

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

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In re:	:	Chapter 11
VERSOCORPORATION, <i>et al.</i> ,	:	Case No. 16-10163 ()
	:	Joint Administration Requested
Debtors.	:	
	:	
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**ALLEN J. CAMPBELL'S DECLARATION IN SUPPORT OF THE DEBTORS'
CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

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EXHIBITS

Exhibit A Organizational Structure

I, Allen J. Campbell, declare under penalty of perjury:

1. I am the Senior Vice President and Chief Financial Officer of Verso Corporation (“**Verso**”), which together with the other Debtors (defined below) is the leading North American producer of coated papers, including coated groundwood, coated freesheet, and supercalendered papers used primarily in media and marketing applications, as well as a producer of specialty papers and high-quality market pulp. Verso is incorporated in Delaware and headquartered in Memphis, Tennessee. Verso employs 5,200 men and women and owns 8 strategically located manufacturing facilities in the United States.

2. I have worked for the Debtors since September 2015. I am generally familiar with the Debtors’ businesses, day-to-day operations, financial matters, operating results, business plans, actual and projected cash flows, and underlying books and records. Except as otherwise indicated, all facts set forth in this Declaration are based on my personal knowledge, my discussions with other members of the Debtors’ management, employees, and advisors, my review of relevant documents, or my opinion based on my experience, knowledge, and information concerning the Debtors’ operations and financial condition. If called to testify, I would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

3. On the date I am filing this declaration, Verso, together with certain of its affiliates (collectively, the “**Debtors**” or the “**Company**”),¹ commenced voluntary cases under

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are Verso Corporation (7389); Verso Paper Finance Holdings One LLC (7854); Verso Paper Finance Holdings LLC (7395); Verso Paper Holdings LLC (7634); Verso Paper Finance Holdings Inc. (7851); Verso Paper Inc. (7640); Verso Paper LLC (7399); nexTier Solutions Corporation (1108); Verso Androscoggin LLC (7400); Verso Quinnesec REP Holding Inc. (2864); Verso Maine Energy LLC (7446); Verso Quinnesec LLC (7404); Bucksport Leasing LLC (5464); Verso Sartell LLC (7406); Verso Fiber Farm LLC (7398); NewPage Holdings Inc. (5118); NewPage Investment Company LLC (5118); NewPage Corporation (6156); NewPage Consolidated Papers Inc. (8330); Escanaba Paper Company (5598); Luke Paper Company (6265); Rumford Paper Company (0427); Wickliffe

chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.

4. I submit this Declaration to describe the Debtors' background, the circumstances that led to the Debtors' chapter 11 filings, and the Debtors' goals in these cases. I also submit this Declaration in support of relief the Debtors have requested in certain of the "first day" applications and motions filed with the Court (collectively, the "**First Day Pleadings**"). All of the relief sought in the First Day Pleadings is necessary to ensure the Debtors' continued operations, minimize potential adverse effects of filing bankruptcy, and ease the administrative burden of operating in chapter 11.

5. With the First Day Pleadings, the Debtors seek to, among other things:

- a. establish administrative procedures to promote a seamless transition into and through these chapter 11 cases;
- b. allow for the continued payment of utility, wage, insurance, and tax obligations;
- c. ensure the continuation of the Debtors' and their subsidiaries' operations and cash management system without interruption;
- d. pay critical vendors and other vendors that have asserted or are capable of asserting liens against the Debtors' property;
- e. as a foundation to all of the relief sought, obtain debtor-in-possession financing and use cash collateral in the operation of the Debtors' businesses; and
- f. implement an interim protocol regarding the shared services provided between or among the various Debtors.

6. I am familiar with each of the First Day Pleadings. The Debtors would suffer immediate and irreparable harm absent the ability to continue their business operations,

Paper Company LLC (8293); Upland Resources, Inc. (2996); NewPage Energy Services LLC (1838); Chillicothe Paper Inc. (6154); and NewPage Wisconsin System Inc. (3332). The address of the Debtors' corporate headquarters is 6775 Lenox Center Court, Suite 400, Memphis, Tennessee 38115-4436.

which is what the relief requested in the First Day Pleadings accomplishes. The relief sought in the First Day Pleadings is critical to the Debtors' efforts to transition into chapter 11 efficiently and with minimized disruptions to their business operations, thereby permitting the Debtors to preserve and maximize value for the benefit of all their stakeholders while the Debtors pursue the strategic and financial objectives these cases were filed to achieve.

7. This Declaration is divided into three parts. **Part I** describes the Debtors' business, organizational structure, and prepetition indebtedness. **Part II** describes the circumstances leading to the commencement of these chapter 11 cases. **Part III** summarizes the First Day Pleadings and explains why the relief requested is appropriate and necessary.

PRELIMINARY STATEMENT

8. The Debtors are the leading North American producer of coated papers, which are used primarily in magazines, catalogs, high-end advertising brochures and annual reports, among other media and marketing publications. The Debtors' customers rely on Verso for high-quality paper products, reliability and efficiency. The Debtors create safe workplaces and a supportive work environment for their valued employees and have an unwavering commitment to sustainable wood sourcing and environmental responsibility. Together, these qualities make the Debtors a preferred choice among commercial printers, paper merchants and brokers, converters, publishers and other end users.

9. The Debtors' current corporate form came into being through Verso's acquisition of NewPage Holdings Inc. ("**NewPage Holdings**") and certain of its affiliates, including NewPage Corporation ("**NewPage**").² Verso acquired NewPage to establish a larger

² As used in this Declaration, any reference to the acquisition of NewPage, and the integration of NewPage's and Verso's operations, includes NewPage Holdings and its other acquired affiliates.

scale, more efficient enterprise, well-positioned to compete long-term in the challenging coated paper market. Since the acquisition of NewPage, the Debtors have made a sustained and focused effort to integrate their operations. As discussed below, these efforts have allowed the Company to realize certain anticipated synergies from the NewPage acquisition for the benefit of the Company's stakeholders. As a result of these efforts, the Debtors operate as a fully-integrated business, with a common set of vendors and customers. While appropriate corporate formalities are observed between and among subsidiaries, the Debtors function as a unified entity. As a combined enterprise, the Debtors own eight paper mills strategically located in Kentucky, Maine, Maryland, Michigan, Minnesota and Wisconsin. The Debtors' mills have an aggregate total annual production capacity of approximately 3,440 thousand tons of paper and 290 thousand tons of pulp. The Debtors have a client base of approximately 300 customers that reach approximately 1,700 end user accounts, through a variety of sales channels, including paper merchants and brokers, direct sales, and commercial printers.

10. In their first year as a combined enterprise and as they were implementing corporate integration, the Debtors faced many industrial, financial, and operational challenges brought on by the sweeping technological shifts impacting the print media world. The North American coated paper industry is declining—demand dropped 4.7% in the first half of 2015, following annual declines of 3.4% and 4.3% in 2014 and 2013, respectively. This downturn can be attributed, in large part, to increasing digitization of printed materials that once used coated paper products, such as catalogs and magazines.

11. The effect of the declining demand for coated paper has been exacerbated by the strengthening of the U.S. dollar relative to foreign currencies. As the U.S. dollar appreciates, an influx of imports—particularly from Europe, Asia, and Canada—have flooded

the U.S. coated paper market, increasing pressure on domestic producers and frustrating the Debtors' ability to maintain competitive prices. Moreover, as imports rise, U.S. producers are being priced out of foreign markets and thus reducing exports. Coated freesheet—a product that constituted nearly half of the Debtors' revenue last year—exemplifies these challenges: In August 2015, industry-wide imports increased 12.9% and exports dropped 31.6% compared to August 2014.

12. While the integration of NewPage's and Verso's operations has resulted in substantial synergies, the beginning of the integration process was delayed by external forces. As explained in further detail in Part II of this Declaration, the Debtors' acquisition of NewPage and its affiliates was delayed for more than a year by U.S. Department of Justice (the "**DOJ**") concerns over the concentration in the domestic coated paper market. To consummate the acquisition, the Debtors therefore agreed to divest two paper mills, one in Maine and one in Wisconsin. During the many months the acquisition was in limbo, Verso and NewPage could not begin integrating operations or realizing the anticipated operational cost reductions, which hampered liquidity and harmed operating results. The delay in consummating the NewPage acquisition and realizing the resulting synergies was extremely detrimental to the Debtors' ability to offset weak market conditions. Nevertheless, in the year since the acquisition closed, the Debtors have achieved an estimated \$123 million of synergies, which is ahead of target compared to the Debtors' projections. The Debtors believe the remaining synergies and other accretive positive results that Verso's acquisition of NewPage was designed to accomplish can be achieved with time and adequate liquidity.

13. While the Debtors enjoy a significant customer base, the combination of the industry factors described above has caused the Debtors' revenue to decline. For the first

three quarters of 2015, the Debtors' gross revenue was approximately \$2.4 billion, a drop from approximately \$2.7 billion for the same period in 2014.³ To counteract declining revenue, the Debtors have aggressively cut costs. For example, the Debtors have indefinitely idled an underperforming mill and implemented operational improvements at other mills.

14. Even with the Debtors' cost-cutting measures and broad customer base, the current market conditions have made it impossible for the Debtors to sustain their capital structure and devote the capital needed to maintain and grow their business. As of September 30, 2015, the Debtors' funded-debt obligations exceeded \$2.8 billion. On January 14, 2016, NewPage missed an interest payment under the NewPage Term Loan Facility and elected to exercise the grace period thereunder. On January 15, 2016, Verso Paper Holdings LLC ("**Verso Holdings**") missed an interest period under the 2012 First Lien Notes, 2015 First Lien Notes, and the 1.5 Lien Notes and elected to exercise the grace periods under those facilities. Absent a chapter 11 filing, the Debtors will be unable to comply with certain covenants and payment obligations under their debt facilities.

15. To address these issues, the Debtors retained restructuring professionals in the third quarter of 2015. The Debtors also evaluated steps to enhance liquidity. To this end, on January 6, 2016, Non-debtor affiliate Verso Maine Power Holdings LLC ("**VMPH**") sold its interest in Verso Androscoggin Power LLC, which owned four hydroelectric power generation facilities along the Androscoggin River in southwestern Maine, to Eagle Creek Renewable Energy, LLC for approximately \$62 million (the "**Hydroelectric Sale**"). The Hydroelectric Sale provided the Debtors with the liquidity needed to enter chapter 11 in a more orderly fashion. The

³ The 2014 financial information represents results as if the NewPage acquisition and the related financing occurred on January 1, 2014, and has been adjusted to give effect to events that are directly attributable to the transactions and factually supportable. As NewPage's divestiture of its paper mills in Biron, Wisconsin, and Rumford, Maine, occurred prior to the acquisition of NewPage, their historical results have been excluded from the pro forma results.

Debtors also used the additional time to continue their ongoing discussions with their key stakeholders—including certain lenders under the Verso Revolving Credit Facilities, NewPage ABL Facility, and NewPage Term Loan Facility and holders of the 2012 First Lien Notes, 2015 First Lien Notes, 1.5 Lien Notes, Old Second Lien Notes, New Second Lien Notes, Old Subordinated Notes, and New Subordinated Notes (each as defined in Part I(B)).

16. The Debtors intend to use these chapter 11 cases to complete a comprehensive financial restructuring that will reduce the Debtors' leverage and improve their financial position for future competitive and strategic initiatives. Through a meaningful deleveraging, the Debtors believe that they will be able to fully realize the objective they set out to accomplish by integrating Verso's and NewPage's operations: the establishment of a more efficient organization, well-suited to compete long term in a secularly declining industry. The Debtors believe that a deleveraging will allow them to attain the benefits of their integrated platform and outrun any long term industry decline. The alternative to a restructuring is a sale of assets, either mill by mill or in packages. The Debtors believe that either type of sale will yield less value for creditors and portend negative ramifications for employees.

17. As the Debtors work to restructure, they will remain focused on their formidable strengths: upholding an industry-leading commitment to quality and innovation, preserving the safety and livelihoods of their employees, meeting the strict demands of their customers, and furthering the Company's long-standing reputation for efficiency, sustainability, and reliability.

I. DESCRIPTION OF THE DEBTORS

A. History of the Debtors

18. Verso began operations on August 1, 2006, when a subsidiary of Verso formed by affiliates of Apollo Global Management, LLC purchased the Coated and

Supercalendered Papers Division of International Paper Company. Less than two years later, on May 14, 2008, Verso became a public company through an initial public offering of 14 million shares of common stock and was listed on the New York Stock Exchange.

19. On January 3, 2014, Verso entered into an Agreement and Plan of Merger (the “**Acquisition Agreement**”) with NewPage Holdings, a Delaware corporation, pursuant to which the parties agreed that Verso would acquire NewPage Holdings and its subsidiaries.⁴ At the time, NewPage was the largest coated paper producer in the United States and operated eight paper mills located in Kentucky, Maine, Maryland, Michigan, Minnesota and Wisconsin.⁵ Before acquiring NewPage, Verso and its affiliates operated three mills located in Maine and Michigan.

20. Verso’s board of directors (the “**Verso Board**”) unanimously approved the Acquisition Agreement on December 28, 2013. The Verso Board determined that acquiring NewPage would allow Verso to leverage NewPage’s existing customer base and geographical reach to withstand competition from electronic substitution for print and international producers, and would better position the Company to compete long-term on a global scale. Similarly, on January 3, 2014, NewPage Holdings’ board of directors (the “**NewPage Holdings Board**”) unanimously approved the Acquisition Agreement. The NewPage Holdings Board determined that integrating NewPage’s and Verso’s operations was in NewPage’s best interests in light of the cost-savings that could be realized from the combined enterprise and the challenges of continuing to operate NewPage on a stand-alone basis under the reasonably foreseeable market

⁴ Prior to being acquired by Verso, NewPage and certain of its affiliates had filed for chapter 11 in the U.S. Bankruptcy Court for the District of Delaware. NewPage emerged from chapter 11 on December 21, 2012, pursuant to its Modified Fourth Amended Chapter 11 Plan, which was confirmed by the Bankruptcy Court on December 14, 2012.

⁵ In order to consummate the NewPage acquisition, as described in further detail in Part II of this Declaration, NewPage was required to divest its paper mills located in Rumford, Maine, and Biron, Wisconsin.

conditions, including the growing business challenges that NewPage faced from competing imports.

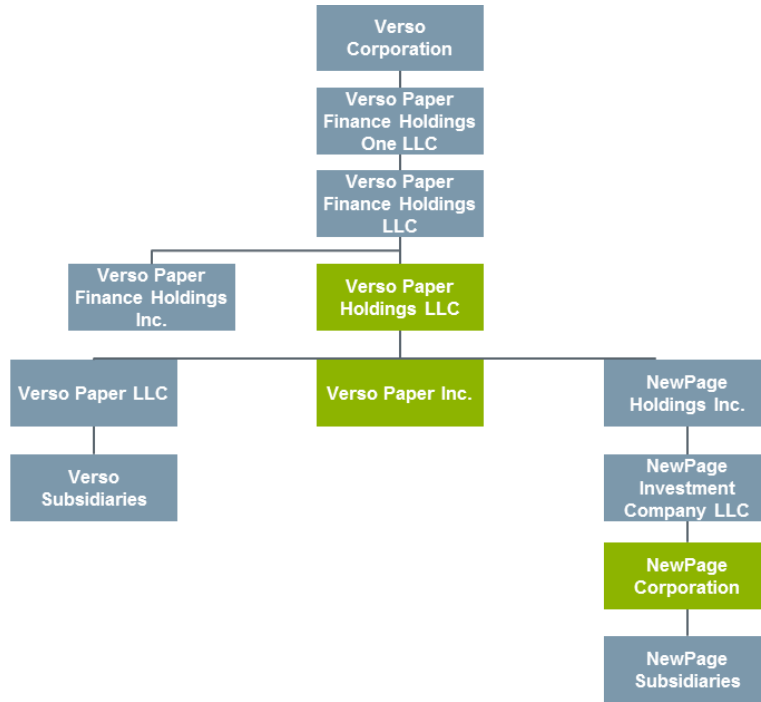
21. Absent an integration of the two companies, it was unlikely that one or both companies could operate long-term in the existing market and absorb the impact of the systemic decline in demand. Indeed, prior to the acquisition, both Verso and NewPage needed stronger cash flow to reinvest capital and take advantage of growth opportunities. As an integrated company, however, Verso and NewPage can leverage the benefits of their larger scale and the complementary fit of their combined business. At the time of the acquisition, Verso and NewPage anticipated that they could realize approximately \$175 million of pre-tax cost synergies in the first 18 months following the acquisition. In the twelve months since the completion of the acquisition through December 2015, the Debtors already have achieved an estimated \$123 million of synergies, including an estimated \$70 million reduction in corporate overhead and an estimated \$53 million in direct, indirect and other operating cost reductions. Among other efficiencies, the integrated platform allows the Debtors to reduce shipping rates and optimize shipping routes of the larger mill system, coordinate wood collection and storage to thereby enhance utilization of manufacturing facilities and wood sources, improve sourcing of raw materials, and eliminate duplicative headquarter functions.

B. The Debtors' Corporate Structure

22. Verso 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 (“**Verso Finance**”), which is the sole member of Verso Holdings. Verso Paper LLC (“**Verso Paper**”) is a subsidiary of Verso Holdings and the various legacy Verso subsidiaries are direct or indirect subsidiaries of Verso Paper.

23. NewPage Holdings is the sole member of NewPage Investment Company LLC, which is the sole member of NewPage. NewPage is an indirect wholly owned subsidiary of Verso. The various legacy NewPage subsidiaries are direct or indirect subsidiaries of NewPage.

24. A detailed organizational chart, including all the Debtors and non-Debtor affiliates, is attached hereto as Exhibit B. The following is a simplified version:



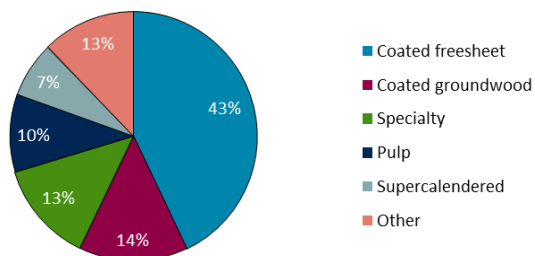
25. As of September 30, 2015, Verso reported total assets of approximately \$2.9 billion in book value.

C. The Debtors’ Business Operations

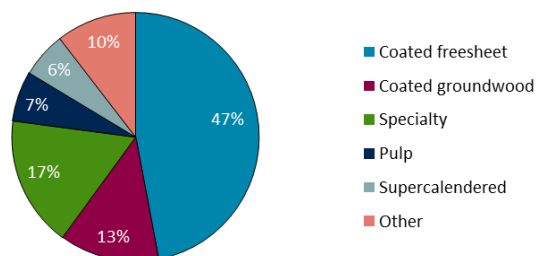
26. The Debtors are the leading North American producer of printing paper, specialty paper, and high-quality market pulp. The Debtors’ mills have an aggregate total annual production capacity of approximately 3,440 thousand tons of paper and 290 thousand tons of pulp.

Volume (2015E)

Total: 3,652K Tons

**Revenue (2015E)**

Total: \$3,140mm

**a. Product Lines**

27. The Debtors offer their customers a wide range of products, ranging from coated freesheet and coated groundwood, to inkjet and digital paper, supercalendered papers, and uncoated freesheet, each of which is described below. The Debtors operate in two market segments: (i) papers, including coated papers and specialty papers, and (ii) high-quality market pulp.

i. Papers

28. The Debtors' core business platform is the production of coated papers. Coating is a process by which paper is treated with an agent to improve brightness and printing properties, resulting in superior color and definition. Coated paper is used primarily in media and marketing materials such as catalogs, magazines, commercial printing applications, high-end advertising brochures, annual reports, and direct-mail advertising.

29. The Debtors manufacture two main grades of coated 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. Coated freesheet is bright, heavier-weight glossy paper with excellent print qualities used for magazine covers, premium magazines, and similar products. Coated groundwood is typically used for the covers of low-cost magazines and the interior pages of magazines and catalogs.

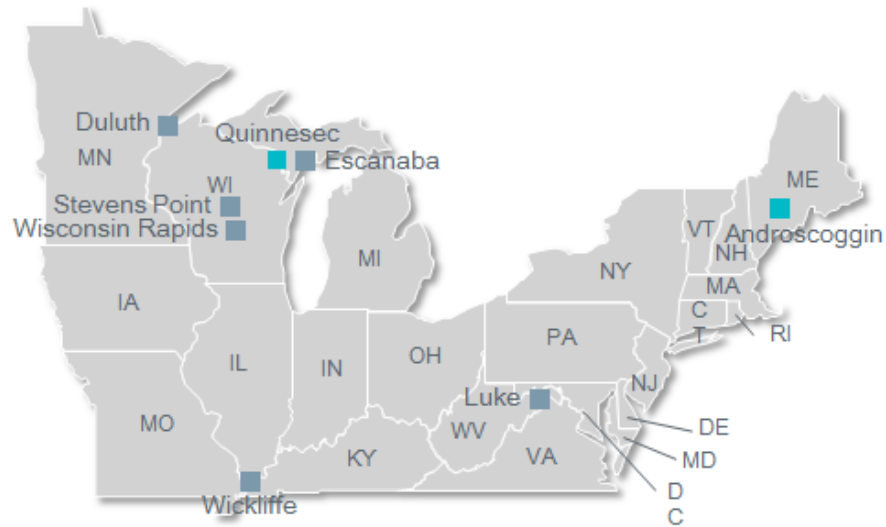
30. The Debtors also produce certain specialty papers. The Debtors’ specialty paper product line features over 150 specialty paper grades in a wide product portfolio. Specialty papers include, flexible packaging papers for pouches, spiral canisters, bags, and various types of wrapping paper; label papers for bottles, jars, cans, and release liners; high-gloss papers that are metalized; and technical papers for bar-code labels and receipts.

ii. *High-Quality Market Pulp*

31. At the mill in Quinnesec, Michigan, the Debtors produce a high-quality Northern Bleached Hardwood Kraft Maple pulp, one of most sought after hardwood kraft pulps in North America. A large portion of this production is used by the Quinnesec mill in the manufacture of coated freesheet and paper grades; the remaining production is sold.

b. Production Facilities

32. The Debtors own eight mills located in Kentucky, Maine, Maryland, Michigan, Minnesota and Wisconsin.



33. The mills are strategically located close to major publication printing customers, which affords the Debtors the ability to more quickly and cost-effectively deliver their products. The Debtors’ mills are among the most efficient and lowest cost coated paper

mills in the United States, based in large part on the Debtors' vertically integrated pulp and paper capabilities.

34. The following chart describes each of the Debtors' mills:

Mill/Location	Number of Employees	Production Capacity	Products
Duluth, Minnesota	260	270,000	Supercalendered paper and approximately 110,000 bone-dry tons annually of recycled pulp from recovered paper.
Escanaba, Maine	870	760,000	Coated freesheet, coated groundwood, specialty and uncoated papers used for magazines, catalogs, annual reports, textbooks, supplements, and product brochures.
Jay (Androscoggin), Maine	590	450,000	Coated groundwood, coated freesheet, uncoated freesheet, and specialty papers used primarily for label and release, flexible packaging, and technical paper applications.
Luke, Maryland	740	500,000	Coated freesheet papers used for commercial and publication printing, as well as coated-one-side papers for label applications.
Quinnesec, Michigan	430	425,000	Bleached hardwood kraft pulp and coated freesheet paper used primary in marketing applications, including magazines, catalogs, and other commercial printing products.
Stevens Point, Wisconsin	240	190,000	Coated and uncoated specialty papers used primarily for label and release liner, flexible packaging, and technical paper applications.
Wickliffe, Kentucky	400	285,000	In November 2015, the mill was indefinitely idled. When operational, the mill produced coated freesheet, specialty, and uncoated paper.
Wisconsin Rapids, Wisconsin	960	560,000	Coated freesheet used in high-end commercial printing, direct mail, publications, and digital applications.

c. Employees

35. The Debtors employ approximately 5,200 men and women. Approximately 68% of the Debtors' hourly workforce is represented by 16 local branches of the following unions: the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Services Workers International Union; the International Brotherhood of Electrical Workers; the Teamsters, Chauffers, Warehousemen and Helpers; the International Association of Machinists and Aerospace Workers; the Office & Professional Employees' International Union; and the United Association of Journeyman and Apprentices of the Plumbing and Pipefitting Industry. All represented employees are covered by the Master Labor Agreement 2012–2016, dated as of December 21, 2012, covering wages and benefits; certain represented mills also have local agreements covering general work rules.

36. The Debtors' mills are generally one of the largest employers and key economic drivers in their towns, supporting many families and businesses in the surrounding communities. The Androscoggin mill, for example, employs 590 people in a town of under 5,000. In many instances, the Debtors' employees include multiple generations of a family—such as at the Luke mill, where four generations of the same family have been employed.

d. Customers

37. The Debtors make printing papers, specialty papers and pulp and have long-standing relationships with many premier customers in these areas. Some of these relationships span more than 50 years, including the Avon Corporation and Time Inc. relationships. Verso has also been named an Avon “supplier of the year” several times. Other key customers are iconic brands like Condé Nast Publications and National Geographic Society. The Debtors also have long term relationship with Restoration Hardware, Inc., Quad/Graphics,

Inc., RR Donnelley & Sons Company, Veritiv, and Clifford Paper, Inc. The Debtors' key customers in the specialty papers market include Avery Dennison, Fort Dearborn and American Packaging Corporation.

38. The Debtors provide products and services to four distinct types of customers: end users, brokers and merchants, printers, and converters.

i. *End Users*

39. The Debtors sell paper products directly to end users for the production of, among other things, magazines, books, catalogs, periodicals, and fliers using the Debtors' products, which printers then process. Customers of the Debtors' pulp products are mostly other paper manufacturers.

ii. *Brokers and Merchants*

40. The Debtors sell paper products to end users and printers through brokers and merchants. Brokers typically act as an intermediary between the Debtors and smaller end users that do not have the scale or resources to cost effectively procure paper products directly from the Debtors. Merchants also act as an intermediary between the Debtors and smaller end users that lack the scale or resources to deal directly with the Debtors, but merchants generally take physical delivery of product and keep inventory on hand. The Debtors' largest indirect paper sales by volume are through merchants.

iii. *Printers*

41. The Debtors sell paper products to printers which act as an intermediary between manufacturers and end users by directly sourcing paper for printing, then converting and reselling the paper to their customers as a finished product.

iv. *Converters*

42. The Debtors sell paper products directly to converters that further process the paper, typically adding a laminate or adhesive or other chemical treatment to the paper for use in the final product.

D. Management Team

43. The Debtors' current senior leadership team consists of:

Management Team	
David J. Paterson	President and Chief Executive Officer
Lyle J. Fellows	Senior Vice President – Manufacturing and Energy
Allen J. Campbell	Senior Vice President, Chief Financial Officer and Assistant Secretary
Michael A. Weinhold	Senior Vice President – Sales, Marketing and Product Development
Peter H. Kesser	Senior Vice President, General Counsel and Secretary
Kenneth D. Sawyer	Senior Vice President – Human Resources and Communications
Benjamin Hinchman, IV	Vice President and Chief Information Officer

44. The Verso Board is composed of ten members, nine of whom are considered independent under the Securities and Exchange Commission and the New York Stock Exchange rules. Of the nine independent directors, four directors are associated with Apollo Global Management, LLC. The members of the Verso Board are:

Verso Board of Directors	
Robert M. Amen	Director
Michael E. Ducey	Director
Thomas Gutierrez	Director
Scott M. Kleinman	Director and Chairman of the Board
David W. Oskin	Director
David J. Paterson	President, Chief Executive Officer and Director
Eric L. Press	Director
L.H. Puckett, Jr.	Director
Reed B. Rayman	Director
David B. Sambur	Director

45. Verso Holdings' Board of Directors (the "**Verso Holdings Board**") is composed of three directors: David J. Paterson, Reed B. Rayman, and Richard M. Cieri. On

December 3, 2015, I resigned as a member of the Verso Holdings Board and was replaced by Reed B. Rayman, an existing director of Verso. In addition, on December 3, 2015, Richard M. Cieri, who has no prior affiliation with the Debtors, was appointed to the Verso Holdings Board (which is the only board of the Debtors he serves on). Mr. Cieri is a former chair of the Restructuring Department of the law firm of Kirkland & Ellis LLP and has extensive experience in restructuring, workouts and turnarounds. He had no prior experience or affiliation with the Debtors prior to his appointment, and serves only on the Verso Holdings Board.

46. NewPage's board of directors (the "**NewPage Board**") is composed of three directors: David J. Paterson, David B. Sambur, and Alan J. Carr. On December 3, 2015, I also resigned as a member of the NewPage Board and was replaced by David B. Sambur, an existing director of Verso. In addition, on December 3, 2015, Alan J. Carr, who has no prior affiliation with the Debtors, was appointed to the NewPage Board (which is the only board of the Debtors he serves on). Mr. Carr is the Chief Executive Officer of Drivetrain Advisors and has more than 20 years of experience advising financially distressed companies.

47. The board of directors of each of the other Debtor entities consists of two directors: David J. Paterson and me.

48. Each member of the Debtors' respective boards of directors has knowledge, experience and expertise relevant to serving as a director, and many of the directors have experience serving on boards of directors of other companies.

E. The Debtors' Prepetition Capital Structure

49. As of September 30, 2015, the Debtors had funded debt outstanding of approximately \$2.8 billion. The following table summarizes the Debtors' prepetition indebtedness and capital structure:

(\$ in millions)	Maturity	Interest Rate	Par Value as of September 30, 2015
Verso Holdings			
\$150 mm ABL Revolver	5/4/2017	2.73%	\$66
\$50 mm Cash Flow Revolver	5/4/2017	5.03 %	\$50
11.75% Senior Secured Notes - 2012	1/15/2019	11.75 %	\$418
11.75% Senior Secured Notes - 2015	1/15/2019	11.75 %	\$650
11.75% Secured Notes	1/15/2019	11.75 %	\$272
13% Second Priority Senior Secured Notes	8/1/2020	13.00 %	\$181
16% Senior Subordinated Notes	8/1/2020	16.00%	\$65
8.75% Second Priority Senior Secured Notes	2/1/2019	8.75%	\$97
11.38% Senior Subordinated Notes	8/1/2016	11.38%	\$41
NewPage			
\$350mm ABL Revolver	2/11/2019	2.75%	\$238
Floating Rate Senior Secured Term Loan	2/11/2021	9.50%	\$734

a. Verso Holdings' Capital Structure

i. Revolving Credit Facilities

50. In 2012, Verso Holdings entered into revolving credit facilities consisting of a \$150 million asset-based loan facility (the “**Verso ABL Facility**”) and a \$50 million cash-flow facility (the “**Verso Cash Flow Facility**” and, together with the Verso ABL Facility, the “**Verso Revolving Credit Facilities**”). The indebtedness under the Verso Revolving Credit Facilities is guaranteed, jointly and severally, by Verso Finance and each of Verso Holdings’ subsidiaries (subject to certain exceptions). The indebtedness under the Verso Revolving Credit Facilities bears interest at a floating rate based on a margin over a base rate or LIBOR. As of September 30, 2015, the weighted-average interest rate on outstanding advances was 3.72%. The Verso Revolving Credit Facilities mature on May 4, 2017.

51. As of September 30, 2015, there was \$66 million outstanding, \$30 million in letters of credit issued, and \$8 million available for future borrowing under the Verso ABL Facility. The indebtedness under the Verso ABL Facility and related guarantees is secured by first-priority security interests, subject to permitted liens, in substantially all the inventory and accounts receivable of Verso Holdings, Verso Finance, and the subsidiary guarantors (the

“**Verso ABL Priority Collateral**”) and second-priority security interests, subject to permitted liens, in substantially all the foregoing entities’ other assets (the “**Notes Priority Collateral**”).

52. As of September 30, 2015, there was \$50 million outstanding, no letters of credit issued, and no availability for future borrowings under the Verso Cash Flow Facility. The indebtedness under the Verso Cash Flow Facility and related guarantees is secured, *pari passu* with the 2012 First Lien Notes and the 2015 First Lien Notes (defined below) and the related guarantees, by a first-priority security interest in the Notes Priority Collateral and a second-priority security interest in the Verso ABL Priority Collateral.

53. Draws on the Verso ABL Facility are backed by the Verso ABL Priority Collateral, which consists of Verso’s accounts receivable (“**AR**”) from its customers, finished goods, work in process and raw materials inventory (“**Inventory**”). The amount that can be borrowed on the Verso ABL Facility is capped based on a borrowing base which is a percentage of the value of the ABL Priority Collateral further reduced by certain exclusions known as reserves or ineligibles. Verso can borrow against AR at an advance rate of 85%. The Company’s normal experience is to collect at or near 100% of AR ensuring that there is a cushion of approximately 15% against borrowings. Verso can borrow against Inventory at 80% of its Net Orderly Liquidation Value (“**NOLV**”) rate. The standard applied for NOLV is the expected realizable value in the case of a liquidation of the Inventory. Because Verso can borrow up to 80% of the NOLV of inventory, there is essentially a 20% cushion protecting those advances. For purposes of the borrowing base, AR and Inventory are further reduced by reserves and ineligibles. Examples would be AR with long collection terms or where an offsetting payable to that customer might impair the ability to collect. Examples of ineligible Inventory would be items in-transit and not easily locatable or inventory associated with open chemical containers or

defective product. While reserves and ineligibles cannot be borrowed against, they can add to the value of the Verso ABL Priority Collateral.

54. Each month, Verso provides a written certification to the agent on the Verso ABL Facility. That certification provides a true and accurate calculation of the available borrowing base, and shows the value of the Verso ABL Priority Collateral. Each month, the certification has shown that the Verso ABL Lenders are over-secured. Factoring in the NOLV of inventory, the value of AR and various reserves and ineligibles, the Verso ABL facility is fully collateralized and oversecured as of the Petition Date.

ii. *11.75% Senior Secured Notes due 2019*

55. In 2012, Verso Holdings issued \$345 million aggregate principal amount of 11.75% Senior Secured Notes due 2019, and in 2013, Verso Holdings issued an additional \$73 million aggregate principal amount of 11.75% Senior Secured Notes due 2019 to certain existing lenders of Verso Finance and Verso Paper Finance Holdings Inc. The 11.75% Senior Secured Notes due 2019, issued in 2012 and 2013, constitute one class of securities (the “**2012 First Lien Notes**”).

56. The 2012 First Lien Notes are guaranteed, jointly and severally, on a senior secured basis, by each of Verso Holdings’ existing domestic subsidiaries that guarantee the Verso Revolving Credit Facilities and by each of its future domestic subsidiaries that guarantee certain of its debt or issue disqualified stock. The 2012 First Lien Notes are secured, *pari passu* with the Verso Cash Flow Facility and related guarantees, by a first-priority security interest in the Notes Priority Collateral and a second-priority security interest in the Verso ABL Priority Collateral. The 2012 First Lien Notes mature on January 15, 2019.

57. On January 7, 2015, in connection with the NewPage acquisition, Verso Holdings issued \$650 million aggregate principal amount of 11.75% Senior Secured Notes due 2019 (the “**2015 First Lien Notes**”) to equity holders of NewPage as partial consideration for the acquisition. Verso Holdings did not receive new cash funding in connection with the 2015 First Lien Notes; rather, the 2015 First Lien Notes were granted to NewPage equity holders in return for a portion of the value of NewPage’s equity being acquired by Verso Holdings. The 2015 First Lien Notes are guaranteed, jointly and severally, on a senior secured basis, by each of Verso Holdings’ existing domestic subsidiaries that guarantee the Verso Revolving Credit Facilities and by each of its future domestic subsidiaries that guarantee certain of its debt or issue disqualified stock (including NewPage Holdings Inc., but not any of its subsidiaries).

58. The 2015 First Lien Notes and the related guarantees are secured, *pari passu* with the Verso Cash Flow Facility and related guarantees, by a first-priority security interest in the Notes Priority Collateral and a second-priority security interest in the Verso ABL Priority Collateral. The 2015 First Lien Notes mature on January 15, 2019.

iii. *11.75% Secured Notes due 2019*

59. In 2012, Verso Holdings issued \$272 million aggregate principal amount of 11.75% Secured Notes due 2019 (the “**1.5 Lien Notes**”). The 1.5 Lien Notes are guaranteed, jointly and severally, by each of Verso Holdings’ existing domestic subsidiaries that guarantee the Verso Revolving Credit Facilities and by each of its future domestic subsidiaries that guarantee certain of its debt or issue disqualified stock.

60. The 1.5 Lien Notes are secured by a security interest, subject to permitted liens, in substantially all of Verso Holdings’ and the guarantors’ tangible and intangible assets. The liens securing the 1.5 Lien Notes rank junior to those securing the obligations under the

Verso Revolving Credit Facilities, the 2012 First Lien Notes, and the 2015 First Lien Notes and rank senior to those securing the New Second Lien Notes (defined below). The 1.5 Lien Notes mature on January 15, 2019.

iv. 13% Second Priority Senior Secured Notes due 2020

61. On July 2, 2014, Verso Holdings commenced an offer to exchange (the “**Second Lien Notes Exchange Offer**”) any and all of Verso Holdings’ outstanding 8.75% Second Priority Senior Secured Notes due 2019 (“**Old Second Lien Notes**”) for Second Priority Adjustable Senior Secured Notes (“**New Second Lien Notes**”) and warrants issued by Verso that were mandatorily convertible on a one-for-one basis into shares of Verso’s common stock immediately prior to the NewPage acquisition (the “**Warrants**”). On August 1, 2014, approximately \$299 million aggregate principal amount of Old Second Lien Notes was tendered and accepted in exchange for a like amount of New Second Lien Notes and approximately 9.3 million Warrants.

62. The New Second Lien Notes and related guarantees are secured by liens that rank junior to those securing the obligations under the Verso Revolving Credit Facilities, the 2012 First Lien Notes, the 2015 First Lien Notes, and the 1.5 Lien Notes. The New Second Lien Notes mature on August 1, 2020.

63. In connection with the consummation of the NewPage acquisition, the provisions of the New Second Lien Notes were adjusted and, as a result, the outstanding principal amount of the New Second Lien Notes was reduced from approximately \$299 million before January 7, 2015, to approximately \$178 million thereafter.

v. *8.75% Second Priority Senior Secured Notes*

64. Following the settlement of the Second Lien Notes Exchange Offer, approximately \$97 million in aggregate principal amount of the Old Second Lien Notes remained outstanding. The Old Second Lien Notes are guaranteed, jointly and severally, by each of Verso Holdings' existing domestic subsidiaries that guaranteed the Verso Revolving Credit Facilities, as of the Second Lien Notes Exchange Offer, subject to certain exceptions. As of August 1, 2014, the Old Second Lien Notes are no longer secured by any collateral. The Old Second Lien Notes mature on February 1, 2019.

vi. *16% Senior Subordinated Notes due 2020*

65. On July 2, 2014, Verso Holdings commenced an offer (the “**Subordinated Notes Exchange Offer**”) to exchange any and all of Verso Holdings' outstanding 11.38% Senior Subordinated Notes due 2016 (“**Old Subordinated Notes**”) for Adjustable Senior Subordinated Notes (“**New Subordinated Notes**”) and Warrants. On August 1, 2014, approximately \$102 million aggregate principal amount of Old Subordinated Notes was tendered and accepted in exchange for a like amount of New Subordinated Notes and approximately 5.4 million Warrants.

66. In connection with the consummation of the NewPage acquisition, the provisions of the New Subordinated Notes were adjusted and, as a result, the outstanding principal amount of the New Subordinated Notes was reduced from approximately \$102 million before January 7, 2015, to approximately \$63 million thereafter.

vii. *11.38% Senior Subordinated Notes*

67. Following the settlement of the Subordinated Notes Exchange Offer, approximately \$41 million aggregate principal amount of the Old Subordinated Notes remained

outstanding. The Old Subordinated Notes are guaranteed, jointly and severally, by each of Verso Holdings' existing domestic subsidiaries that guarantee the Verso Revolving Credit Facilities, as of the Subordinated Notes Exchange Offer, subject to certain exceptions. The Old Subordinated Notes mature on August 1, 2016.

68. The borrower and guarantors of Verso Holdings' debt securities do not guarantee the obligations under the NewPage ABL Facility and the NewPage Term Loan Facility (defined below).

viii. *Equity Interests.*

69. Verso is a publicly traded company. As of December 31, 2015, Verso had 81,874,254 outstanding shares of common stock. Before being suspended from trading on September 21, 2015, Verso's common stock was traded on the New York Stock Exchange under the symbol "VRS." Verso's common stock now trades over the counter under the symbol "VRSZ."

b. NewPage Capital Structure

i. *Revolving Credit Facility*

70. On February 11, 2014, NewPage entered into a \$350 million senior secured asset-backed revolving credit facility (the "**NewPage ABL Facility**"). As of September 30, 2015, there was \$238 million outstanding, \$52 million letters of credit issued, and \$54 million available for future borrowing under the NewPage ABL Facility. The NewPage ABL Facility is secured by a first-priority lien on inventory, accounts receivable, bank accounts and certain other assets of NewPage ("**NewPage ABL Priority Collateral**") and a second-priority lien with respect to all other NewPage assets ("**NewPage Term Loan Priority Collateral**").

71. The indebtedness under the NewPage ABL Facility bears interest at a floating rate based on a margin over a base rate or eurocurrency rate. As of September 30, 2015, the weighted-average interest rate on outstanding advances was 2.75%. The NewPage ABL Facility matures on February 11, 2019.

72. The NewPage ABL Facility generally works the same way as the Verso ABL Facility as described above. Each month the Debtors provide a written certification to the agent for the NewPage ABL Facility which sets forth a true and accurate calculation of the available borrowing base. Based on the Debtors' understanding of the value of the borrowing base, the NewPage ABL Facility is oversecured because the value of the NewPage Priority ABL Collateral exceeds the pre-petition outstanding balance on the NewPage ABL Facility. Adding the value of reserves and ineligibles which constitute NewPage ABL Priority Collateral increases the amount by which the NewPage ABL Lenders are oversecured.

ii. *Floating Rate Senior Secured Term Loan*

73. On February 11, 2014, NewPage entered into a \$750 million term loan facility (the "**NewPage Term Loan Facility**"). In connection with the acquisition of NewPage, \$250 million of the NewPage Term Loan Facility was used to pay a dividend to the equity holders of NewPage and \$500 million was used to refinance NewPage's former \$500 million term loan facility.

74. The NewPage Term Loan Facility is secured by a first-priority lien on the NewPage Term Loan Priority Collateral and a second-priority lien with respect to the NewPage ABL Priority Collateral. Amounts drawn under the NewPage Term Loan Facility bear interest at either the LIBOR rate plus a margin of 8.25% per year or at a base rate plus a margin of 7.25%

per year. The interest in effect for the NewPage Term Loan Facility as of September 30, 2015 was 9.50%. The NewPage Term Loan Facility matures on February 11, 2021.

75. The borrower and guarantors under the NewPage ABL Facility and the NewPage Term Loan Facility do not guarantee the obligations under Verso Holdings' debt securities.

76. Notwithstanding the fact that Verso and NewPage have separate capital structures and, generally speaking, legacy NewPage assets are not guarantors or collateral for Verso debt and *vice versa*, the value of all the collateral for all of the Debtors' funded debt is enhanced by and relies on the Debtors' integrated operations and performance.

F. The Shared Services Agreement

77. In connection with the acquisition of NewPage, Verso entered into a Shared Services Agreement, dated as of January 7, 2015, by and among Verso (then named Verso Paper Corp.), NewPage Holdings, and NewPage (the "SSA"). Under the SSA, Verso, through its direct and indirect subsidiaries, agreed to provide the following services, among others, to NewPage (collectively, the "Shared Services"):

- Operations and infrastructure
- Procurement services
- Manufacturing services
- Accounting services
- Human resources services
- Tax services
- Treasury and insurance services
- Internal legal services
- Security services
- Audit services
- Controller services
- Corporate affairs services
- Rent and real estate administration services
- Distribution services
- Technology services

- Communications and marketing services
- Third-party legal services
- Financial analysis and planning services
- New ventures, research and development, and business development services
- Intellectual property services
- Investor relations
- Administrative support
- Engineering
- Enterprise risk management

Because the two companies' integration is not yet complete, NewPage employees currently provide the accounts payable, cash application, customer service, and logistics functions, as well as most of the salesforce, for all of the Debtors, including Verso. NewPage also continues to pay certain employees and third-party vendors for the Shared Services they provide directly to NewPage (the "**NewPage Provided Services**"). The Debtors also utilize many of the legacy NewPage computer systems, including accounts payable and logistics, that historically were run out of NewPage's Miamisburg, Ohio offices. The benefits of combined administrative services and the potential for resulting efficiencies were among the most important strategic drivers of Verso's acquisition of NewPage.

78. Under the SSA, Verso invoices NewPage \$13 million each month for Shared Services that Verso provides NewPage. The \$13 million monthly payment for Shared Services is an estimate of the services' costs based on the average amounts NewPage paid for identical or substantially equivalent services during the 12 month period prior to the merger's effective date. NewPage also invoices Verso each month for a refund of the amounts NewPage has paid for the NewPage Provided Services. The amount of the refund for the NewPage Provided Services is then offset against the \$13 million monthly invoice for Shared Services and NewPage remits the difference to Verso. As NewPage and Verso continue to consolidate their

businesses, the Debtors anticipate that the refund for the NewPage Provided Services will steadily decrease.

79. The SSA also provides that NewPage will pay Verso an amount equal to the realized synergies and related cost savings resulting from the integration of NewPage's business with Verso's existing business, including reductions in the cost of raw materials, transportation, and other economies of scale and purchasing efficiencies resulting from the integration (collectively, the "**Documented Synergies**"). Each month, Verso invoices NewPage in arrears for the previous month's Documented Synergies.

80. Verso and NewPage split the actual costs associated with implementation of the Documented Synergies (the "**Implementation Costs**"), such as severance payments and information technology expenses, with Verso paying one-third of these costs and NewPage paying the remaining two-thirds. These costs are invoiced by Verso and NewPage, as applicable, following the end of the month. The Implementation Costs are offset against the payment for Documented Synergies (if applicable).

81. Due to recent liquidity strains, NewPage was unable to make certain required payments under the SSA. As of the Petition Date, NewPage owes at least \$16.6 million for missed payments under the SSA.

82. The importance of the continued provision of services between Verso and NewPage is significant. The premise of Verso's acquisition of NewPage was to create a unified company that could better compete in the very difficult market. Because NewPage and Verso have worked toward integrating their operations over the past twelve months, they have come to depend on each other for critical administrative and service functions. Verso supplies NewPage with a senior management team and the legal, human resources, marketing, and materials

sourcing functions. Conversely, NewPage systems and employees continue to perform critical functions, including accounting, finance, treasury, customer service and logistics.

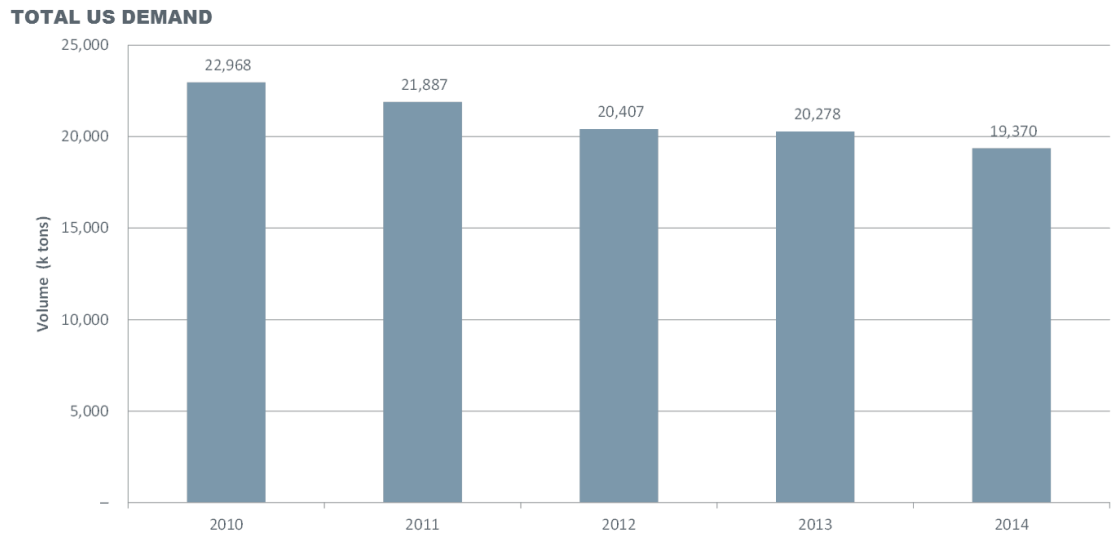
83. In short, it would be impossible at this point for the two entities simply to untangle their respective businesses and continue operating separately and uninterrupted. If the SSA were terminated tomorrow, NewPage would be left without senior management (including a CEO, CFO, General Counsel, and key executives in charge of critical business segments), a legal department, and other key administrative functions, impairing its ability to continue operating in a competitive industry. Conversely, while Verso would have the benefit of a senior management team, many critical functions—like accounts payable, cash collections, and logistics—reside at NewPage. The termination of shared services would hamper Verso's ability to continue ordinary business operations. An uncontrolled disruption of shared services would thus significantly damage both NewPage's and Verso's ability to continue as going concerns and substantially complicate any hopes of reorganizing their businesses, either together or independently. It is for this reason that Verso and NewPage have entered into the Interim Protocol discussed later in this Declaration.

II. EVENTS LEADING TO THE COMMENCEMENT OF THESE CHAPTER 11 CASES

84. The Debtors' bankruptcy filings are the result of a confluence of external factors, including a sharp decline in demand for coated paper products, a significant increase in foreign imports and decline in exports resulting from a strong U.S. dollar, the delay in consummating the NewPage acquisition, and the Company's impending financial obligations.

85. *Decline in the Coated Paper Industry.* The coated paper industry faces a long-term, structural decline. As society becomes increasingly dependent on digital technology products such as laptops, smartphones, and tablet computers, spending on advertising and magazine circulation have eroded, resulting in an overall decline in the demand for coated paper.

From 2010 to 2014, demand for coated paper in the United States has fallen by roughly 16%.



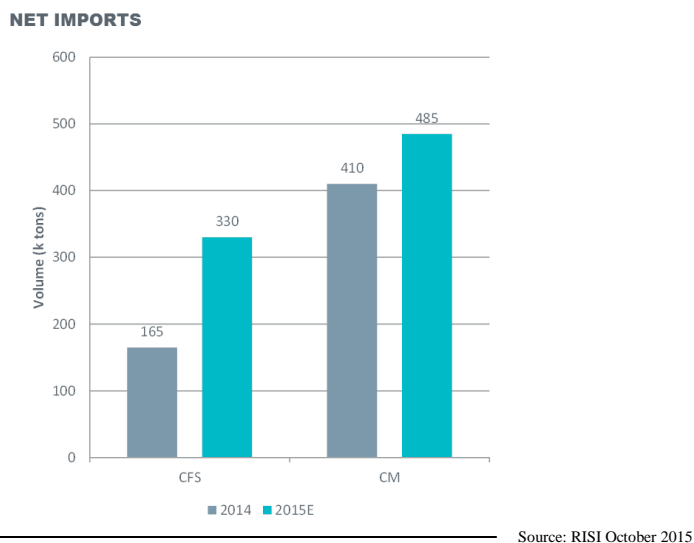
Source: RISI Paper Trader October 2015 and November 2014.

86. U.S. demand for coated freesheet—which is estimated to constitute approximately 47% of the Debtors’ 2015 revenue—has declined 48% from December 2006 to April 2015, and nominal pricing for coated freesheet is essentially at January 1999 levels. Similarly, U.S. demand for coated groundwood—which is estimated to constitute approximately 13% of the Debtors’ 2015 revenue—has declined 62% from October 2007 to April 2015, and nominal pricing for coated groundwood also remains at essentially January 1999 levels.

87. The coated paper industry endured a difficult year in 2015. At the end of the third quarter of 2015, coated freesheet and supercalendered paper volumes were down 6.9% and 7.1%, respectively, compared to 2014 and pricing was down 2.0 to 2.5%. The demand for coated paper is expected to continue to steadily decline in the future, with market volumes in 2016 projected to be 3% below 2015 levels.

88. The prolonged decline in demand for coated paper has had a significant impact on the Debtors’ profitability. For example, from 2010 to 2014, prior to the acquisition of NewPage, Verso experienced a year-over-year average revenue decline of approximately 4.9%.

89. Increased Imports and Decreased Exports. The strong U.S. dollar relative to foreign currencies has resulted in a dramatic increase in imports, particularly from Asia, Europe and Canada. In 2015, for example, coated freesheet imports doubled and coated groundwood (also referred to as coated mechanical) imports increased 18% from their 2014 levels.



90. As imports rise, the Debtors face new levels of competition and increased pressure to lower prices to maintain their market share. Compounding this problem, in light of the strong U.S. dollar and the increase in imports, the Debtors have been priced out of foreign markets and forced to reduce exports. As of October 2015, exports industry wide were expected to be approximately 13% lower than 2014.

91. The decline in the Debtors' performance from the recent increase in foreign imports and reduction in exports, coupled with the overall decline in demand, has been significant: sales dropped approximately 10% on a pro forma basis in 2015—a much steeper drop in demand than projected for the industry, or typically experienced by the Debtors, in a single year.

92. Delay in Consummating the NewPage Acquisition. On January 7, 2015, seeking to gird itself against these industry trends, Verso completed the acquisition of NewPage, approximately one year after initially entering into the Acquisition Agreement. The consummation of the NewPage acquisition was delayed as the Debtors worked with the DOJ to address antitrust concerns raised by the proposed acquisition. To address the DOJ's concerns, on October 30, 2014, NewPage, NewPage Wisconsin System Inc. ("**NewPage Wisconsin**"), and Rumford Paper Company ("**Rumford Paper**"), each an indirect, wholly owned subsidiary of NewPage, entered into an Asset Purchase Agreement (the "**Divestiture Agreement**") with Catalyst Paper Holdings Inc. ("**Catalyst**"), under which Catalyst agreed to purchase the NewPage mill located in Biron, Wisconsin, and the NewPage mill located in Rumford, Maine, for approximately \$74 million.

93. On December 31, 2014, the Antitrust Division of the DOJ filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia to block the proposed acquisition. At the same time, the DOJ filed a proposed settlement between the DOJ and the Company that provided that NewPage would consummate the sales of the Biron and Rumford mills. After court approval, on January 7, 2015, the sales of the mills closed in accordance with the Divestiture Agreement, and Verso completed its acquisition of NewPage in accordance with the terms of the Acquisition Agreement.

94. The Debtors' ability to achieve future projected operating results and compete long-term in the coated paper industry depends in large part on the successful integration of NewPage, and the realization of the resulting synergies and operational cost reductions that can be captured in time. Although the current cost savings enabled by the acquisition have helped to mitigate the impact of adverse market trends, the delay in

consummating the acquisition (which delayed the ability to realize these critical synergies) was extremely detrimental to the Debtors. Moreover, the synergies that the Debtors have realized to this point have been offset by weak market conditions. Despite these challenges, the Debtors remain confident that as they continue integrating and executing on their operating strategies, results will improve and the Debtors' value will increase.

95. Impending Financial Obligations. The Debtors' current balance sheet is unsustainable. As of September 30, 2015, the Debtors' funded-debt obligations exceeded \$2.8 billion. The Debtors also have a current combined annual interest expense of over \$270 million. Absent a restructuring of this indebtedness, the Debtors would be unable to comply with certain covenants and payment obligations under their debt facilities. Moreover, due to this significant indebtedness, the Debtors lack sufficient cash flow to maintain their business and reinvest capital to take advantage of growth opportunities. The Debtors have therefore concluded, in their business judgment, that filing these cases and seeking to deleverage their balance sheet is in the best interests of their stakeholders.

III. SUMMARY OF THE FIRST DAY PLEADINGS

96. Concurrently with the filing of these chapter 11 cases, the Debtors have filed the following First Day Pleadings:

- Debtors' Motion for Entry of an Order Directing Joint Administration of Chapter 11 Cases ("**Joint Administration Motion**");
- Debtors' Application for Entry of an Order Authorizing Employment and Retention of Prime Clerk as Claims and Noticing Agent, *Nunc Pro Tunc* to the Petition Date ("**Prime Clerk Application**");
- Debtors' Motion for Entry of Interim and Final Orders Establishing (I) Notice and Hearing Procedures for Transferring, or Claiming a Worthless Stock Deduction for, Equity Securities of Verso Corporation and (II) An Effective Date for Notice and Sell-Down Procedures for Transferring Claims Against the Debtors ("**Trading Procedures Motion**");

- Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing Payment of Certain Prepetition Taxes and (II) Granting Related Relief (“**Taxes Motion**”);
- Debtors’ Motion for Entry of Interim and Final Orders (I) Prohibiting Utilities from Altering, Refusing, or Discontinuing Service; (II) Approving the Debtors’ Proposed Form of Adequate Assurance of Payment to Utilities; and (III) Establishing Procedures for Resolving Objections to the Debtors’ Proposed Form of Adequate Assurance (“**Utilities Motion**”);
- Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain, Continue, and Renew Their Insurance Policies and Pay All Obligations in Respect Thereof and (B) Continue Their Premium Financing Program; and (II) Granting Related Relief (“**Insurance Motion**”);
- Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Pay Certain Employee Compensation and Benefits and (B) Maintain and Continue Such Benefits and Other Employee-Related Programs and (II) Authorizing Financial Institutions to Honor and Process All Related Checks and Transfers (“**Wages and Benefits Motion**”);
- Debtors’ Motion for Entry of Interim and Final Orders Authorizing the Debtors to Pay Prepetition Claims of Critical Vendors and Granting Related Relief (“**Critical Vendors Motion**”);
- Debtors’ Motion for Order Pursuant to Sections 363(b), 105(a), 1107(a) and 1108 of the Bankruptcy Code (I) Authorizing Payment of Prepetition Claims of Shippers, Warehousemen, Mechanics, Converters, and Other Lien Claimants and (II) Granting Related Relief (“**Lienholder Motion**”);
- Debtors’ Motion for Entry of an Order Authorizing the Debtors to Pay the Prepetition Claim of the Upper Potomac River Commission and Granting Related Relief (“**UPRC Motion**”)
- Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing Continued Use of Existing Cash Management System and Bank Accounts; (II) Waiving Certain United States Trustee Requirements; (III) Authorizing Continued Performance of Intercompany Transactions; and (IV) Granting Related Relief (“**Cash Management Motion**”);
- Debtors’ Motion for Entry of an Order (I) Authorizing the Debtors to Maintain Customer Programs and Honor Related Prepetition Obligations and (II) Granting Related Relief (“**Customer Programs Motion**”);

- Debtors’ Motion for Orders (I) Authorizing NewPage Debtors (A) To Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 363(b), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e), and (B) To Utilize Cash Collateral Pursuant to 11 U.S.C. § 363, (II) Granting Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363, 364 and 507 and (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and (c) (the “**NewPage DIP Motion**”);
- Debtors’ Motion for Orders (I) Authorizing Verso Debtors (A) To Obtain Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 363(b), 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e), and (B) To Utilize Cash Collateral Pursuant to 11 U.S.C. § 363, (II) Granting Adequate Protection to Prepetition Secured Parties Pursuant to 11 U.S.C. §§ 361, 362, 363, 364 and 507 and (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and (c) (the “**Verso DIP Motion**” and, together with the NewPage DIP Motion, the “**DIP Motions**”); and
- Debtors’ Motion Under 11 U.S.C. §§ 363, 364 and 105(a) For Immediate Entry of an Order Approving Interim Shared Services Agreement Protocol (the “**SSA Interim Protocol Motion**”).

97. Having reviewed each of the First Day Pleadings or had their contents explained to me, I believe that the Debtors would suffer immediate and irreparable harm absent the ability to continue their business operations as sought in the First Day Pleadings. In my opinion, approval of the relief sought in the First Day Pleadings is critical to the Debtors’ efforts to reorganize and conduct these cases efficiently, thus permitting the Debtors to preserve and maximize value for the benefit of all stakeholders.

98. Several of the First Day Pleadings request authority to pay prepetition claims. I am told by the Debtors’ advisors that Federal Rule of Bankruptcy Procedure 6003 provides, in relevant part, that the Court may not consider motions to pay prepetition claims during the first 21 days following the filing of a chapter 11 petition, “except to the extent relief is necessary to avoid immediate and irreparable harm.” In light of this exception, the Debtors have limited their requests for immediate authority to pay prepetition claims to those circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors

and their estates. Consequently, certain aspects of the relief sought in the First Day Pleadings will be deferred for consideration at a later hearing, as indicated therein.

99. Concurrently with the filing of this Declaration, the Debtors filed *Dennis Stogsdill's Declaration in Support of the Debtors' Motions to Pay the Prepetition Claims of Critical Vendors, Lienholders, and the Upper Potomac River Commission* (the "**Stogsdill Declaration**"). The Stogsdill Declaration sets forth why the relief sought in the Critical Vendor Motion, Lienholder Motion, and UPRC Motion is critical to the Debtors' ongoing operations and efforts to reorganize. With respect to the other First Day Pleadings, set forth below is the reasons why I believe it is imperative that the Court grant the relief requested.

A. Joint Administration Motion

100. The Debtors seek entry of an order directing joint administration of their chapter 11 cases for procedural purposes only. The twenty-seven Debtors in these chapter 11 cases include Verso, NewPage Holdings, and twenty-five subsidiaries directly and indirectly owned by Verso and/or NewPage Holdings.

101. Given the highly integrated nature of the Debtors' operations, I believe that joint administration of these chapter 11 cases would provide significant administrative convenience without harming the substantive rights of any parties in interest. Many of the motions, hearings, and orders in these cases will affect each Debtor, and joint administration would eliminate the need for duplicate pleadings, notices, and orders in each of the respective dockets. This, in turn, would save the Court, the Debtors, and other parties in interest substantial time and expense when preparing and filing such documents. Further, joint administration would protect any parties in interest by ensuring that they will be apprised of the various motions filed with the Court with respect to each of the Debtors' cases.

102. Because the Debtors seek only administrative, not substantive, consolidation of the estates, I do not believe joint administration would adversely affect the Debtors' respective constituencies. The relief requested in the Joint Administration Motion will not only preserve individual creditors' rights, but also provide those creditors the benefit of cost reductions associated with joint administration.

B. Prime Clerk Application

103. The Debtors seek entry of an order authorizing the employment and retention of Prime Clerk LLC ("**Prime Clerk**") as the Claims and Noticing Agent, effective *nunc pro tunc* to the Petition Date. I understand that the Debtors and their advisors obtained and reviewed engagement proposals from three court-approved claims and noticing agents to ensure selection through a competitive process. Following that review, and in consideration of the number of anticipated notice parties, the nature of the Debtors' business, and Prime Clerk's competitive and reasonable rates given their quality of services and expertise, the Debtors selected Prime Clerk to act as the Debtors' Claims and Noticing Agent. I believe that the retention of Prime Clerk as Claims and Noticing Agent is necessary and in the best interest of the estates. Indeed, Prime Clerk will relieve the Debtors of the burdens associated with claims and noticing services, allowing them to devote their full attention and resources to maximize value for their stakeholders and facilitate the orderly administration of these chapter 11 cases.

104. I have also reviewed Prime Clerk's engagement letter and the description of the services that Prime Clerk has agreed to render and the compensation and other terms of the engagement as provided in the Prime Clerk Application. Based on that review, I believe that the Debtors' estates, creditors, parties in interest, and this Court will benefit as a result of Prime Clerk's experience and cost-effective methods.

105. I further believe that no parties in interest would be prejudiced by the granting of the *nunc pro tunc* employment because Prime Clerk will provide valuable services to the Debtors' estates in the interim period.

C. Trading Procedures Motion

106. The Debtors seek entry of interim and final orders establishing (i) notice and hearing procedures for transferring, or claiming a worthless stock deduction for, equity securities of Verso or any beneficial interest therein; and (ii) a record date (the "**Record Date**") for notice and sell-down procedures for transferring claims against the Debtors ("**Claims**"). I understand that these procedures are designed to protect and preserve the Debtors' net operating losses ("**NOLs**") and other tax attributes (the NOLs, collectively with any capital losses, unrealized built-in losses, and certain other tax and business credits, the "**Tax Attributes**").

107. As a result of past losses from operation of their businesses, the Debtors have estimated that their available NOLs, as of December 31, 2015, are approximately \$1.8 billion, a figure that could grow by the time the Debtors emerge from chapter 11. I understand that the NOLs are valuable assets of the Debtors' estates because the Debtors can carry forward the NOLs to offset future taxable income and, in turn, reduce tax liability.

108. I have reviewed the proposed procedures for transferring of equity securities of Verso, and I believe that the relief sought will enable the Debtors to closely monitor certain transfers of equity securities and thereby preserve the Debtors' ability to seek the necessary relief at the appropriate time if it appears that such transfers may jeopardize the Debtors' use of their Tax Attributes.

109. I have also reviewed the proposed procedures for the claiming of a worthless stock deduction, and I believe that the relief sought is necessary to ensure that the

claiming of a worthless stock deduction by a holder owning 50% or more of Verso's stock does not jeopardize use of the Debtors' NOLs. As of the Petition Date, one stockholder held 44.1% of Verso's outstanding stock and the remainder of Verso's stock, to the Debtors' knowledge, is relatively diffusely held. But with Verso's stock trading at \$0.01 as of January 22, 2016, I understand that a 50% or greater position could be accumulated, leaving the Debtors vulnerable to a shareholder taking a worthless stock deduction that limits use of the NOLs. Accordingly, I believe that implementing the worthless stock deduction procedures is in the best interests of the estates.

110. In addition, I understand that creditors acquiring Claims postpetition could hinder the Debtors' use of their Tax Attributes. Thus, I believe that it is critical to establish the Record Date for notice and sell-down procedures, which will ensure that claimholders receive sufficient notice that any claims purchased after such date may ultimately be subject to certain sell-down procedures in the event the Debtors seek, and the Court approves, an order authorizing such procedures to preserve the Debtors' Tax Attributes.

D. Taxes Motion

111. The Debtors seek entry of interim and final orders authorizing payment of prepetition income, sales and use, excise, property, regulatory fees, licensing fees, and all other similar obligations, including any related penalties and interest (collectively, the "**Prepetition Taxes and Fees**"). The Debtors incur various tax liabilities and fees and in the past have generally paid such liabilities to the relevant federal, state, provincial, and local authorities (the "**Authorities**") as they have become due in the ordinary course of business. Based on discussions with the Debtors' tax personnel, I understand that the Debtors estimate that approximately \$30 million in Prepetition Taxes and Fees are currently outstanding or will

become due and payable following the Petition Date, \$7.5 million of which the Debtors are seeking authority to pay during the interim period.

112. Sales and Use Taxes. In the ordinary course, the Debtors collect and remit certain taxes related to the sale, use, and consumption of goods and services arising from the sale, use, and purchase of products, inventory, supplies, or other goods in the Debtors' business. Specifically, the Debtors collect and remit sales and use taxes to certain Authorities in connection with the operation of their business and sale and distribution of products. The Debtors also incur use taxes when they purchase materials and services from a vendor that is not registered to collect sales taxes for the state where the property is delivered or the services are provided. In this circumstance, vendors are not obligated to charge or remit sales taxes. As purchasers, however, the Debtors must self-assess and pay the use taxes, when applicable, to the appropriate Authority. I understand that the Debtors estimate that as of the Petition Date, approximately \$501,000 in sales and use taxes has accrued and remains unpaid for the prepetition period.

113. Property Taxes. Where the Debtors have operations and real and personal property, the Debtors are subject to property tax levied by state and local governments. The Debtors typically pay real and personal property taxes in the ordinary course as such taxes are invoiced (typically for the prior year or quarter depending on how the relevant tax is assessed). I understand that the Debtors estimate that as of the Petition Date, approximately \$395,000 in property taxes has accrued and remains unpaid for the prepetition period.

114. Federal and State Income Taxes. The Debtors incur federal and state income tax liabilities. These corporate income taxes are assessed on each Debtor entity's income and either withheld and remitted monthly or paid annually to the applicable Authority depending

on the jurisdiction. I understand that as of the Petition Date, the Debtors estimate that there will be no accrued and unpaid income taxes.

115. General Business License, Reporting, and Regulatory Taxes and Fees.

Many state and local Authorities require the payment of business license, reporting, and regulatory taxes and fees as a condition to the Debtors conducting business within the applicable jurisdiction. Importantly, the Debtors pay certain fees and taxes to maintain licenses and permits issued by governmental authorities that govern the regulation and use of air, water, wastewater, solid, and hazardous wastes. I understand that as of the Petition Date the Debtors estimate that \$180,000 in general business license, reporting, and regulatory taxes and fees have accrued and remain unpaid for the prepetition period.

116. I believe that the Debtors' ability to pay Prepetition Taxes and Fees is critical to their continued and uninterrupted operations and would ultimately preserve the resources of the Debtors' estates and going-concern values. It is my understanding from various members of the Debtors' tax and legal departments that the Debtors' failure to pay the Prepetition Taxes and Fees could materially and adversely impact the Debtors' business operations in several ways. Among other things, I understand that failure to timely pay the Prepetition Taxes and Fees would require the Debtors to spend time and money to resolve whether (i) the obligations are priority, secured, or unsecured; (ii) the obligations are proratable or fully prepetition or postpetition; and (iii) penalties, interest, attorneys' fees, and costs can continue to accrue on a postpetition basis, and if so, whether the penalties, interest, attorneys' fees, and costs are priority, secured, or unsecured.

117. In addition, I understand that many federal, state, and local statutes also impose personal liability on officers and directors of companies for certain Prepetition Taxes and

Fees such entities owe. To the extent that the relevant Prepetition Taxes and Fees remain unpaid by the Debtors, the Debtors' directors, officers, and executives may be subject to lawsuits or criminal prosecution during the pendency of these chapter 11 cases. Any such lawsuit or criminal prosecution (and the ensuing potential liability) would, in my opinion, distract the Debtors and their officers, directors, and executives from devoting their full attention to the Debtors' businesses and the orderly administration of these chapter 11 cases. Accordingly, I believe that the relief requested in the Taxes Motion is necessary to avoid immediate and irreparable harm and is in the best interests of the Debtors' estates, their creditors, and all other parties in interest.

E. Utilities Motion

118. The Debtors seek entry of interim and final orders (i) prohibiting utilities, as that term is used in section 366 of the Bankruptcy Code ("**Utility Companies**"), from altering, refusing, or discontinuing services to, or discriminating against, the Debtors solely on the basis of the commencement of the Debtors' chapter 11 cases, a debt owed by the Debtors for services rendered before the Petition Date, or any perceived inadequacy of the Debtors' proposed adequate assurance of payment to Utility Companies for postpetition services; (ii) approving the Debtors' proposed adequate assurance of payment to Utility Companies for postpetition services; and (iii) approving procedures for resolving objections to the Debtors' proposed adequate assurance of payment to Utility Companies for postpetition services (the "**Adequate Assurance Procedures**").

119. In the ordinary course of business, the Debtors buy electricity, gas, water, sewer, waste, telephone and internet services, including mobile and satellite communications services, and other similar services (collectively, the "**Utility Services**") from a number of

Utility Companies to operate their business. I understand that, on average, the Debtors pay approximately \$11,212,679 per month for Utility Services.

120. I anticipate that the Debtors will have sufficient cash on hand to timely pay in full, in cash, all undisputed postpetition obligations owed to Utility Companies during these chapter 11 cases. Nevertheless, I have reviewed the Proposed Adequate Assurance Procedures and I believe that the procedures provide Utility Companies with adequate assurance of payment, and I do not believe that other or further assurances of payment to Utility Companies for postpetition Utilities Services are necessary. However, I understand that the Debtors have also proposed procedures to resolve requests for additional or alternative assurance of payment in an orderly and fair manner.

121. Preserving Utility Services on an uninterrupted basis is essential to the Debtors' ongoing operations and, therefore, to the success of these cases. Indeed, any interruption in Utility Services, even for a brief period, would disrupt the Debtors' ability to continue operations. Given the Debtors' need to receive uninterrupted Utility Services, the relief requested fairly balances Utility Companies' rights and the Debtors' rights under the Bankruptcy Code. I do not believe that Utility Companies will be prejudiced by either the proposed adequate assurance or the requirement to provide the Debtors with uninterrupted service.

F. Insurance Motion

122. The Debtors seek entry of interim and final orders authorizing the Debtors to (i) maintain, supplement, amend, extend, renew, or replace their Insurance Programs (defined below), (ii) pay any obligations, whether arising before or after the Petition Date, related to the Insurance Programs, including premiums, Premium Financing Obligations (defined below), deductibles, assessments, self-insured retention amounts in connection with Self-Insured Claims

(defined below), true-up amounts, broker fees, actuarial fees, administrative fees, and other related fees and costs (collectively, the “**Insurance Obligations**”), and (iii) maintain their Premium Financing Program (defined below) and enter into new premium financing arrangements. I understand that the Debtors estimate that approximately \$1.8 million in Insurance Obligations will become due and owing during the interim period.

123. General Insurance Policies. The Debtors currently maintain approximately 33 insurance policies through a variety of insurance carriers which protect against operational risk inherent in the Debtors’ business. The legacy policies under which the Debtors have continuing obligations and the insurance policies currently in effect (collectively, the “**Insurance Policies**”) have provided and continue to provide the Debtors coverage for, among other things, property loss, commercial general liability, umbrella and excess liability, automobile liability, non-owned aircraft liability, foreign liability, directors and officers liability and other management liability. Verso is the first named insured on each current Insurance Policy, with each of the other Debtors named as an additional insured.

124. I understand that the annual premiums due under the Insurance Policies total approximately \$9.8 million, a large portion of which is financed under two premium financing agreements (collectively, the “**Premium Financing Program**”) with IPFS Corporation (“**IPFS**”). I am informed that the Debtors’ remaining obligations under the Premium Financing Program are approximately \$1.4 million. The Debtors’ obligation to pay IPFS under the Premium Financing Program is secured by all unearned or return premiums and dividends related to the financed Insurance Policies. IPFS also has the right to cancel the financed Insurance Policies if the Debtors default on their payment obligations. With respect to the premiums for non-financed Insurance Policies, the Debtors either prepay these amounts or pay

them in quarterly installments, depending on the policy. As of the Petition Date, I understand that the Debtors are current with respect to the premiums for non-financed Insurance Policies.

125. Workers' Compensation Insurance. The Debtors also maintain workers' compensation insurance that provides coverage for employee-related injuries, disability, or death. The Debtors maintain both self-insured workers' compensation programs (the "**Self-Insured Programs**") and workers' compensation Insurance Policies, depending upon the state in which the covered employees work.

126. The Debtors maintain or have maintained Self-Insured Programs in Michigan, Ohio, and Wisconsin, under which they pay workers' compensation and employer liability claims ("**Self-Insured Claims**") as they arise, up to a certain threshold per occurrence (the "**Self-Insurance Claim Cap**"), depending on the state in which the Self-Insured Claim arises. For claims exceeding the Self-Insurance Claim Cap, Verso maintains excess workers' compensation insurance. As of the Petition Date, I understand that the Debtors estimate that their aggregate outstanding liability related to workers' compensation claims under both the workers' compensation Insurance Policies and the Self-Insured Programs is approximately \$28 million, including claims incurred but not yet reported ("**IBNR**").

127. Surety Bonds. From time to time, the Debtors post surety bonds (the "**Surety Bonds**") and together with the Insurance Policies and the Self-Insured Programs, the "**Insurance Programs**") as collateral to secure certain obligations. I understand that, as of the Petition Date, the Debtors believe that there is approximately \$1,300 in premiums due and payable with respect to the Surety Bonds.

128. Cash Loss Reimbursement Fund. NewPage maintains a cash loss reimbursement fund (the "**Reimbursement Fund**") with Zurich Insurance Group ("**Zurich**") to

pay claims under its primary casualty Insurance Policies with Zurich (“**Zurich Primary Casualty Policies**”) for the policy years April 30, 2005 through April 30, 2009. At the beginning of each policy period covered by the Reimbursement Fund, NewPage deposited with Zurich an estimated amount of cash to pay any claims that arose during the applicable policy period. The Reimbursement Fund is adjusted on a yearly basis, whereby Zurich compares the total amount of claims incurred under the Zurich Primary Casualty Policies for each policy period with the amount initially deposited by NewPage for each policy period. If the amount of the deposits exceeds the total amount of claims incurred, NewPage receives a refund from Zurich. If, however, the total amount of claims incurred exceeds the deposits, NewPage must pay Zurich the difference.

129. Third Party Administrator. The Debtors’ employ a third-party administrator, Sedgwick CMS (“**Sedgwick**”) to manage claims under certain of its Insurance Policies and the Self-Insured Programs (with the exception of workers’ compensation claims in Maine incurred between August 1, 2014 and July 31, 2015, which are administered by AIG). I understand that, as of the Petition Date, the Debtors estimate that they owe Sedgwick approximately \$200,000 and AIG approximately \$30,000 for claims paid, but not reimbursed, before the Petition Date.

130. Insurance Broker. The Debtors employ Kansas City Series of Lockton Companies, LLC (“**Lockton**”) to assist with procuring and negotiating the Surety Bonds and their property-related and primary casualty Insurance Policies. Lockton also provides other valuable services, performing collateral reviews and facilitating the Premium Financing Program. Under the Debtors’ agreement with Lockton, I understand that the Debtors pay an annual base fee of \$350,000, which has been paid in full, and at-risk fees that Lockton earns by

meeting certain objectives. The Debtors estimate that there is approximately \$100,000 of earned at-risk fees due and payable to Lockton by March 30, 2016.

131. Actuarial Firm. In connection with their Insurance Programs, the Debtors engage an actuarial firm to prepare an annual analysis report of IBNR liabilities, which is used to book an IBNR liability reserve. I understand that the Debtors estimate that the fee for the 2015 report will be approximately \$30,000 and expect that it will be invoiced in late January or early February.

132. The nature of the Debtors' business makes it essential for the Debtors to maintain the Insurance Programs, including the Premium Finance Program, on an ongoing and uninterrupted basis. Nonpayment of any Insurance Obligations could result in insurance carriers terminating or declining to renew the Debtors' Insurance Policies, or refusing to enter into new insurance agreements with the Debtors in the future. As a result, the Debtors may be unable to find a carrier willing to provide them similar insurance coverage or a company willing to finance insurance premiums without charging significantly higher premiums and fees. I believe that any lapse in insurance coverage would leave the Debtors exposed to significant and potentially crippling liability, and it is therefore essential that the Debtors maintain their Insurance Programs and honor their Insurance Obligations throughout these cases. Accordingly, I believe that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to operate their businesses throughout these cases.

G. Wages and Benefits Motion

133. The Debtors seek entry of interim and final orders authorizing but not directing the Debtors, in their discretion, as deemed necessary to continue to operate and

preserve value, to (i) pay all prepetition wages, salaries, and compensation and related administrative and incidental costs (all as described below and collectively, the “**Employee Compensation Obligations**”) and prepetition employee benefits (all as described below and collectively, the “**Employee Benefit Obligations**”); (ii) pay all employment, unemployment, Social Security, and federal, state, and local taxes relating to the Employee Compensation Obligations and Employee Benefit Obligations, whether withheld from wages or paid directly by the Debtors to governmental authorities (collectively, “**Payroll Taxes**”), and make other payroll deductions, including, but not limited to, retirement and other employee benefit plan contributions, union dues, garnishments, and voluntary deductions (all as described below, and collectively with the Payroll Taxes, the “**Payroll Deduction Obligations**” and collectively with the Employee Compensation Obligations and Employee Benefit Obligations, the “**Prepetition Employee Obligations**”); (iii) honor and continue the Debtors’ prepetition programs, policies, and practices as described in the Wages and Benefits Motion with respect to the Prepetition Employee Obligations in the ordinary course of business; and (iv) pay all prepetition claims of the Debtors’ independent contractors (all as described below and collectively, the “**Prepetition Independent Contractor Obligations**”).

134. As of the Petition Date, I understand that the Debtors estimate that the Prepetition Employee Obligations total approximately \$53,618,000 and the Prepetition Independent Contractor Obligations total approximately \$255,000, approximately \$32,185,000 of which will become due and owing before the final hearing on the Wages and Benefits Motion.

135. Due to certain legacy employment arrangements, the Debtors’ employees are employed and managed by either Verso Paper or one of NewPage Corporation, Escanaba Paper Company, Luke Paper Company, NewPage Wisconsin System Inc., Rumford Paper

Company, or Wickliffe Paper Company LLC (collectively and for purposes of the Wages and Benefits Motion, the “**NewPage Employing Entities**”). As of the Petition Date, the Debtors employ 5,172 employees in the United States, of whom 5,123 are full-time employees, three are part-time employees, and 46 are temporary employees, and one full-time salaried employee in Canada (the “**Canadian Employee**”). As reflected in the chart below, 1,263 employees are employed and managed by Verso Paper and 3,910 employees are employed and managed by the NewPage Employing Entities, including the Canadian Employee and 2,648 Union Employees.

Position	Verso Paper	NewPage Employing Entities	Total
Salaried Employees	432	1,009	1,441
Non-Union Hourly Employees	823	212	1035
Union Employees	0	2,648	2,648
Part -Time Employees	2	1	3
Temporary Employees	6	40	46
Total	1,263	3,910	5,173

136. I believe that to remain competitive in a highly specialized industry, it is essential that the Debtors maintain a highly skilled workforce. To prevent constant—and harmful—turnover, I believe that the Debtors must offer competitive wages and benefits to their employees.

137. Wage and Salary Obligations. I understand that, before the Petition Date and in the ordinary course of business, the Debtors typically paid Employee Compensation Obligations in accordance with nine payroll cycles. Verso Paper maintains one weekly, one biweekly, one semimonthly, and one monthly payroll cycle, and the NewPage Employing Entities maintain two weekly, two biweekly, and one monthly payroll cycle. Employees paid semimonthly or monthly are paid on a current basis up to the close of business on the day payroll is paid to employees, while employees paid weekly or biweekly are paid in arrears for work through and including the previous Sunday.

138. I understand that the Debtors estimate that they have approximately \$8,500,000 outstanding in total accrued prepetition Employee Compensation Obligations, all of which will become due and owing before entry the final hearing on the Wages and Benefits Motion. It is my understanding that as of the Petition Date, there are no employees or Independent Contractors (as defined below) who are individually owed wages greater than the \$12,475 cap established by section 507(a)(4) of the Bankruptcy Code.

139. Payroll Processing Services. The Debtors utilize two payroll processing systems to transmit payment of their Employee Compensation Obligations to their employees. The NewPage Employing Entities use Ceridian, Inc. and certain of its affiliates (“**Ceridian**”) for off-site centralized payroll processing. Verso Paper uses a web- or cloud-based system running human resource software to process its own payroll, relying on Ceridian only for the actual distribution of funds. I understand that the Debtors estimate that, as of the Petition Date, they owe Ceridian approximately \$295,000 in accrued but unpaid fees related to such services, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

140. Payroll Taxes. The Debtors withhold funds from employees’ wages and salaries and also make certain payments from their own funds on account of Payroll Taxes. I understand that, as of the Petition Date, the Debtors estimate that they owe approximately \$4,650,000 in Payroll Taxes, including amounts owed by the Debtors and amounts withheld from employees and not yet remitted, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

141. Garnishments. In the ordinary course of processing payroll checks for their employees, the Debtors may be required by law, in certain circumstances, to withhold from certain employees’ wages amounts for various garnishments, such as tax levies, child support,

and other court-ordered obligations (collectively, the “**Garnishments**”). When required, the Debtors withhold Garnishments from the applicable employees’ paychecks, and remit the same to the appropriate governmental authorities on a monthly basis. I understand that as of the Petition Date, a majority of the Garnishments have been remitted to the appropriate governmental authorities.

142. Bonuses and Incentive Programs. Before the Petition Date, the Debtors offered several bonus and incentive programs to their eligible employees (collectively, the “**Incentive Plans**”). I understand that the Debtors are seeking authority to continue and make payments under the Incentive Plans (to the extent the performance measures or other qualifications for such payments have been achieved) to the Debtors’ non-insider employees in the ordinary course and in accordance with section 503(c) of the Bankruptcy Code for calendar years after 2015. It is my understanding that the Debtors are not seeking authority to pay any amounts under the Incentive Plans to the Debtors’ insider employees or to pay any amounts under the Incentive Plans for any calendar year before 2016, although the Debtors expressly reserve their rights to seek such relief in the future.

143. Leave Policies. The Debtors offer their employees other forms of compensation, including vacation days, holidays, civic duties leave, and bereavement days. I believe that these forms of compensation are usual, customary, and necessary if the Debtors are to retain qualified employees. In addition, it is my understanding that the Debtors are required by statute to provide certain of these benefits. Failure to provide these benefits could, in my opinion, harm employee morale and encourage the premature departure of employees.

144. Vacation Days. The Debtors’ Full-Time Employees and Part-Time Employees are eligible for vacation days, which are generally based on the employee’s length of

service with the Debtors. I understand the Debtors estimate that, as of the Petition Date, there is approximately \$9,000,000 in contingent obligations related to accrued but unused vacation days.

145. Bereavement Leave and Civic Duties. With some exceptions, employees are entitled to take paid bereavement leave in the event of the death of an immediate family member. In addition, employees who are obligated to perform certain civic duties, including jury duty, are granted leave to fulfill such obligations.

146. Severance. I understand that, effective January 1, 2016, the Debtors instituted a severance plan for Full-Time Non-Union Employees (the “**Severance Plan**”). I further understand that before the integration of the Debtors’ business operations, Verso Paper and the NewPage Employing Entities historically offered severance benefits to eligible employees. I believe the Severance Plan was adopted as a successor to these programs to provide consistency in the severance policies applicable to the Debtors’ eligible employees. As of the Petition Date, I understand that there are no former employees entitled to severance benefits under the Severance Plan. It is my understanding that the Debtors estimate that, as of the Petition Date, they owe approximately \$2,750,000 on account of accrued and unpaid severance obligations to 74 former non-insider Non-Union Employees under the Debtors’ severance plans that were in place before the Severance Plan (the “**Legacy Severance Obligations**”).

147. In addition to the Severance Plan, the Debtors from time to time provide severance benefits to certain of their Salaried Employees under confidentiality and non-competition agreements that were negotiated in connection with the employee’s employment with the Debtors (the “**CNC Agreements**”). I understand the Debtors estimate that, as of the Petition Date, they owe approximately \$285,000 on account of accrued but unpaid severance obligations to two former employees under such CNC Agreements.

148. Under certain of the local CBAs, Union Employees are eligible for severance pay if they are laid off due to the unavailability of work appropriate for their seniority level. On October 27, 2015, Verso entered into a Memorandum of Agreement (the “MOA”) with United Steelworkers Local 680 (the “USW”) under which Verso and the USW agreed to eligibility and timing of severance and other benefits for those Union Employees indefinitely laid off in connection with the idling of the Debtors’ Wickliffe mill. Under the MOA, affected employees are entitled to half of their earned severance under the USW CBA after they have been laid off for three months, with the remainder being paid after they have been laid off for six months. I understand the Debtors anticipate that the first of these payments, approximately \$1,655,000, will be due on or around February 7, 2016. Under the MOA, certain benefits for affected employees continue during the layoff, including the payment of medical premiums, including prescription and dental coverage, and continuation of life insurance benefits. I further understand that, as of the Petition Date, the Debtors estimate that the total accrued severance obligations under the MOA, if the indefinite layoff continues for the full six-month period, will be approximately \$3,310,000, and the total accrued but unpaid obligations related to the other benefits provided under the MOA will total approximately \$77,000. It is my understanding that because payments under the MOA are not due and payable until the affected employees have been laid off for a period of three months (i.e., February 7, 2016), the Debtors do not owe any prepetition amounts under the MOA aside from the benefit amounts currently due and outstanding.

149. I believe it is important that the Debtors honor their severance commitments. In doing so, I believe the Debtors will show their current employees that they fulfill obligations they make to their employees, while providing those eligible for severance

with hard-earned, and much-needed, income. In my view such assurances by the Debtors are invaluable not only to maintain and boost the morale of their current workforce, but also to attract and retain new employees.

150. I understand that the Debtors are seeking authorization to continue to perform under the Severance Plan, the MOA, and the CNC Agreements and to fulfill their Legacy Severance Obligations and their CBA severance obligations on a postpetition basis upon the final hearing on the Wages and Benefits Motion. In addition, it is my understanding that the Debtors are seeking authorization to pay all amounts currently owing under their severance policies. However, I understand that the Debtors are not seeking authority to pay any severance benefits to any insider, as such term is defined in section 101(31) of the Bankruptcy Code, although the Debtors expressly reserve their rights to seek such relief in the future.

151. *Expense Reimbursements.* Certain employees incur expenses in the course of performing their jobs, including, but not limited to, travel and meal expenses and telecommuting costs (“**Business-Related Expenses**”). In addition, I understand the Debtors have arrangements with certain employees to use American Express cards (“**AmEx Cards**”) to charge Business-Related Expenses. The AmEx Cards are personal credit cards, maintained in the employee’s name, and paid by the Debtors on a weekly basis. It is my understanding that if the Debtors are unable to continue to make these payments, the employee’s credit could suffer, which I believe could negatively impact morale and lead to possible legal action.

152. I understand that, in 2015, the Debtors paid a monthly average of approximately \$820,000 for Business-Related Expenses, inclusive of administrative fees. The Debtors cannot estimate the amount of Business-Related Expenses outstanding as of the Petition Date because the time for submitting required reports will not have come due. But based on

historic estimates from similar periods, I understand that the Debtors do not expect the amount to exceed \$1,300,000.

153. In addition, the Debtors pay certain eligible employees moving and relocation expenses (“**Relocation Expenses**”). I understand that, in 2015, the Debtors paid a monthly average of approximately \$275,000 for Relocation Expenses, exclusive of tax assistance. The Debtors cannot estimate the amount of Relocation Expenses outstanding as of the Petition Date because the time for submitting required reports will not have come due. But based on historic estimates from similar periods and an analysis of the maximum amount paid for any given month in 2015, I understand that the Debtors do not expect the amount to exceed \$500,000.

154. The Debtors also reimburse job-related educational expenses for eligible Full-Time Employees. I understand that approximately 40 employees are currently participating in this program, and the Debtors pay approximately \$85,000 in the aggregate per year in qualifying expenses. I further understand that the Debtors estimate that, as of the Petition Date, they owe approximately \$10,500 in accrued but unpaid educational expenses, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

155. In addition, the Debtors reimburse executive-level employees (plus one non-executive senior manager), for the cost of certain personal financial counseling services and tax assistance. I understand participants are eligible for reimbursement up to \$6,500 or \$9,500 (as determined by the employee’s grade of service) for covered services. I further understand that the Debtors estimate that, as of the Petition Date, they owe approximately \$50,000 in accrued but unpaid financial counseling services expenses, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

156. Health and Welfare Benefits. The Debtors offer their eligible employees various standard employee benefits, including medical coverage, dental insurance, vision coverage, COBRA coverage, flexible spending accounts, healthcare reimbursement accounts, healthcare spending accounts, and other benefit programs provided to employees in the ordinary course of business (collectively, the “**Health and Welfare Benefits**”).

(a) Medical Plans

157. The Debtors offer medical benefits, including prescription drug coverage, to employees and their dependents through two self-funded high deductible medical plans (the “**Medical Plans**”) administered by BlueCross BlueShield of Tennessee (“**BlueCross**”): the health reimbursement account (“**HRA**”) plan and the health savings account (“**HSA**”) plan. I understand that, as of the Petition Date, approximately 3,900 employees participate in the HRA plan and approximately 1,100 employees participate in the HSA plan.

158. The cost of the Medical Plans is borne primarily by the Debtors, although participating employees also contribute to the plans through payroll deductions to help fund claim payments. In the event of significant claims under the Medical Plans, the Debtors maintain a \$400,000 deductible stop-loss insurance policy (the “**Stop Loss Policy**”) administered by Houston Casualty Company (“**HCC**”). I understand the Debtors pay premiums on the Stop Loss Policy for all of their employees in a monthly aggregate amount of approximately \$84,000.

159. Under the Medical Plans, Verso Paper makes a weekly claims payment on behalf of its and the NewPage Employing Entities’ employees. To ensure proper accounting, the Debtors maintain a bifurcated tracking system whereby NewPage reimburses Verso Paper on a weekly basis for any claims paid by Verso Paper on behalf of the NewPage Employing Entities. I understand that Verso Paper’s average aggregate weekly claims payment under the Medical

Plans is approximately \$440,000.

160. In connection with the termination of the Debtors' former medical plans, the NewPage Employing Entities continue to make weekly claim payments in satisfaction of medical claims arising under the NewPage Employing Entities' former medical plans (the "**Anthem Plans**"). I understand that the NewPage Employing Entities' average weekly claims payment under the Anthem Plans is approximately \$800,000.

161. In addition, and as a component of the Medical Plans, Verso Paper offers its employees the opportunity to participate in an activity wellness program (the "**Wellness Program**") to earn cash rewards up to \$500 annually for achieving certain health and wellness goals. I understand the Debtors anticipate that the annual cost of this program is approximately \$1,000,000.

162. I understand the Debtors estimate that, as of the Petition Date, the total accrued but unpaid obligations related to the Medical Plans, inclusive of administrative fees, the Stop Loss Policy premiums, and Anthem Plans run-out payments, are approximately \$8,400,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

(b) Dental Plans

163. The Debtors offer dental coverage to eligible employees through one fully insured "preferred provider organization" dental plan administered by Delta Dental (the "**Delta Plan**") and five self-insured plans through Cigna Dental (the "**Cigna Plans**" and together with the Delta Plan, the "**Dental Plans**"). I understand that, as of the Petition Date, approximately 290 employees participate in the Delta Plan, and approximately 4,400 employees participate in the Cigna Plans.

164. As with the Medical Plans, the cost of the Dental Plans is borne primarily by the Debtors, with participating employees also contributing to the plans through payroll deductions. Actual daily payments remitted to Cigna are based on the claims that were approved the previous day and, because the Cigna Plans are self-insured, these payments vary from day to day. I understand the Debtors estimate that their monthly average aggregate claims payments under the Cigna Plans are approximately \$35,000. The Debtors pay monthly premiums under the Delta Plan. I understand the Debtors' monthly premium payments to Delta average approximately \$4,500. I further understand that the Debtors estimate that, as of the Petition Date, the total accrued but unpaid obligations related to the Dental Plans is \$40,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

165. Further, as with the Anthem Plans, the NewPage Employing Entities continue to pay run-out claims on a weekly basis to Cigna under their legacy dental plans. I understand that the NewPage Employing Entities estimate that their average weekly claims payment under the legacy dental plans is approximately \$13,500. I further understand the Debtors estimate that, as of the Petition Date, the total accrued but unpaid obligations related to their legacy dental plans are approximately \$75,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

(c) COBRA Program

166. The Debtors offer eligible employees the option to retain COBRA medical, dental, and vision coverage for up to 18 or 36 months after termination or certain other qualifying events through a program administered by Ceridian. Participating employees bear the entire cost of COBRA premiums, including individual administrative fees. The Debtors pay Ceridian a monthly fee of \$3,000 for the overall administration of the COBRA program. I

understand the Debtors' next estimated monthly payment of \$3,000 will become due and owing before the final hearing on the Wages and Benefits Motion. In addition, I understand the Debtors owe a run-out payment of approximately \$12,000 under their former COBRA program, which will be due and owing on or about January 31, 2016.

167. Life and Accidental Death and Dismemberment Insurance. The Debtors provide eligible employees with basic life and accidental death and dismemberment insurance coverage in the event of serious illness, injury, or death (the "**Basic Life/AD&D Plan**") through Cigna Life Insurance Company of New York ("**Cigna Life**"). The Basic Life/AD&D Plan is fully insured by the Debtors at no cost to the participating employee. I understand the Debtors pay an average monthly premium of approximately \$80,000 under the Basic Life/AD&D Plan. I further understand that the Debtors estimate that, as of the Petition Date, the total accrued but unpaid obligations related to the Basic Life/AD&D Plan are approximately \$145,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

168. Cigna Life also provides eligible employees with the option to purchase supplemental voluntary life insurance and accidental death and dismemberment insurance for themselves and their dependents (the "**Supplemental Life Insurance Plan**"). Participating employees pay 100% of the costs under the Supplemental Life Insurance Plan. If an employee elects to participate in the Supplemental Life Insurance Plan, I understand that the Debtors deduct the premiums from the employee's wages each pay cycle, and then remit the same to Cigna Life on a monthly basis, one month in arrears.

169. Short-Term and Long-Term Disability Insurance and Accident and Sickness Coverage. The Debtors offer eligible Full-Time Non-Union Employees a self-insured short-term disability program administered by Sedgwick Claims Management Services and fully

insured long-term disability coverage through Cigna Life. In addition, the Debtors offer eligible Union Employees a self-insured accident and sickness coverage program also administered by Cigna Life (collectively, the “**Disability Coverage**”) in the event that a participating employee is unable to work for an extended period due to illness or injury. I understand that, on average, the Debtors pay approximately \$10,000 in the aggregate to Cigna Life and approximately \$9,000 in the aggregate to Sedgwick on behalf of the Disability Coverage. I understand the Debtors estimate that, as of the Petition Date, the total accrued but unpaid obligations related to the Disability Coverage are approximately \$38,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

170. Other Benefit Programs. The Debtors offer several other customary benefits to their eligible employees, which are funded by employee contributions, including, but not limited to: (i) cancer / critical illness insurance coverage and group accident insurance coverage, each administered by Aflac, (ii) flexible spending accounts administered by BlueCross, and (iii) vision coverage to eligible employees through a fully insured vision care plan administered by Humana (collectively the “**Other Benefit Programs**”). While participating employees fund the entire cost of participation in the Other Benefit Programs, I understand the Debtors pay approximately \$6,800 per month in administrative fees in connection with the flexible spending accounts, including the NewPage Employing Entities’ legacy flexible spending accounts that were administered by Aon Hewitt. I further understand the Debtors estimate that, as of the Petition Date, the total accrued but unpaid administrative fees in connection with the flexible spending accounts are approximately \$13,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

171. In connection with certain of the Other Benefit Programs, the Debtors deduct the premiums from the participating employee's wages and remit such premiums monthly to the appropriate program administrator. As of the Petition Date, I understand the Debtors hold approximately \$232,000 in premiums collected from their employees that are due to be remitted to the appropriate administrator on or around February 15, 2016. It is my view that since the Debtors are merely acting as custodian of these funds until payment is due that these funds are not the property of the Debtors' estates.

172. In addition, the Debtors offer their employees an Employee Assistance Program (the "**EAP**") administered by Freckman & Associates ("**Freckman**"). Through the EAP, employees can speak with advocates who offer advice and put the employee in contact with a network of available resources across an array of topics, including, legal consultation, pet care, child care, and debt counseling services. The EAP is entirely funded by the Debtors and I understand the Debtors estimate that, as of the Petition Date, the total accrued but unpaid obligations related to the EAP are approximately \$15,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

173. Benefit Stipend. The Canadian Employee does not participate in any of the Debtors' group benefit plans. Instead, I understand the NewPage Employing Entities enrolled the Canadian Employee in individual coverage similar to policies offered to their U.S. employees, including fully funded long-term disability and basic life insurance and a 75%-25% cost share for medical and dental insurance. I further understand the Debtors pay the Canadian Employee \$2,000 per month, grossed up for tax purposes (the "**Benefit Stipend**"), through Ceridian with which to purchase these benefit plans. I understand the Debtors estimate that approximately \$2,000 will become due and owing to the Canadian Employee prior to the final hearing on

Wages and Benefits Motion.

174. 401(k) Plans. I understand the Debtors sponsor the following defined contribution retirement investment plans for eligible employees: (i) the Verso Corporation Retirement Savings Plan for Verso Paper's employees (the "**Verso 401(k) Plan**") and (ii) the NewPage Retirement Savings Plan for the NewPage Employing Entities' employees (the "**NewPage 401(k) Plan**") and together with the Verso 401(k) Plan, the "**401(k) Plans**").

175. The Debtors retain the services of Fidelity Management Trust Company, ("**Fidelity**"), as trustee and administrator for the Verso 401(k) Plan, Empower Retirement ("**Empower**"), as trustee and administrator for the NewPage 401(k) Plan, and Stephens Capital Management ("**Stephens**") as investment advisor for the 401(k) Plans.

176. I understand that, as of the Petition Date, approximately 4,600 employees participate in the 401(k) Plans. The Debtors withhold employee contributions to the 401(k) Plans each payroll cycle and remit those funds, on a weekly basis to Fidelity and Empower, as a contribution to the trust of each of the 401(k) Plans. In addition, the Debtors match employee contributions to the 401(k) Plans as described below.

177. The Debtors match 70% of participating employees' contributions to the Verso 401(k) Plan up to the first 4% of the employee's eligible compensation and 60% of the employee's contributions to the Verso 401(k) Plan on the second 4% of the employee's compensation, all calculated on a current basis per payroll period. I understand that, as of the Petition Date, the Debtors do not believe that they hold any funds that have been withheld from participating employees' paychecks and not yet remitted to Fidelity for the Verso 401(k) Plan.

178. The Debtors match 50% of contributions of their Non-Union Employees participating in the NewPage 401(k) Plan up to the first 8% of the employee's eligible

compensation. In addition, for certain eligible grandfathered Union Employees, the Debtors match 100% of participating employees' contributions to the NewPage 401(k) Plan up to the first 3% of the employee's eligible compensation, calculated on a current basis per payroll period. For non-grandfathered Union Employees, the Debtors match 100% of participating employees' contributions to the NewPage 401(k) Plan up to the first 2% of the employee's eligible compensation and 50% of the employee's contributions to the NewPage 401(k) Plan on the second 4% of the employee's eligible compensation, all calculated on a current basis per payroll period. In addition, for grandfathered Union Employees at the Debtors' Wickliffe mill, the Debtors match 100% of participating employees' contributions to the NewPage 401(k) Plan up to the first 3% of the employee's eligible compensation and 50% of the employee's contributions to the NewPage 401(k) Plan on the second 2% of the employee's compensation, all calculated on a current basis per payroll period.

179. On average, I understand the Debtors' monthly matching contributions under the NewPage 401(k) Plan total approximately \$885,810. I further understand that, as of the Petition Date, the Debtors do not believe that they hold any funds that have been withheld from participating employees' paychecks and not yet remitted to Empower for the NewPage 401(k) Plan. The Debtors also typically make a fixed contribution for the preceding year to the NewPage 401(k) Plan of approximately (i) \$6,600,000 on behalf of grandfathered Union Employees in January and (ii) \$4,250,000 on behalf of Non-Union Employees by the end of March. I understand the Debtors estimate that their fixed contributions to the NewPage 401(k) Plan for the 2015 calendar year will be payable on January 31, 2016 for Union Employees and on or around March 31, 2016 for Non-Union Employees.

180. On average, I understand the Debtors pay approximately \$14,000 per

month in aggregate administrative fees related to the 401(k) Plans. I further understand that the Debtors estimate that, as of the Petition Date, the total accrued but unpaid obligations for administrative fees related to the 401(k) Plans are approximately \$62,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

181. Supplemental Salary Retirement Program. The Debtors maintain a Supplemental Salary Retirement Program (the “**SSRP**”) under the Verso 401(k) Plan for certain eligible Verso Paper employees. Under the SSRP, the Debtors make an annual discretionary contribution to each eligible employee’s Verso 401(k) Plan account equal to either 2.75% or 5% of the employee’s eligible compensation, which consists of the employee’s salary, bonus, and cash incentive compensation paid during the preceding year (the “**Annual SSRP Contribution**”). The Debtors typically pay the Annual SSRP Contribution in April of each year for the preceding year. I understand the Debtors estimate that the Annual SSRP Contribution for the 2015 calendar year will be approximately \$3,825,000, which will be payable in April of 2016.

182. Deferred Compensation Plan. The Debtors maintain a nonqualified defined contribution plan under which eligible employees may elect each year to defer up to 85% of their base salary and up to 100% of their incentive compensation (the “**DCP**”). The Debtors match 70% of the employee’s deferrals to the DCP up to the first 4% of the employee’s eligible compensation, and 60% of the employee’s deferrals up to the second 4% of the employee’s compensation, subject to certain restrictions and limitations. I understand that, as of the Petition Date, approximately 40 current and former Verso Paper employees participate in the DCP.

183. The assets of the DCP are held in a rabbi trust by the trustee, State Street Bank and Trust Company. I understand that, as of January 18, 2016, the value of the DCP rabbi

trust assets was approximately \$3,020,000, which approximately equaled accrued and unsatisfied DCP benefit obligations as of that date. I further understand that, in 2015, the Debtors made matching contributions of approximately \$73,000 for participating employees under the DCP.

184. As of December 31, 2015, employees may no longer elect to defer compensation under the DCP and the Debtors ceased making matching contributions. However, a portion of the Annual SSRP Contribution for the 2015 calendar year may be contributed to the DCP in the event that contributions to an individual employee under the SSRP for the 2015 calendar year exceed the \$53,000 cap under 26 I.R.C. § 415(c) (the “**Excess 415(c) Contribution**”). Beyond the Excess 415(c) Contribution, I understand the Debtors are not seeking authority under the Wages and Benefits Motion to make any contributions to the DCP, although the Debtors expressly reserve their rights to seek such relief in the future.

185. *Executive Retirement Program.* The Debtors also maintain a contribution program for the benefit of certain executives and select senior managers (the “**Executive Retirement Program**”) as part of the DCP. Under the Executive Retirement Program, the Debtors typically make a discretionary contribution ranging from 4% to 10% of the participant’s eligible compensation to the participant’s account under the DCP for a particular calendar year. I further understand that, as of December 31, 2015, the Debtors have ceased making contributions under the Executive Retirement Program. I understand that accrued and unsatisfied obligations with respect to the Executive Retirement Program are included in the estimate of accrued and unsatisfied DCP benefit obligations above. I further understand the Debtors are not seeking authority under the Wages and Benefits Motion to make any contributions under the Executive Retirement Plan, although the Debtors expressly reserve their rights to seek such relief in the future.

186. Verso Pension Plan for Hourly Employees. Verso Paper maintained a defined benefit pension plan for certain hourly union employees (the “**Verso Pension Plan**”). Participation in the Verso Pension Plan was frozen in 2011 for any new hires and on September 30, 2015, the Verso Pension Plan was merged into the Androscoggin Plan (as defined below), and all of the obligations of the Verso Pension Plan continue under the Androscoggin Plan. I understand the Verso Pension Plan currently has 1,085 participants, none of whom are active employees, 466 of whom are former employees with rights to deferred benefits, and 619 of whom are retirees receiving benefits. I further understand that, for plan year 2015, the Debtors contributed approximately \$1,080,000 to the Verso Pension Plan.

187. Verso Androscoggin Plan. The Debtors maintain a defined benefit pension plan for certain eligible employees (the “**Androscoggin Plan**”). Participation in the Androscoggin Plan closed to new employees on December 31, 2015, and benefits under the plan ceased to accrue for all participants (including participants under the former Verso Pension Plan) as of that date. I understand the Androscoggin Plan currently has 877 participants (excluding the Verso Pension Plan participants absorbed into the Androscoggin Plan, as noted above), of whom 403 are active employees, 309 are former employees with rights to deferred benefits, and 165 are retirees receiving benefits. For plan year 2015, I understand the Debtors have contributed approximately \$2,500,000 to the Androscoggin Plan, with an additional payment for plan year 2015 due in September 2016, projected to be approximately \$440,000.

188. NewPage Bargained Hourly Plan. The Debtors maintain a defined benefit pension plan for eligible Union Employees (the “**NewPage Bargained Hourly Plan**”). Although benefits under the NewPage Bargained Hourly Plan continue to accrue for certain grandfathered participants, participation in the plan has been closed to new participants since March 31, 2013. I

understand that the NewPage Bargained Hourly Plan currently has 8,247 participants, of whom 2,526 are active employees, 1,942 are former employees with rights to deferred benefits, and 3,779 are retirees receiving benefits. For plan year 2015, I further understand the Debtors have contributed approximately \$17,500,000 to the NewPage Bargained Hourly Plan, with an additional payment for plan year 2015 due in September 2016, projected to be approximately \$3,000,000.

189. *NewPage Cash Balance Plan*. The Debtors maintain a defined benefit pension plan for eligible Non-Union Employees employed by the NewPage Employing Entities (the “**NewPage Cash Balance Plan**”). Benefits under the NewPage Cash Balance Plan ceased to accrue after December 31, 2010. I understand that the NewPage Cash Balance Plan currently has 3,788 participants, of whom 967 are active employees, 1,483 are former employees with rights to deferred benefits, and 1,338 are retirees receiving benefits. I further understand the Debtors did not make any contributions to the NewPage Cash Balance Plan for plan year 2015.

190. *Canadian Employee Retirement Plan*. I understand the Debtors offer the Canadian Employee a retirement savings plan, whereby the Debtors make a direct contribution to the plan on behalf of the Canadian Employee in the amount of 6% of his eligible compensation and a matching contribution of up to 8% of his eligible compensation, for a total annual obligation of approximately \$10,000.

191. *Other Retiree Benefit Obligations*. The NewPage Employing Entities offer certain eligible retirees Debtor-subsidized medical and prescription drug coverage, life insurance, and death benefits. The NewPage Employing Entities offer eligible pre-65 retired Union Employees an HRA administered by BlueCross (the “**Pre-65 Medical Plan**”). I understand there are approximately 375 participants in the Pre-65 Medical Plan and that, on average, the Debtors

pay BlueCross approximately \$780,000 per month, inclusive of service and administrative fees, for coverage and administration of the Pre-65 Medical Plan. I further understand that, as of the Petition Date, the Debtors' total accrued but unpaid obligations on account of the Pre-65 Medical Plan are approximately \$200,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

192. In addition, the NewPage Employing Entities offer eligible post-65 retired Full Time Employees a medical plan that includes a self-insured prescription drug plan and a Medicare supplement insurance policy through AmWins (the "**Post-65 Medical Plan**"). I understand there are approximately 5,120 participants in the Post-65 Medical Plan, including both retirees and their dependents. On average, I understand the Debtors pay AmWins approximately \$60,000 per month, inclusive of service and administrative fees, for coverage and administration of the Post-65 Medical Plan and pay approximately \$600,000 per month for the self-insured prescription drug program. I further understand that, as of the Petition Date, the Debtors' total accrued but unpaid obligations on account of the Post-65 Medical Plan are approximately \$800,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

193. The NewPage Employing Entities offer eligible retired Union Employees retiree life insurance through Aetna Life Insurance Company. I understand the Debtors pay an estimated average monthly premium of approximately \$35,000 in connection with the retiree life insurance plan. I further understand the Debtors estimate that, as of the Petition Date, the total accrued but unpaid obligations related to retiree life insurance are approximately \$70,000, all of which will become due and owing before the final hearing on the Wages and Benefits Motion.

194. The NewPage Employing Entities offer death benefits to eligible retired Union Employees through an unfunded plan, whereby the Debtors pay death benefits directly to the retired employee's beneficiary. Benefit amounts are determined on a discretionary basis and range from \$1,200 to \$5,000. I understand that there are approximately 5,000 eligible retirees under this program. I understand that, on average, the Debtors pay approximately \$40,000 per month for retiree death benefits. I further understand that, as of the Petition Date, the Debtors' total unpaid obligations related to retiree death benefits are approximately \$36,600,000, of which the Debtors estimate approximately \$110,000 will become due and owing before the final hearing on the Wages and Benefits Motion.

195. The NewPage Employing Entities formerly offered certain of their eligible retirees a reimbursement plan (the "**Premium Reimbursement Plan**"), whereby the NewPage Employing Entities would set aside an allotment to reimburse eligible retirees for the cost of retiree-paid, after-tax healthcare premiums. Eligible retirees would pay premiums on self-procured (medical or prescription) healthcare plans and seek reimbursement from the NewPage Employing Entities until they depleted their individual lifetime allotment. I understand that there are approximately 245 eligible retirees with allotted funds left in the Premium Reimbursement Plan. I further understand the Debtors estimate that there is approximately \$1,050,000 remaining for distribution under the plan and that, as of the Petition Date, the Debtors estimate that their total unpaid obligations relating to the Premium Reimbursement Plan are approximately \$25,000, all of which will become due and owing before the final hearing on this motion.

196. Independent Contractor Obligations. To complement their workforce, the Debtors retain approximately 25 independent contractors in the United States (each, an "**Independent Contractor**") and collectively, the "**Independent Contractors**") either through

direct agreements with the Independent Contractor or through a contracting agency (an “Agency”). I understand the Debtors estimate that, as of the Petition Date, the total accrued and outstanding Prepetition Independent Contractor Obligations are approximately \$255,000, all of which will become due and owing before entry of the final hearing on the Wages and Benefits Motion.

197. Where the Debtors retain an Independent Contractor through an Agency, the Agency invoices the Debtors on either a monthly or weekly basis, as stipulated by the agreement, and the Debtors pay either the Independent Contractor or the Agency, depending on the terms of the individual agreements. I understand that, on average, the Debtors pay approximately \$30,000 per month for the services and expenses of Agency Independent Contractors.

198. Where the Debtors enter into an engagement letter or agreement directly with an Independent Contractor, the Independent Contractor typically provides the Debtors with an invoice and the Debtors remit payment to the Independent Contractor on a monthly basis. I understand that, on average, the Debtors pay approximately \$225,000 per month for the services and expenses of non-Agency Independent Contractors.

199. I believe that satisfying the Prepetition Independent Contractor Obligations is integral to the Debtors’ ability to operate in chapter 11. The Debtors depend on the Independent Contractors and would face severe difficulties attempting to replace them, much less operate without them. As with their employees, the Debtors have spent considerable resources identifying Independent Contractors who understand the Debtors’ business practices and policies. I believe that if the Debtors fail to pay the Independent Contractors, and fail to satisfy the Prepetition Independent Contractor Obligations, the Debtors’ operations would be

disrupted and their reorganization efforts harmed.

200. Finally, like the employees, the Independent Contractors rely on payments from the Debtors for income. I believe these individuals will likely be exposed to financial difficulties if the Debtors are not permitted to continue honoring the Prepetition Independent Contractor Obligations, an outcome that I believe may impair the Debtors' ability to contract reliable personnel going forward.

201. I believe that paying Prepetition Employment Obligations will benefit the Debtors' estates and their stakeholders by allowing the Debtors' business operations to continue during these chapter 11 cases. Indeed, I believe that without the requested relief, the employees may seek alternative opportunities, perhaps with the Debtors' competitors. Such a development would deplete the Debtors' workforce and hinder the Debtors' ability to continue to operate their businesses. The loss of valuable employees would be distracting and counterproductive at this critical juncture. Accordingly, I believe that the relief requested in the Wages and Benefits Motion is necessary to avoid irreparable harm to the Debtors and to preserve the value of their estates throughout these chapter 11 cases and, therefore, is in the best interests of the Debtors, their estates, and all of their stakeholders.

H. Cash Management Motion

202. The Debtors seek entry of interim and final orders (i) authorizing the Debtors to continue to use their centralized cash management system (the "**Cash Management System**") and bank accounts; (ii) waiving certain bank account and related requirements of the Office of the United States Trustee for the District of Delaware (the "**U.S. Trustee**"); (iii) authorizing the Debtors to continue their existing deposit practices under the Cash Management System (subject to the Debtors' implementation of certain reasonable changes to

the Cash Management System); (iv) extending time to comply with section 345(b) of the Bankruptcy Code; and (v) authorizing Intercompany Transactions (defined below) consistent with historical practice and granting administrative expense priority to Intercompany Transactions.

203. The Debtors' Cash Management System is an integrated network of bank accounts that, I believe, is critical to maintaining the Debtors' operations during these cases and, in turn, to maximizing the value of the Debtors' estates. The Debtors use the Cash Management System to collect cash from operations and to make cash disbursements (primarily payroll and payments to vendors) to manage their business. The Cash Management System also serves a strategic function, facilitating the Debtors' cash monitoring, forecasting, and reporting. As described in further detail below, the Cash Management System has the following main components: (i) cash collection, primarily the collection of payments from customers; (ii) cash concentration; (iii) cash transfers between and among the Debtors as well as certain non-Debtor affiliates; and (iv) cash disbursements to fund the Debtors' operations. Recognizing the importance and complexity of the Cash Management System, the Debtors carefully record all collections, transfers, and disbursements made through the Cash Management System at the time they are made.

204. Since the acquisition by Verso of NewPage in January 2015, the Debtors have become an operationally integrated and unified company. Due to their capital structure and legacy customer arrangements, however, the Verso Entities⁶ and the NewPage Entities⁷ maintain

⁶ For the purposes of this Declaration, the term "**Verso Entities**" means collectively: Debtors Verso Corporation, Verso Paper Finance Holdings One LLC, Verso Paper Finance Holdings LLC, Verso Paper Holdings LLC, Verso Paper Finance Holdings Inc., Verso Paper Inc., Verso Paper LLC, NewPage Holdings Inc., nexTier Solutions Corporation, Verso Androscoggin LLC, Verso Fiber Farm LLC, Verso Maine Energy LLC, Verso Quinnesec LLC, Verso Quinnesec REP Holding Inc., Verso Sartell LLC, and Bucksport Leasing LLC.

separate, but interconnected, Cash Management Systems, each described below. In connection with this structure, I understand that Verso Paper receives customer payments on behalf of the Verso Entities, and Verso Holdings disburses all payments on behalf of the Verso Entities; and NewPage receives customer payments and disburses all payments on behalf of the NewPage Entities.

205. Bank Accounts. The Cash Management System relies on approximately 15 bank accounts (the “**Debtor Bank Accounts**”), which are held primarily at two banks: PNC Bank, National Association (“**PNC**”), where Verso Paper has accounts, and Wells Fargo Bank, N.A. (“**Wells Fargo**”), where Verso Holdings and NewPage both have accounts. Each Debtor Bank Account is insured by the Federal Deposit Insurance Corporation (“**FDIC**”) or the Canadian Deposit Insurance Company (“**CDIC**”), as applicable. Non-Debtor affiliates CWPCo, VMPH, and Verso Quinnesec REP LLC (“**Verso Q-REP**”) also maintain certain accounts with Associated Bank, Rabobank, N.A. (“**Rabobank**”), and JPMorgan Chase Bank, N.A. (“**JPMorgan**”).

206. Verso Cash Management System. The Verso Entities deposit payments from their customers into a zero-balance collection account at PNC in the name of Verso Paper (the “**Verso Collection Account**”), via wire, ACH, or check. At the end of each business day, all funds in the Verso Collection Account and Misdirected Verso Funds Account (as defined below) are automatically swept into a central concentration account held by Verso Paper at PNC (the

⁷For the purposes of this Declaration, the term “**NewPage Entities**” means collectively: Debtors NewPage Investment Company LLC, NewPage Corporation, Escanaba Paper Company, Luke Paper Company, NewPage Consolidated Papers Inc., NewPage Wisconsin System Inc., Rumford Paper Company, Wickliffe Paper Company LLC, Chillicothe Paper Inc., NewPage Energy Services LLC, and Upland Resources, Inc. The term NewPage Entities does not include Non-Debtor Affiliate Consolidated Water Power Company (“**CWPCo**”), which, as a public utility, maintains its own cash management system for the receipt of payments in the ordinary course of business from its customers who purchase its electricity, including certain of the Debtors.

“**Verso PNC Concentration Account**”). To fund operations, cash is wired from the Verso PNC Concentration Account, as needed, into a zero-balance concentration account held by Verso Holdings at Wells Fargo (the “**Verso WF Concentration Account**”). All Disbursements related to payroll and debt service, and all vendor wires, however, are wired directly to the applicable payee from the Verso PNC Concentration Account. I understand that, as of the Petition Date, the Verso PNC Concentration Account has a nominal balance.

207. Verso Holdings maintains a primary disbursement account at Wells Fargo (the “**Verso Disbursement Account**”), which is funded via a zero balance mechanism from the Verso WF Concentration Account. The Verso Entities use the Verso Disbursement Account to pay most of their operating Disbursements, including payments to vendors, suppliers, and any other trade creditors, in the form of ACH debits and checks.

208. Verso Quinnesec LLC (“**Verso Quinnesec**”) also maintains a special purpose escrow account related to landfill closure obligations at the Quinnesec Mill. This account is funded by the Verso Disbursement Account and I understand that the average daily balance in the account is approximately \$855,000.

209. NewPage Cash Management System. The NewPage Cash Management System, as I describe below, is as it existed prior to entering “cash dominion” under the NewPage ABL Facility on December 29, 2015. The NewPage Entities deposit payments from customers into a zero-balance collection account maintained by NewPage at Wells Fargo (the “**NP Collection Account**”), via wire, ACH, or check. To facilitate sales to Canadian customers and payments to Canadian vendors, NewPage also maintains accounts at the Royal Bank of Canada (“**RBC**”) and Wells Fargo denominated in Canadian Dollars (“**CAD**”). NewPage deposits revenue generated from sales to Canadian customers into a zero-balance CAD-

denominated account at RBC (the “**CAD Collection Account**”), via wire, ACH, or check.

210. The NewPage Entities concentrate all their cash at Wells Fargo. At the end of each business day, all funds in the NP Collection Account are automatically swept into a concentration account held by NewPage at Wells Fargo (the “**NP Concentration Account**”). To fund operations, cash is manually wired from the NP Concentration Account, as needed, into a zero-balance disbursement account held by NewPage at Wells Fargo (the “**NP Disbursement Account**”). All Disbursements related to payroll and debt service and certain vendor wires are wired directly to the applicable payee from the NP Concentration Account. I understand that the average daily balance of the NP Concentration Account in the month prior to entering “cash dominion” was approximately \$10.5 million.

211. Similarly, the funds in the CAD Collection Account at RBC are swept into a CAD-denominated concentration account at Wells Fargo (the “**CAD Concentration Account**” and together with the CAD Collection Account, the “**CAD Accounts**”) at the end of each business day. CAD-denominated payments to Canadian vendors and suppliers, as well as payroll for a very limited number of salespeople based remotely in Canada, are made directly from the CAD Concentration Account. Since CAD-denominated collections generally exceed CAD-denominated Disbursements, as needed, NewPage transfers excess cash in the CAD Concentration Account to the NP Concentration Account for balancing purposes and in the normal course of business. I understand that the average daily balance of the CAD Concentration Account in the month prior to entering “cash dominion” was approximately \$1.6 million.

212. The NP Disbursement Account is a zero-balance account that is funded by the NP Concentration Account and is used to pay non-payroll-related operating Disbursements of the NewPage Entities, including payments to vendors, suppliers, and any other trade creditors, in

the form of ACH debits, wires, and checks. Disbursements to utility (and non-Debtor affiliate) CWPCo for purchases of electricity are also made from the NP Disbursement Account.

213. Certain other NewPage Entities also maintain special purpose disbursement accounts, which are used primarily for funding workers' compensation claims (which funds are bank impounded by Cigna) and escrow for landfill closure obligations. These accounts are funded by the NP Disbursement Account and I understand that the average aggregate daily balance in these accounts is approximately \$610,000.

214. Misdirected Payments. Because of the high level of integration that has occurred among the Debtors, the Verso Entities and the NewPage Entities share customers, and Verso Paper and NewPage frequently receive payments intended for one but inadvertently sent to the other (the "**Misdirected Funds**"). To address this, I understand that Verso Paper and NewPage each has developed a procedure for promptly transferring any "misdirected payments" to the correct entity. The customers that most often misdirect payments are those that intend to pay the NewPage Entities but instead remit funds to the Verso Collection Account (the "**Misdirected NewPage Funds**"). To ensure that these funds are properly routed to NewPage, Verso Paper first moves the Misdirected NewPage Funds to the Verso PNC Concentration Account. Then, on a daily basis, Verso Paper transfers the Misdirected NewPage Funds from the Verso PNC Concentration Account to the NP Collection Account.

215. Likewise, though less commonly, customers intending to pay the Verso Entities mistakenly remit funds to the NP Collection Account (the "**Misdirected Verso Funds**"). The process for Misdirected Verso Funds mirrors the process for Misdirected NewPage Funds. NewPage transfers Misdirected Verso Funds in the normal course to the NP Disbursement Account. From there, the Misdirected Verso Funds are transferred to a zero-balance collection

account held by Verso Paper at PNC and specifically created for receiving any Misdirected Verso Funds (the “**Misdirected Verso Funds Account**”).

216. Non-Debtor Affiliate Bank Accounts. As discussed above, non-Debtor affiliate CWPCo maintains its own cash management system for the receipt of payments in the ordinary course of business from its customers who purchase electricity. Non-Debtor affiliate VMPH maintains an escrow account with Rabobank, which holds proceeds of the Hydroelectric Sale. As of the Petition Date, I understand that the balance in this account is approximately \$41 million. Non-Debtor affiliate Verso Q-REP maintains several special purpose accounts in connection with a leveraged loan and financing transaction under the New Markets Tax Credit (“**NMTC**”) program. These accounts are generally used for Verso Q-REP to collect rent payments from Verso Quinnesec and to pay debt service on the Project Loans and fees payable to the CDE Lenders under the NMTC program.

217. Cash Purchase Accounts. The Debtors maintain two commercial purchase card accounts with Wells Fargo that they use to make cash purchases necessary for the Debtors’ administrative and operational functions, such as for office supplies, meeting and event supplies, business cards and stationary, local courier services, and registration fees for group seminars and trainings.

218. Verso Holdings maintains a commercial purchase card account (the “**Verso Card Account**”) under a WellsOne Commercial Card Agreement, dated on or around September 3, 2010 (as amended, restated, supplemented, or otherwise modified from time to time, the “**Verso Card Agreement**”) for cash purchases on behalf of itself, Verso Paper, and the Verso Entities. I understand that currently, under the Verso Card Agreement, Wells Fargo is

authorized to make advances on behalf of Verso Holdings with a maximum exposure at any time up to \$60,000.

219. NewPage also maintains a commercial purchase card account (the “**NewPage Card Account**”) under a WellsOne Commercial Card Express Agreement, dated on or around December 16, 2014 (as amended, restated, supplemented, or otherwise modified from time to time, the “**NewPage Card Agreement**”) for cash purchases on behalf of itself and the NewPage Entities. I understand that currently, under the NewPage Card Agreement, Wells Fargo is authorized to make advances on behalf of NewPage with a maximum exposure at any time up to \$175,000.

220. *Intercompany Transactions.* As a result of the way the Debtors run their business, intercompany transfers take place, and intercompany claims exist, among the Debtors and between certain Debtors and non-Debtor affiliates (collectively, the “**Intercompany Transactions**”). I understand that the Intercompany Transactions fall primarily into three categories: (i) intercompany balances as a result of receipts and/or disbursements made either among the Verso Entities or among the NewPage Entities (but not between the Verso Entities and the NewPage Entities) in the ordinary course of business, (ii) intercompany transactions between the Verso Entities and the NewPage Entities, and (iii) intercompany transactions between the Debtors and certain non-Debtor affiliates.⁸ These ordinary-course Intercompany Transactions enable the Debtors and Non-Debtors Affiliates to efficiently settle internal and external obligations while maximizing operating efficiency. If the Intercompany Transactions were discontinued, I believe that the Cash Management System and the operations of the Debtors

⁸ I understand that transactions made pursuant to the Shared Services Agreement are specifically excluded from the defined term “Intercompany Transactions” as used in the Cash Management Motion.

and Non-Debtor Affiliates alike would be harmed, to the detriment of the Debtors and their estates and creditors.

221. Intercompany Transactions Among the Verso Entities or Among the NewPage Entities. As described above, the flow of funds within the Cash Management System is maintained primarily by Verso Paper and Verso Holdings for the Verso Entities and NewPage for the NewPage Entities. As a result, disbursements and receipts by Verso Holdings and Verso Paper, on the one hand, and by NewPage, on the other, may reflect intercompany balances due and owing among the Verso Entities or among the NewPage Entities. These Intercompany Transactions represent extensions of intercompany credit, rather than actual cash flows, made in the ordinary course of business.

222. Intercompany Transactions between the Verso Entities and the NewPage Entities. In the ordinary course of business, certain Verso Entities and certain NewPage Entities sell raw materials to each other, such as wood and pulp, which are critical to the paper manufacturing process. It is my understanding that these intercompany sales of pulp and wood benefit both the Verso Entities and the NewPage Entities because they provide convenient and cost-effective access to essential materials. Sourcing raw materials internally provides certainty and lessens the Debtors' dependence on third party suppliers. Without these intercompany sales, I believe that the Debtors might be forced to turn to third party suppliers on short notice and accept less attractive sales terms.

223. Intercompany Transactions also take place between certain Verso Entities and NewPage Entities in the ordinary course with respect to reimbursement for certain corporate expenses, including, without limitation, payments made in connection with the Debtors' consolidated employee medical plans, insurance policies, and corporate credit cards.

224. Intercompany Transactions between the Debtors and Non-Debtor Affiliates. As mentioned above, certain NewPage Entities purchase electricity from non-Debtor affiliate CWPCo in the ordinary course of business. In connection with this arrangement, CWPCo utilizes the employees and other services of these NewPage Entities, the cost of which is offset against NewPage's payment for electricity and reflected in the CWPCo invoice each month. I understand that the Debtors also partially fund the operations and maintenance expenses and capital expenditure needs of non-Debtor affiliate Gulf Island Pond Oxygenation Project ("GIPOP"), which Verso Paper hold a 30.5% partnership interest. GIPOP is critical to the ongoing operation of the Androscoggin Mill and compliance with certain federal and state water quality standards. Finally, as discussed earlier, non-Debtor affiliate Verso Q-REP collects rent from Verso Quinnesec pursuant to an operating lease. Verso Paper, on behalf of Verso Quinnesec, transfers the quarterly rent payment from the Verso PNC Concentration Account to a special purpose account maintained by Verso Q-REP, which subsequently uses the rent proceeds to pay debt service and related fees on its loans under the NMTC program.

225. Bank Fees. The Debtors permit their banks to deduct service charges and other fees, costs, and expenses arising in the ordinary course (collectively, the "Bank Fees") from the Debtor Bank Accounts. The Debtors' average monthly Bank Fees total approximately \$35,000, and I understand that the Debtors estimate that they owe up to \$50,000 in prepetition Bank Fees.

226. As discussed earlier, the Cash Management System is an ordinary course and essential business practice that provides the Debtors essential and significant benefits. It is my understanding that the burden and administrative expense of, among other things, closing the Debtor Bank Accounts, opening new accounts, printing new checks, and revising the Cash

Management System, in order to comply with certain requirements of the U.S. Trustee would severely hamper the Debtors' ability to serve customers and meet postpetition obligations and jeopardize the Debtors' ability to maximize value for parties in interest. I believe the Debtors' ability to continue using the Cash Management System and Debtor Bank Accounts during these chapter 11 cases is essential to maintaining the Debtors' business and maximizing the value of their estates.

227. In addition, ordinary-course Intercompany Transactions are integral to ensuring the Debtors are able to operate their business as debtors in possession and to preserving the valuable estate assets. Without the Intercompany Transactions, I believe the Cash Management System would be severely disrupted, and the Debtors' business, in turn, would be materially harmed. The Debtors would be unable to centralize and control cash management, exposing the Debtors to the risks of cash leakage and misallocation of critical resources. Moreover, the Intercompany Transactions provide the Debtors access to liquidity that may be necessary to fund ongoing operations, to the detriment of the Debtors and their estates. Accordingly, I believe that the relief requested in the Cash Management Motion is necessary to avoid immediate and irreparable harm to the Debtors' estates and is in the best interests of all stakeholders.

I. Customer Programs Motion

228. The Debtors seek entry of an order authorizing the Debtors to maintain and administer customer-related programs, practices, and policies (collectively, the "**Customer Programs**") and honor prepetition obligations to customers arising under the Customer Programs in the ordinary course of business and in a manner consistent with past practice (collectively, the "**Prepetition Customer Obligations**").

229. In the ordinary course of business, the Debtors maintain several Customer Programs designed to drive sales, meet competitive pressures, build key relationships, and develop and sustain customer loyalty. The viability and success of the Debtors' business depends on the patronage and loyalty of their customers.

230. The Debtors maintain four primary Customer Programs: (i) the PAR Program; (ii) the Merchant Incentive Program; (iii) Merchant True-Up Payments; and (iv) the Product Performance Credits Program.

231. *The PAR Program.* The Debtors maintain a performance allowance rebate program (the "**PAR Program**") whereby the Debtors enter into agreements with certain customers that incentivize those customers to meet volume, share, and product mix thresholds in exchange for payments against the price paid for purchased products. The PAR Program encourages customers to purchase amounts and mix of product in a manner that enhances profitability and increases net revenue. The terms of the PAR Program vary across business segments and among customers. Rebates extended under the PAR Program are negotiated with customers on a standalone basis and commonly are contractually agreed upon. The timing of payments—monthly, quarterly, bi-annual, or annual—under the PAR Program also varies by customer.

232. Currently, approximately 96 customers participate in the PAR Program. I understand that as of the Petition Date, the Debtors have approximately \$27,500,000 in accrued rebates outstanding to PAR Program participants. I believe that it is essential to continue the PAR Program because it allows the Debtors to preserve goodwill with existing customers and attract new customers. More importantly, if customers believe that rebates under the PAR Program would not be honored, customers likely would immediately begin shifting orders to the

Debtors' competitors.

233. Merchant Incentive Program. The Debtors maintain a merchant incentive program (the "**Merchant Incentive Program**") designed to increase the volume of sales of sheeted paper products stored in certain Merchants' warehouses. Under the Merchant Incentive Program, certain Merchants, upon achieving a threshold amount of sales of the Debtors' products, are eligible to receive a supplemental payment, thus incentivizing the Merchant to sell the Debtors' products from the inventory in its warehouse. Like the PAR Program, the Merchant Incentive Program is not uniform across all participating Merchants. Rather the Debtors and the Merchant negotiate and agree upon specific terms.

234. I understand that as of the Petition Date, approximately 17 Merchants participate in the Merchant Incentive Program, and the Debtors have approximately \$2,500,000 in accrued but unpaid obligations related to the Merchant Incentive Program. I believe that it is critical that the Debtors preserve their relationships with the Merchants during these chapter 11 cases as the Debtors' largest paper sales by volume are through Merchants. In my opinion, if the Debtors fail to honor payments owed under the Merchant Incentive Program, the Debtors would severely damage these key relationships to the detriment of all stakeholders.

235. Merchant True-Up Payments. The Debtors also make certain true-up payments to Merchants (the "**Merchant True-Up Payments**") as part of their Customer Programs. Typically, when selling paper products to Merchants, the Debtors agree on a set of wholesale prices. But the Debtors occasionally offer pricing discounts to Merchants for products sold to specific Printers or End Users, paying the Merchants the discounted amounts when the sales are made from the Merchants' inventory. Approximately 20 Merchants receive Merchant True-Up Payments. Each month, these Merchants submit to the Debtors a report identifying

volume and pricing information for the products shipped to customers from the Merchants' warehouse. The Debtors then reimburse the Merchants for the difference between the wholesale price billed to the Merchant and any agreed discounted prices for applicable customers.

236. I understand that as of the Petition Date, the Debtors have approximately \$360,000 in accrued but unpaid Merchant True-Up Payments. I believe that is essential that the Debtors satisfy the outstanding Merchant True-Up Payments because they cannot risk any damage to their relationship with Merchants given how critical Merchants are to the Debtors' sale efforts.

237. Product Performance Credits Program. The Debtors offer customers credits in exchange for returned products or other administrative corrections to account balances (the "**Products Performance Credits Program**"). The Debtors' return policy permits a customer to return a product if the product proves unfit for use.

238. I understand that as of the Petition Date, the Debtors estimate that they have approximately \$2,100,000 in accrued but unpaid obligations under the Products Performance Credits Program. I believe the Products Performance Credits Program is integral to sustaining their relationships and goodwill with the customers, as well as to maintaining the customer confidence in the Debtors' products. In my view, failure to honor the Products Performance Credits Program likely would lead to customers taking their business to the Debtors' competitors and impair the Debtors' ability to attract new customers. Accordingly, I believe that the cost of the Products Performance Credits Program is minimal compared to the benefits it provides the Debtors.

239. The Debtors implemented the Customer Programs to encourage the Debtors' customers to increase their purchasing frequency and volume, resulting in larger net

revenues for the Debtors. In turn, customers rely on the Debtors to fulfill their obligations under the Customer Programs. I therefore believe that honoring the Customer Programs is essential to retaining the Debtors' customer base and maintaining their reputation in the paper industry. Moreover, the Customer Programs generally represent practices that are common in the paper industry and, therefore, if the Debtors do not continue the Customer Programs, they will be at a disadvantage in a competitive marketplace.

J. DIP Motions

240. In the DIP Motions, the Debtors request entry of interim and final orders (each, as applicable, the "**DIP Orders**") authorizing the Debtors to obtain postpetition financing in an aggregate principal amount of up to \$775 million (collectively, the "**DIP Facilities**") by entering into the following credit agreements (collectively, the "**DIP Credit Agreements**" and the lenders party from time to time thereunder, the "**DIP Lenders**"):

- the Superpriority Senior Debtor-in-Possession Asset-Based Revolving Credit Agreement, dated as of January 26, 2016 among the NewPage Corporation, NewPage's subsidiaries that are a debtor and debtor in possession in the above captioned cases other than Upland Resources, Inc., NewPage Energy Services LLC, and Chillicothe Paper Inc., the lenders from time to time party thereto, Barclays Bank PLC, acting as Administrative Agent and Collateral Agent, and BMO Harris Bank N.A., as Co-Collateral Agent (the "**NewPage Revolving DIP Credit Agreement**" and the financing provided thereunder the "**NewPage Revolving DIP Facility**");
- the Superpriority Senior Debtor-in-Possession Term Loan Agreement, dated as of January 26, 2016 among NewPage Corporation, NewPage's subsidiaries that are a debtor and debtor in possession in the above captioned cases other than Upland Resources, Inc., NewPage Energy Services LLC, and Chillicothe Paper Inc., the lenders from time to time party thereto, and Barclays, acting as Administrative Agent and Collateral Agent (the "**NewPage Term DIP Credit Agreement**" and the financing provided thereunder, the "**NewPage Term DIP Facility**");
- the Superpriority Secured Debtor-in-Possession Credit Agreement dated as of January 26, 2016 among Verso Paper Holdings LLC, the direct and

indirect subsidiaries of Verso Holdings that are debtors and debtors in possession in the above captioned cases, the lenders from time to time party thereto, and Citibank, N.A., acting as Administrative Agent and Collateral Agent (the “**Verso Revolving DIP Credit Agreement**” and the financing provided thereunder, the “**Verso Revolving DIP Facility**”).

241. The Debtors are thus seeking Court approval of three DIP Facilities. The Debtors explored a fourth facility—a term DIP facility at Verso—but ultimately determined that the proceeds from the Hydroelectric Sale could be used to provide sufficient liquidity and obviate the need for another DIP facility. Prior to the Petition Date, VMPH used these proceeds to purchase approximately \$19.7 million in stores and supplies⁹ from NewPage. NewPage subsequently repurchased \$9.3 million of these supplies and stores. NewPage requires the remaining supplies and stores in the short term for its operations. Accordingly, NewPage seeks authorization under the DIP Orders to repurchase the stores and supplies from VMPH for \$10.4 million. NewPage also seeks authorization to pay VMPH \$666,666.00 on account of a post-petition payment VMPH made to rail carrier that otherwise would have refused to carry shipments from three NewPage-owned mills.¹⁰ VMPH’s payment benefitted NewPage as it avoided shipping interruptions that would have damaged its operations. Moreover, NewPage would have made this payment directly to the railroad as part of the relief sought by the Critical Vendor Motion. Thus, NewPage should be permitted to make this payment to VMPH in connection with the DIP Financings.

242. After the Petition Date, VMPH intends to issue a dividend to its parent corporation, Verso Paper. The proceeds of the dividend will be applied to the Verso Revolving DIP Facility, thereby providing the Debtors with increased borrowing capacity thereunder and

⁹ Stores and supplies include pumps, blade sets, screening assemblies, tube assemblies, bearings, packaging materials and miscellaneous spare parts and supplies.

¹⁰ The full payment amount was \$1 million, of which \$333,000 was to ensure shipping for a Verso-owned mill.

enhanced liquidity.

243. *The DIP Facilities Are Necessary to Preserve the Value of the Debtors' Estates.* The DIP Facilities, if approved, will provide working capital critical to fund the Debtors' day-to-day operations. Without access to the DIP Facilities, the Debtors would be forced to immediately cease operating, which would result in immediate and irreparable harm to their business and assets by depleting going concern value. Therefore, because the Debtors' available and projected Cash Collateral is insufficient to fund their operations, the credit to be provided under the DIP Facilities is necessary to preserve the value of the Debtors' estates for the benefit of all stakeholders.

244. *The Sizing and Terms of the DIP Facilities is Appropriate.* I believe that the size of the DIP Facilities are both necessary and sufficient to meet the Debtors' immediate and projected liquidity needs. I base this on my knowledge of the Debtors' liquidity needs to pay taxes, vendors, lienholders, and other disbursements requested in the First Day Pleadings, as well as general liquidity needs. Additionally, I believe that the interim draw on the NewPage Term DIP Facility in the amount of \$125 million is essential to fund operations in the near-term and provide an appropriate size cushion to meet any unexpected expenses following the commencement of these cases. Due to the Debtors' liquidity constraints, the Debtors have stretched payments to vendors—many of whom are critical—and need substantial immediate liquidity to pay these vendors. The DIP Facilities will enable the Debtors to make these essential payments.

245. I also believe that the Verso Revolving DIP Facility and NewPage Revolving DIP Facility are essential to the Debtors' liquidity needs because these facilities

preserve the Debtors' ability to replace letter of credit that may expire during these chapter 11 cases.

246. *The DIP Facilities Are the Result of Extensive Negotiations.* As detailed in the Declaration of Steven Zelin in support of the DIP Motions (the "**Zelin Declaration**"), the DIP Facilities are the result of extensive arm's length negotiations between the Debtors and the DIP Lenders related to the Debtors' liquidity issues, financing needs, and goals for these chapter 11 cases. Additionally, as detailed in the Zelin Declaration, the Debtors sufficiently investigated the possibility of obtaining post-petition financing from other third party lenders, who were either unwilling to provide financing or were only willing to do so on a "priming" basis or economic terms no more favorable to the Debtors than the DIP Facilities

247. Overall, I believe the DIP Facilities represent the Debtors' best alternative for post-petition financing as they provide the Debtors with sufficient and immediate liquidity, without the risk of a priming fight, and on terms negotiated at arm's length. Accordingly, I believe that all relief requested in the DIP Motions is in the best interests of the Debtors and necessary for the Debtors to continue operations during these chapter 11 cases.

K. SSA Interim Protocol Motion

248. In the SSA Interim Protocol Motion, the Debtors seek entry of an order approving an interim protocol (the "**Interim Protocol**") regarding Verso's and NewPage's respective rights and claims under the SSA. The Interim Protocol is designed to maintain the status quo regarding the SSA as the Debtors enter chapter 11. As described in detail above, the SSA is an important asset of both Debtors' estates. However, as the Debtors approached bankruptcy, their respective creditors developed opposing views about how much NewPage should pay Verso each month for the Shared Services provided under the SSA. I understand that

without a protocol for addressing this potential dispute in bankruptcy, the Debtors would risk being crippled by complex litigation over thorny issues of inter-estate assumption and rejection of the SSA, which could severely hinder their prospects for exiting bankruptcy expeditiously. I understand that such litigation would be value-destructive and would negatively affect the operational stability and liquidity of the Debtors during a critical juncture in their respective cases. Moreover, this litigation could lead to an unalterable outcome—the breakup of the Debtors—precisely when the Debtors are trying to reach a global resolution of their restructuring efforts.

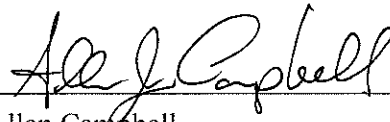
249. As the Interim Protocol seeks to avoid value-destructive and uncertain litigation, I believe that the Interim Protocol is in the Debtors' best interests. Pursuant to the Interim Protocol, Verso and NewPage agree to continue to perform their respective obligations under the SSA, and NewPage will continue to pay Verso \$3.5 million per month on an interim basis (the "**Interim Payments**") for a period of up to 180 days. Importantly, the parties agree to a "Standstill Period" during which the parties withhold from litigation over assumption or rejection of the SSA for the first 90 days of these cases. This 90-day standstill period during which the parties will continue to benefit from the services and revenue provided under the SSA will give the Debtors the breathing space they need to smoothly transition into chapter 11 without the distraction of complex litigation.

250. In addition, approval of the Interim Protocol will not prejudice the Debtors', or their creditors', respective rights. For example, under the Interim Protocol, the parties reserve their rights with respect to (i) the assumption, rejection, and enforceability of the SSA, (ii) the allowed amount of any claims arising under the SSA, and, (iii) the priority of any claims arising under the SSA (other than as provided in the Interim Protocol) and (iv) amounts

previously paid under the SSA. In addition, to the extent there is a determination that either Verso or NewPage has a claim greater than the sum of the Interim Payments made, each estate also agrees to grant the other certain creditor protections to ensure that neither party is taking on credit risk by agreeing to avoid litigation at the outset of these cases. Lastly, the Interim Protocol does not operate as an amendment or alteration to the SSA or any of the parties' rights under the SSA.

251. Therefore, I strongly believe that the Interim Protocol will create certainty around the SSA, providing the Debtors with critical operational stability, maximization of value, ongoing funding and a preservation of rights regarding the SSA.

Dated: January 26, 2016
New York, New York

A handwritten signature in black ink, appearing to read "Allen Campbell", written over a horizontal line.

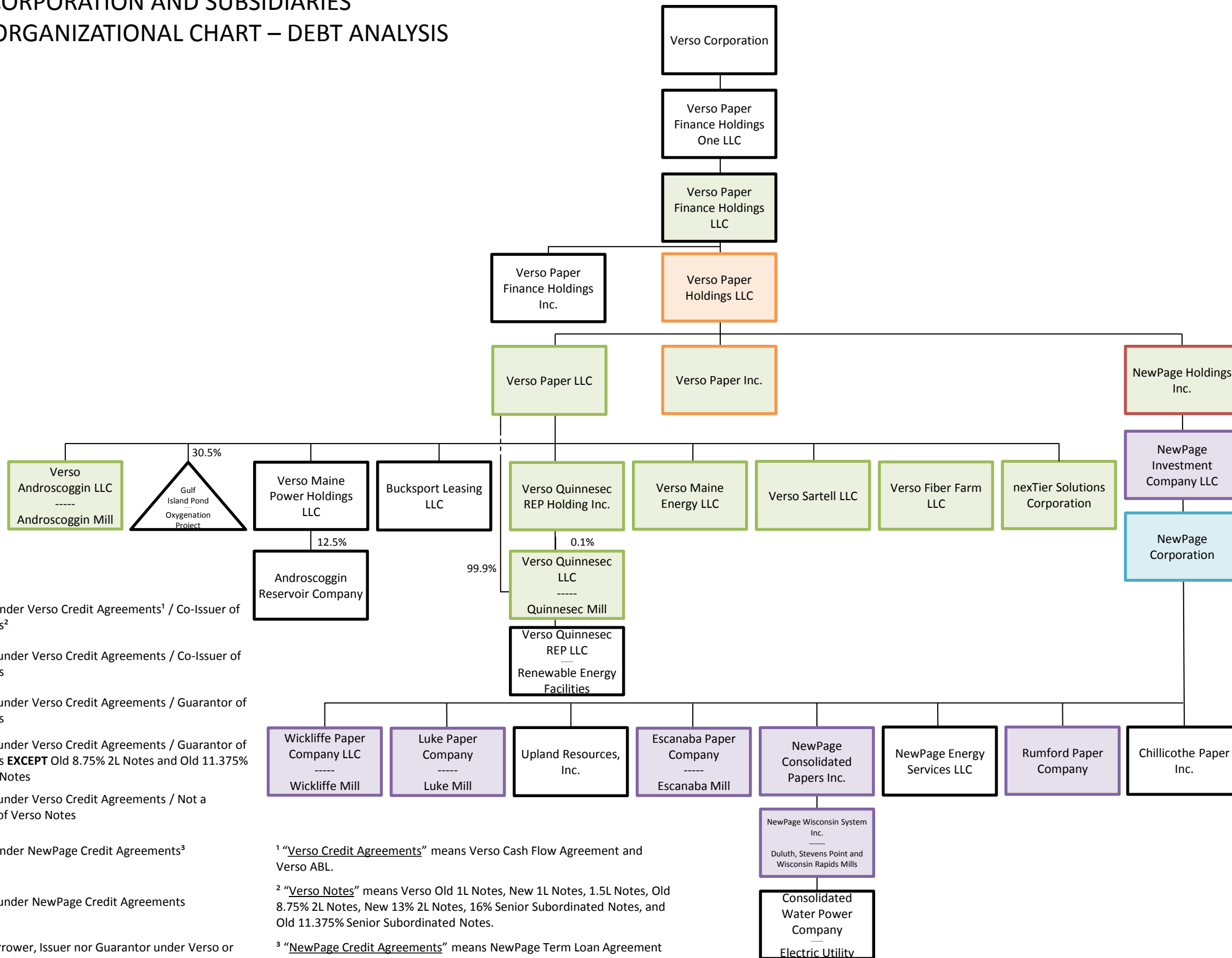
Allen Campbell
Senior Vice President and
Chief Financial Officer
Verso Corporation

Exhibit A

Organizational Chart

VERSO CORPORATION AND SUBSIDIARIES

ENTITY ORGANIZATIONAL CHART – DEBT ANALYSIS



- Borrower under Verso Credit Agreements¹ / Co-Issuer of Verso Notes²
- Guarantor under Verso Credit Agreements / Co-Issuer of Verso Notes
- Guarantor under Verso Credit Agreements / Guarantor of Verso Notes
- Guarantor under Verso Credit Agreements / Guarantor of Verso Notes **EXCEPT** Old 8.75% 2L Notes and Old 11.375% Senior Sub Notes
- Guarantor under Verso Credit Agreements / Not a Guarantor of Verso Notes
- Borrower under NewPage Credit Agreements³
- Guarantor under NewPage Credit Agreements
- Neither Borrower, Issuer nor Guarantor under Verso or NewPage Credit Agreements or Verso Notes

¹ "Verso Credit Agreements" means Verso Cash Flow Agreement and Verso ABL.

² "Verso Notes" means Verso Old 1L Notes, New 1L Notes, 1.5L Notes, Old 8.75% 2L Notes, New 13% 2L Notes, 16% Senior Subordinated Notes, and Old 11.375% Senior Subordinated Notes.

³ "NewPage Credit Agreements" means NewPage Term Loan Agreement and NewPage ABL.