividend payments (excluding items eliminated in consolidation) on any series of Preferred Stock or Disqualified Stock of such Person and its Restricted Subsidiaries.

*Flow Through Entity* means an entity that is treated as a partnership not taxable as a corporation, a grantor trust or a disregarded entity for U.S. federal income tax purposes or subject to treatment on a comparable basis for purposes of state, local or foreign tax law.

*Foreign Subsidiary* means a Restricted Subsidiary not organized or existing under the laws of the United States of America or any state or territory thereof or the District of Columbia and any direct or indirect subsidiary of such Restricted Subsidiary.

*GAAP* means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants



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and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which were in effect on August 1, 2006. For the purposes of the Indenture, the term *consolidated* with respect to any Person shall mean such Person consolidated with its Restricted Subsidiaries, and shall not include any Unrestricted Subsidiary, but the interest of such Person in an Unrestricted Subsidiary will be accounted for as an Investment.

*guarantee* means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

*Hedging Obligations* means, with respect to any Person, the obligations of such Person under:

- (1) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements; and
- (2) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates and/or commodity prices.

*holder* or *noteholder* means the Person in whose name a Note is registered on the Registrar's books.

*IFRS* means the International Financial Reporting Standards, as promulgated by the International Accounting Standards Board (or any successor board or agency), as in effect on the date of the election, if any, by the Company to change Applicable Accounting Standards to IFRS; *provided*, that IFRS shall not include any provisions of such standards that would require a lease that would be classified as an operating lease under GAAP to be classified as indebtedness or a finance or capital lease.

*Incur* means issue, assume, guarantee, incur or otherwise become liable for; *provided*, however, that any Indebtedness or Capital Stock of a Person existing at the time such person becomes a Subsidiary (whether by merger, amalgamation, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary.

*Indebtedness* means, with respect to any Person:

- (1) the principal and premium (if any) of any indebtedness of such Person, whether or not contingent, (a) in respect of borrowed money, (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof), (c) representing the deferred and unpaid purchase price of any property, except (i) any such balance that constitutes a trade payable or similar obligation Incurred in the ordinary course of business, and (ii) any earn-out obligations until such obligations becomes a liability on the balance sheet of such Person in accordance with Applicable Accounting Standards), which purchase price is due more than six months after the date of placing the property in service or taking delivery and title thereto, (d) in respect of Capitalized Lease Obligations, or (e) representing any Hedging Obligations, if and to the extent that any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability on a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with Applicable Accounting

Standards;

- (2) to the extent not otherwise included, any obligation of such Person to be liable for, or to pay, as obligor, guarantor or otherwise, on the Indebtedness of another Person (