Verso Paper Corp.
Form S-4/A
July 03, 2014
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As filed with the Securities and Exchange Commission on July 2, 2014

No. 333-193794

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 4

To

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

VERSO PAPER CORP.

VERSO PAPER HOLDINGS LLC

VERSO PAPER INC.

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

Delaware	**2621**	**75-3217389**
Delaware	**2621**	**56-2597634**
Delaware	**2621**	**56-2597640**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

6775 Lenox Center Court, Suite 400

Memphis, TN 38115-4436

(901) 369-4100

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

David J. Paterson

President and Chief Executive Officer

Verso Paper Corp.

6775 Lenox Center Court, Suite 400

Memphis, TN 38115-4436

(901) 369-4100

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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TABLE OF ADDITIONAL REGISTRANTS

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

(901) 369-4100

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

PRELIMINARY COPY SUBJECT TO COMPLETION, DATED JULY 2, 2014

JOINT PROXY AND INFORMATION STATEMENT/PROSPECTUS

PROPOSED MERGER YOUR VOTE IS IMPORTANT

Dear Stockholders of Verso Paper Corp.:

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

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

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

- $650 million in principal amount of New First Lien Notes (subject to downward adjustment in certain circumstances in an amount not to exceed $27 million in value); and shares of Verso common stock representing 20% (subject to upward adjustment in certain circumstances to no greater than 25%) of the sum of (x) the number of outstanding Verso shares as of immediately prior to closing of the Merger plus (y) the number of shares, if any, underlying vested, in-the-money Verso stock options as of the signing of the Merger Agreement.

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

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

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

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

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

After careful consideration, on December 28, 2013, the Verso board of directors unanimously approved the Merger Agreement, the Merger and the transactions contemplated by the Merger Agreement, and declared that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable, fair to and in the best interests of Verso and its stockholders. **The Verso board of directors unanimously recommends that you vote FOR each of Proposals 1-4 as described above and elsewhere in this joint proxy and information statement/prospectus.**

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

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

Sincerely,

David J. Paterson
President and Chief Executive Officer

Verso Paper Corp.

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

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

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INFORMATION STATEMENT

NOTICE OF EXPECTED ACTION BY WRITTEN CONSENT AND APPRAISAL RIGHTS

PROPOSED MERGER WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED

NOT TO SEND US A PROXY

Dear Stockholders of NewPage Holdings Inc.:

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

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

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

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

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

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

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

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

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

Under Delaware law, if you comply with certain requirements of Delaware law described in the accompanying Information Statement, you will have the right to seek an appraisal and to be paid the fair value of your shares of NewPage common stock as determined in accordance with Delaware law (exclusive of any element of value arising from the accomplishment or expectation of the Merger) instead of the Merger Consideration. Your appraisal rights under Delaware law are more fully described in the accompanying Information Statement under The Merger NewPage Stockholder Appraisal Rights beginning on page 251.

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

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

Sincerely,

Mark A. Angelson
Chairman of the Board

NewPage Holdings Inc.

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

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

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VERSO PAPER CORP.

6775 Lenox Center Court, Suite 400

Memphis, TN 38115-4436

NOTICE OF

SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON , 2014

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

Proposal 1. approve the issuance of (a) shares of Verso common stock to the stockholders of NewPage Holdings Inc., or NewPage, as part of the Merger Consideration pursuant to the Agreement and Plan of Merger dated as of January 3, 2014, among NewPage, Verso and Verso Merger Sub Inc., or Merger Sub, pursuant to which Merger Sub will merge with and into NewPage and NewPage will continue as the surviving corporation and an indirect, wholly owned subsidiary of Verso, which transaction is referred to as the Merger, and (b) Verso Warrants to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer, Verso Warrants to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration, as each such term is defined in this joint proxy and information statement/prospectus;

Proposal 2. approve Verso s Amended and Restated 2008 Incentive Award Plan;

Proposal 3. approve and adopt the amendment of Verso s Amended and Restated Certificate of Incorporation to change its corporate name to Verso Corporation effective upon the consummation of the Merger; and

Proposal 4. approve any adjournment of the Verso special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve Proposal 1 at the time of the Verso special meeting.

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

The Verso board of directors unanimously recommends that you vote FOR each of Proposals 1-4 as described in the accompanying joint proxy and information statement/prospectus.

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

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

By Order of the Board of Directors,

Peter H. Kesser
Secretary

, 2014

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REFERENCES TO ADDITIONAL INFORMATION

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

By Mail:	Verso Paper Corp. 6775 Lenox Center Court Suite 400 Memphis, Tennessee 38115-4436 Attention: Investor Relations
By Telephone:	(901) 369-4100

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

For additional information, please see Where You Can Find More Information beginning on page 414. Please note that information contained on the website of Verso is not incorporated by reference in, nor considered to be part of, this joint proxy and information statement/prospectus.

ABOUT THIS JOINT PROXY AND INFORMATION STATEMENT/PROSPECTUS

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

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

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

such offer or solicitation in such jurisdiction.

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ANNEXES

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DEFINED TERMS

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

Apollo means Apollo Global Management, LLC;

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

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

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

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

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

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

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

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

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

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

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

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

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

FERC means the Federal Energy Regulatory Commission;

GAAP means generally accepted accounting principles in the United States;

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

Merger means the transaction pursuant to which Verso s indirect, wholly owned subsidiary, Verso Merger Sub Inc., will merge with and into NewPage, and NewPage will become an indirect, wholly owned subsidiary of Verso, and the conversion of shares of NewPage common stock into rights to receive cash, shares of Verso common stock and the New First Lien Notes;

Merger Sub means Verso Merger Sub Inc.;

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

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

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

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

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

NewPage means NewPage Holdings Inc., a Delaware corporation;

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

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

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

NewPage Charter means the certificate of incorporation of NewPage;

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

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

NewPage Subsidiaries means subsidiaries of NewPage Holdings Inc.;

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

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

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

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

Old Subordinated Notes means the Verso Issuers 11 3/8% Senior Subordinated Notes due 2016;

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

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

PSCW means the Public Service Commission of Wisconsin;

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

record date means July 2, 2014;

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

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

Support Agreements means agreements between Verso and certain NewPage stockholders that collectively owned approximately 61% of NewPage s outstanding shares of common stock on January 3, 2014, entered into as of the date of the Merger Agreement, by which such stockholders have agreed to provide their written consents for the adoption of the Merger Agreement;

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

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

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

Verso means Verso Paper Corp., a Delaware corporation;

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

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

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

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

Verso Finance means Verso Paper Finance Holdings LLC;

Verso Holdings means Verso Paper Holdings LLC;

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

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

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

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

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

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

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

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

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QUESTIONS AND ANSWERS FOR VERSO STOCKHOLDERS

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

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

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

In order to complete the Merger, Verso stockholders must vote to approve the issuance of shares of Verso common stock to the NewPage stockholders as part of the Merger Consideration pursuant to the Merger Agreement.

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

Your vote is important.

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

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

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

Proposal 1.	approve the issuance of (a) shares of Verso common stock to the NewPage stockholders as part of the Merger Consideration pursuant to the Merger Agreement and (b) Verso Warrants to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer, Verso Warrants to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration;
Proposal 2.	approve Verso s Amended and Restated 2008 Incentive Award Plan;

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Proposal 3.	approve and adopt the amendment of Verso s Amended and Restated Certificate of Incorporation to change its corporate name to Verso Corporation effective upon the consummation of the Merger; and
Proposal 4.	approve any adjournment of the Verso special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve Proposal 1 at the time of the Verso special meeting.

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

A: The Verso board of directors recommends that the Verso stockholders vote **FOR** each of Proposals 1-4.

Q: When is the Merger expected to be completed?

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

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

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

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

A: Verso has granted incentive equity awards, and plans to grant additional incentive equity awards in the future, to its employees so as to encourage strong performance by the recipients of such awards by enabling them to participate in the future growth of the business. The number of shares of Verso common stock authorized for issuance under the incentive plan must be increased based on the incentive equity awards Verso has granted to its directors, officers and employees to date and the incentive equity awards Verso plans to grant to certain executives upon the closing of the Merger and to its directors, officers and employees as it customarily would over the next few years. The Amended and Restated 2008 Incentive Award Plan would increase the number of shares of Verso common stock that may be issued pursuant to incentive equity awards from 6,250,000 shares to 11,000,000 shares of Verso common stock.

Q: When and where is the Verso special meeting?

A.

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

Q: What is a quorum?

A: In order for business to be conducted at the Verso special meeting, a quorum must be present. The quorum requirement for holding the Verso special meeting and transacting business at the Verso special meeting is the presence, in person or by proxy, of a majority of the issued and outstanding shares of Verso common stock as of the record date entitled to vote at the Verso special meeting.

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

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

Q: Who can vote at the Verso special meeting?

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

Q: What stockholder approvals are needed?

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

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

Q: Are NewPage stockholders voting on the Merger?

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

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

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

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

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

Q: Who can attend the Verso special meeting?

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

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

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

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

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

Q: How do I vote my shares?

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

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

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

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

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

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

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

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

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

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this joint proxy and information statement/prospectus, please respond by completing, signing and dating the appropriate proxy card or voting

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instruction card and returning in the enclosed postage-paid envelope, or, if available, by submitting your voting instruction electronically via the Internet or by telephone, as soon as possible so that your shares of Verso common stock may be represented and voted at the Verso special meeting. In addition, you may also vote your shares in person at the Verso special meeting. If you hold shares registered in the name of a broker, bank or other nominee, that broker, bank or other nominee has enclosed, or will provide, instructions for directing your broker, bank or other nominee how to vote those shares.

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

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

Q: Who can help answer my questions?

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

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QUESTIONS AND ANSWERS TO NEWPAGE STOCKHOLDERS ABOUT THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the Merger and the Merger Agreement. These questions and answers may not address all questions that may be important to you as a NewPage stockholder. Please refer to the Summary and the more detailed information contained elsewhere in this joint proxy and information statement/prospectus, the annexes to this joint proxy and information statement/prospectus and the documents referred to in this joint proxy and information statement/prospectus, each of which you should read carefully. For additional information about NewPage and its subsidiaries, please see Information About NewPage beginning on page 390. You may also obtain additional information about NewPage and its subsidiaries without charge by following the instructions set forth in the section entitled Where You Can Find More Information beginning on page 415.

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

A: The proposed transaction is the acquisition of NewPage by Verso pursuant to the Merger Agreement. The acquisition is structured as a reverse triangular merger. If the closing conditions under the Merger Agreement have been satisfied or waived and the Merger Agreement is not otherwise terminated, Merger Sub, an indirect, wholly owned subsidiary of Verso, will merge with and into NewPage, with NewPage as the surviving entity.

As a result of the Merger, NewPage will become an indirect, wholly-owned subsidiary of Verso, will no longer be a 1934 Act reporting company and will no longer file any reports with the SEC on account of NewPage s common stock. In addition, the NewPage Stockholders Agreement will terminate in accordance with its terms.

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

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

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

A: We are working to complete the Merger as soon as practicable. The parties anticipate that the Merger will be completed during the second half of 2014. However, because the Merger is subject to a number of conditions, some of which are beyond the control of NewPage and Verso, the precise timing for completion of the Merger cannot be predicted with certainty, and we cannot assure you that the Merger will be completed at all. See the section entitled The Merger Agreement Conditions to the Merger beginning on page 279.

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

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

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

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

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

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

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

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

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

A: Not yet as of the date of this joint proxy and information statement/prospectus. As of the date of this joint proxy and information statement/prospectus, NewPage has 7,092,477 shares of common stock issued and outstanding. Each of such shares is entitled to one vote on the Merger. The adoption of the Merger Agreement requires the affirmative vote or written consent of the holders of a majority of NewPage s issued and outstanding common stock. In connection with the execution of the Merger Agreement, NewPage, Verso and certain NewPage stockholders which collectively owned 4,299,808 shares, representing approximately 61% of NewPage s outstanding shares of common stock and voting power on January 3, 2014, entered into support agreements, dated as of the date of the Merger Agreement (each, a Support Agreement). The stockholders that are party to Support Agreements have agreed to provide their written

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consents for the adoption of the Merger Agreement immediately after receiving the request of NewPage and/or Verso following the effectiveness of this joint proxy and information statement/prospectus and to waive their appraisal rights.

Q: What happens if the Merger is not completed?

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

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

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

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

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

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

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

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

A. Yes, provided that you comply with all applicable requirements and procedures of the DGCL. As a holder of NewPage common stock, you are entitled to appraisal rights under the DGCL in connection with the Merger if you take certain actions and meet certain conditions. See the section entitled The Merger NewPage Stockholder Appraisal Rights beginning on page 251.

Q: Who can help answer my questions?

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

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SUMMARY

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

The Companies

Verso (See page 389)

Verso Paper Corp.

6775 Lenox Center Court, Suite 400

Memphis, Tennessee 38115-4436

(901) 369-4100

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

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

Verso operates eight paper machines at three mills located in Maine and Michigan. Verso believes its coated paper mills are among the most efficient and lowest cost coated paper mills based on the cash cost of delivery to Chicago, Illinois. Verso attributes its manufacturing efficiency, in part, to the significant historical investments made in its mills. Verso s mills have a combined annual production capacity of 1,305,000 tons of coated paper, 160,000 tons of ultra-lightweight specialty and uncoated papers, and 930,000 tons of kraft pulp. Of the pulp that Verso produces, Verso consumes approximately 635,000 tons internally and sells the rest. Verso s facilities are well located near major publication printing customers, which affords it the ability to more quickly and cost-effectively deliver its products. The facilities also benefit from convenient and cost-effective access to northern softwood fiber, which is required for the production of lightweight and ultra-lightweight coated papers.

Verso sells and markets its products to approximately 130 customers, which comprise approximately 700 end-user accounts. Verso has long-standing relationships with many leading magazine and catalog publishers, commercial printers, specialty retail merchandisers and paper merchants. Verso s relationships with its ten largest coated paper customers average more than 20 years. Verso reaches its end-users through several distribution channels, including direct sales, commercial printers, paper merchants, and brokers. Many of Verso s customers provide Verso with forecasts of their paper needs, which allows Verso to plan its production runs in advance, optimizing production over its integrated mill system and thereby reducing costs and increasing overall efficiency. Verso s key customers include leading magazine publishers such as Condé Nast Publications, Hearst Enterprises, and National Geographic Society; leading catalog producers such as Avon Products, Inc., Restoration Hardware, Inc. and Cornerstone Brands, Inc.; leading commercial printers such as Quad/Graphics, Inc. and RR Donnelley & Sons Company and leading paper merchants and brokers, such as A.T. Clayton & Co., xpedx, and Clifford Paper, Inc.

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

Verso Merger Sub Inc.

Verso Merger Sub Inc.

6775 Lenox Center Court, Suite 400

Memphis, TN 38115-4436

(901) 369-4100

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

Verso Paper Holdings LLC

Verso Paper Holdings LLC

6775 Lenox Center Court, Suite 400

Memphis, TN 38115-4436

(901) 369-4100

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

NewPage (See page 390)

NewPage Holdings Inc.

8540 Gander Creek Drive

Miamisburg, Ohio 45342

(937) 242-9629

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

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

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

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

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

For additional information about NewPage and its subsidiaries, see Information About NewPage beginning on page 390 and Where You Can Find More Information beginning on page 415.

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Vote Required

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

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

Merger and Merger Agreement (See pages 211 and 265)

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

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

Transaction Consideration (See page 265)

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

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

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

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

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

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

Ancillary Agreements (See page 285)

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

- support of the Merger by certain NewPage stockholders, and support of the issuance of shares of Verso common stock as part of the Merger Consideration by Verso s majority stockholder;
- the lock-up of debt and equity securities of Verso held by Apollo Global Management LLC (Apollo) and its affiliates, and agreement by certain affiliates of Verso to take specified actions with respect to regulatory filings required in connection with the Merger;
- the appointment of a current director of NewPage to the board of Verso;
- Verso s efforts to enter into a financing in connection with certain non-core energy assets;
- the form of a release agreement whereby NewPage stockholders and holders of NewPage restricted stock units and in-the-money NewPage stock options will release claims against NewPage and its successors and assigns as consideration for their receipt of the Merger Consideration; and
- the form of a cooperation agreement whereby Verso will be subject to a cooperation agreement which will require Verso to assist with marketing the New First Lien Notes.

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

Verso Board of Directors Reasons for the Merger (See page 230)

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

In the course of reaching its decision to approve the Merger Agreement, the Verso board of directors considered a number of factors in its deliberations. Those factors are described in The Merger Recommendation of the Verso Board of Directors and Verso s Reasons for the Merger beginning on page 230.

NewPage Board of Directors Reasons for the Merger (See page 220)

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

NewPage s board of directors determined that the Merger represents the most certain and best prospect for maximizing stockholder value and creating an opportunity for NewPage stockholders to monetize that value. Importantly, the Merger is expected to enable the realization of at least $175 million of pre-tax total cost synergies during the first 18 months after the closing of the Merger. These synergies will benefit the value of the New First Lien Notes and Verso common stock issued in the Merger. See The Merger Recommendation of the NewPage Board of Directors and NewPage s Reasons for the Merger beginning on page 220.

Fairness Opinion of Financial Advisor to NewPage (See page 224)

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

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

Fairness Opinion of Financial Advisor to Verso (See page 232)

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

Solvency Opinion of Financial Advisor to Verso (See page 240)

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

Treatment of NewPage Stock Options and Other Stock-Based Awards (See page 267)

NewPage Stock Options

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

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

NewPage Restricted Stock Unit Awards

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

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

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

Interests of NewPage Directors and Executive Officers in the Merger (See page 243)

Certain of NewPage s directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of NewPage s stockholders. The board of directors of NewPage was aware of these interests and considered them when it adopted the Merger Agreement and approved the Merger. These interests are described in more detail in the section of this document entitled See The Merger Interests of NewPage Directors and Executive Officers in the Merger beginning on page 243.

Interests of Verso Directors and Executive Officers in the Merger (See page 247)

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

Conditions to the Completion of the Merger (See page 279)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- certain of Verso s representations and warranties will be true and correct in all respects and the other representations and warranties of Verso will be true and correct except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect;
- the performance, in all material respects, by Verso and Merger Sub of their covenants and agreements required to be performed or complied with prior to the closing of the Merger;
- since September 30, 2013, there will not have occurred a material adverse effect with respect to Verso;
- Verso will have delivered to NewPage a certification that the conditions in the previous three bullets have been satisfied; and
- the shares of Verso common stock to be issued as share consideration will have been approved for listing on the New York Stock Exchange.

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

- certain of NewPage s representations and warranties will be true and correct in all respects and the other representations and warranties of NewPage will be true and correct except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect;
- the performance, in all material respects, by NewPage of its covenants and agreements required to be performed or complied with prior to the closing of the Merger;
- since September 30, 2013, there will not have occurred a material adverse effect with respect to NewPage;
- NewPage will have delivered to Verso a certification that the conditions in the previous three bullets have been satisfied;

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

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

Regulatory Approvals Required to Complete the Merger (See page 249)

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

On February 28, 2014, Verso and NewPage filed Notification and Report Forms with the DOJ and FTC. On March 31, 2014, the parties received a Request for Additional Information and Documentary Materials, referred to as a second request, from the DOJ regarding the Merger. The effect of the second request was to extend the waiting period imposed by the HSR Act until 30 days after each party has substantially complied with the second request, unless that period is terminated sooner by the DOJ or is extended by the agreement of the parties and the DOJ. The parties have responded to the second request and will continue to work cooperatively with the DOJ in connection with this review. In addition, receipt of certain energy regulatory approvals is a condition to each of Verso s and NewPage s obligation to close the Merger. Approvals of the Merger by FERC and the PSCW are conditions to each party s obligation to consummate the Merger. As of the date of this joint proxy and information statement/prospectus, the parties have received the required approvals from the FERC and PSCW.

Financing (See page 211)

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

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

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

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

Use of Proceeds of NewPage Term Loan Facility

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

NewPage or Verso with respect to the Merger.

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Exchange Offer Transactions

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

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

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

Upon the consummation of the Merger, (i) the principal amount of the outstanding New Second Lien Notes will be adjusted such that a holder of $1,000 principal amount of New Second Lien Notes immediately prior to the Merger will hold $668.75 principal amount of New Second Lien Notes immediately following the Merger, subject to adjustment based on participation in the Second Lien Notes Exchange Offer (as described below), and the principal amount of the outstanding New Subordinated Notes will be adjusted such that a holder of $1,000 principal amount of New Subordinated Notes immediately prior to the Merger will hold $681.875 principal amount of New Subordinated Notes immediately following the Merger, subject to adjustment based on participation in the Subordinated Notes Exchange Offer (as described below), (ii) the maturity date of the New Second Lien Notes will be extended to August 1, 2020 and the maturity date of the New Subordinated Notes will be extended to August 1, 2021, (iii) the New Second Lien Notes interest rate will be adjusted such that the New Second Lien Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus 3% per annum (Second Lien Notes PIK Interest) payable entirely by increasing

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

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

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

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

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

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

90%	651.875
95%	666.875
100%	681.875

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

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

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

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

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

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

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

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

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

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

Shared Services Agreement

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

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

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

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

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

Termination of the Merger Agreement (See page 281)

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

- by mutual written consent of the parties;

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

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

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

by NewPage, if Verso or Merger Sub has breached or failed to perform any of their representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach or failure to perform would result in the failure of the condition relating to the accuracy of Verso s representation and warranties and performance of its covenants;

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

by NewPage, at any time prior to the NewPage stockholder approval having been obtained after NewPage will have received a Superior Proposal (as defined in the The Merger Agreement Exclusivity; Alternative Transactions on page 274) in order for NewPage to enter into a definitive agreement with respect to such Superior Proposal, so long as NewPage has complied with its obligations with respect to alternative transactions and prior to or concurrently with such termination, NewPage will have paid a termination fee to Verso; after March 4, 2014 and on or prior to March 19, 2014, in the event that the Verso Junior Noteholder Consent has not been obtained, or the Exchange Offer Condition (as defined in the Merger Agreement) has not been satisfied, in each case by March 4, 2014; and between January 18, 2014 and 5:00 pm (New York City) time on January 21, 2014 if Murray Devine has not delivered its initial solvency opinion as to Verso and its subsidiaries.

Non-Solicitation of Alternative Proposals (See page 274)

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

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

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

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

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

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

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

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

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

Expenses and Termination Fees Relating to the Merger (See page 282)

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

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

- Verso terminates the Merger Agreement through an Alternative Transaction Termination (as defined in The Merger Agreement Termination on page 281); or

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

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

Verso has agreed to pay to NewPage a termination fee of $27 million (half in cash and half in New First Lien Notes) if (i) the Verso Junior Noteholder Consent was not obtained, or the closing condition related to the Exchange Offer Transactions is not satisfied or waived by NewPage, in each case prior to March 4, 2014, (ii) NewPage does not terminate the Merger Agreement as a result, (iii) certain other closing conditions (e.g., stockholder approval and regulatory approvals) were satisfied, or were reasonably capable of being satisfied at the closing, (iv) the condition to closing the Merger that Murray Devine deliver a bring down of its solvency opinion is not reasonably capable of being satisfied at closing solely as a result of the failure of the closing condition related to the Exchange Offer Transactions, (v) the Merger fails to close due to the failure of Verso to consummate the Exchange Offer Transactions and (vi) Verso or NewPage subsequently terminates the Merger Agreement as a result of reaching the End Date.

Accounting Treatment of the Merger (See page 255)

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

Certain Material U.S. Federal Income Tax Consequences of the Merger (See page 255)

The receipt of Merger Consideration for NewPage common stock pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, a stockholder subject to U.S. federal income taxation who receives Merger Consideration in exchange for NewPage common stock will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the fair market value of the Merger Consideration, paid to such U.S. stockholder and the adjusted basis of the NewPage common stock exchanged by such U.S. stockholder in the Merger. In addition, the Recapitalization Dividend will be treated as a taxable dividend to the extent of NewPage s current and accumulated earnings and profits (as determined for U.S. tax purposes). See The Merger Certain Material U.S. Federal Income Tax Consequences beginning on page 255. Tax matters can be complicated, and the tax consequences of the Merger to you will depend on your particular tax situation. You should consult your tax advisor to determine the tax consequences of the Merger to you.

Comparison of the Rights of Holders of Verso Common Stock and NewPage Common Stock (See page 379)

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

Appraisal Rights in Connection with the Merger (See page 251)

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

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SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

Summary Historical Consolidated Financial Data of Verso

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

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

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

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

(1) Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of $60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at the former Sartell mill.

(2) EBITDA consists of earnings before interest, taxes, depreciation, and amortization. EBITDA is a measure commonly used in our industry, and we present EBITDA to enhance your understanding of our operating performance. We use EBITDA as a way of evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets among otherwise comparable companies. However, EBITDA is not a measurement of financial performance under U.S. GAAP, and our EBITDA may not be comparable to similarly titled measures of other companies. You should consider our EBITDA in addition to, and not as a substitute for, or superior to, our operating or net income or cash flows from operating activities determined in accordance with GAAP.

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

Year Ended December 31,

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

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

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

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

	Three Months Ended March 31,		**Year Ended December 31,**		
	2014	**2013**	**2013**	**2012**	**2011**
(Dollars in millions)					
Reconciliation of cash flows to Adjusted EBITDA:					
Cash flows (used in) provided by operating activities	$ (96.3)	$ (83.2)	$ (27.7)	$ 12.0	$ 14.5
Income tax (benefit) expense			(0.6)	(1.4)	0.2
Amortization of debt issuance costs	(1.4)	(1.4)	(5.4)	(5.3)	(5.4)
Accretion of discount on long-term debt	(0.2)	(0.1)	(0.6)	(1.4)	(4.1)
Equity award expense	(0.4)	(0.4)	(1.8)	(2.7)	(2.4)
Interest income					(0.1)
Interest expense	34.5	34.7	137.8	135.5	126.6
(Loss) gain on disposal of fixed assets	(0.2)	3.3	4.0	45.7	(0.3)
Loss on early extinguishment of debt, net				(8.2)	(26.1)
Asset impairment				(77.4)	
Goodwill impairment					(18.7)
Other, net	(12.8)	3.2	(0.8)	5.0	(1.0)
Changes in assets and liabilities, net	46.4	66.2	25.8	(23.4)	31.7
EBITDA	(30.4)	22.3	130.7	78.4	114.9
Merger related costs (a)	9.6		5.2		
Hedge (gains) losses(b)	11.7	(3.8)	(14.3)	(3.7)	7.5
Equity award expense(c)	0.4	0.4	1.8	2.7	2.4
Restructuring charges(d)		1.0	1.4	102.4	24.5
Loss on extinguishment of debt, net(e)		2.6	2.8	8.2	26.1
Gain on insurance settlement(f)				(52.6)	
Goodwill impairment(g)					18.7
Other items, net(h)	0.8	(2.4)	1.9	4.7	8.4
Adjusted EBITDA (i)	$ (7.9)	$ 20.1	$ 129.5	$ 140.1	$ 202.5

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

(4) See information under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations included herein for further discussion of this metric.
(5) Working capital is defined as current assets net of current liabilities, excluding the current portion of long-term debt.

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Summary Historical Consolidated Financial Data of Verso Holdings

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

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

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

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

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

(1) Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of $60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at the former Sartell mill.

(2) EBITDA consists of earnings before interest, taxes, depreciation, and amortization. EBITDA is a measure commonly used in our industry, and we present EBITDA to enhance your understanding of our operating performance. We use EBITDA as a way of evaluating our performance relative to that of our peers. We believe that EBITDA is an operating performance measure, and not a liquidity measure, that provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets among otherwise comparable companies. However, EBITDA is not a measurement of financial performance under U.S. GAAP, and our EBITDA may not be comparable to similarly titled measures of other companies. You should consider our EBITDA in addition to, and not as a substitute for, or superior to, our operating or net income or cash flows from operating activities determined in accordance with GAAP.

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

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

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

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

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

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

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

(i) Verso Holdings historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.

(4) See information under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations included herein for further discussion of this metric.

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

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Summary Historical Consolidated Financial Data of NewPage and Predecessor

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

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

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

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

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

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

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

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

The information should be read in conjunction with NewPage s consolidated financial statements and the related notes thereto and the information under the heading Index to Financial Statements of NewPage beginning on page L-1, and the unaudited interim condensed consolidated financial statements and the related notes thereto under the heading Index to Financial Statements of NewPage Holdings Inc. beginning on page L-1. For additional information about NewPage and its subsidiaries, please see Information About NewPage beginning on page 390 and Where You Can Find More Information beginning on page 415.

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

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

Successor **Predecessor**

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

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

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

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

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

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

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

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

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

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

NewPage s measures of EBITDA and Adjusted EBITDA are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of NewPage s business.

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

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Verso Summary Unaudited Pro Forma Condensed Combined Financial Information

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

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

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

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

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

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

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

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

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

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

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

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

(a) The Pro Forma EBITDA adjustments exclude Merger Related Cost incurred during the three months ended March 31, 2014 as such costs were removed from the Pro Forma Statement of Operations for the three months ended March 31, 2014. See notes to Pro Forma Statement of Operations for the Pro Forma Adjustment attributable to Merger Related Costs.

(b) Verso s historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.

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

(a) The Pro Forma EBITDA Adjustments exclude Merger Related Costs incurred as of December 31, 2013 as such costs were removed from the Pro Forma Statement of Operations as of December 31, 2013. See notes to Pro Forma Statement of Operations for the Pro Forma Adjustment attributable to Merger Related Costs incurred as of December 31, 2013.

(b) Verso s historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.

(3) Pursuant to the Exchange Offers, the principal amount of debt will be reduced, but under GAAP no reduction will be reflected on our balance sheet. Instead, the reduction will accrue over time as a reduction to interest expense.

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Verso Holdings Summary Unaudited Pro Forma Condensed Combined Financial Information

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

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

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

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

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

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

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

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

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

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

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

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

(a) The Pro Forma EBITDA adjustments exclude Merger Related Cost incurred during the three months ended March 31, 2014 as such costs were removed from the Pro Forma Statement of Operations for the three months ended March 31, 2014. See notes to Pro Forma Statement of Operations for the Pro Forma Adjustment attributable to Merger Related Costs.

(b) Verso Holdings historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.

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

(a) The Pro Forma EBITDA Adjustments exclude Merger Related Costs incurred as of December 31, 2013 as such costs were removed from the Pro Forma Statement of Operations as of December 31, 2013. See notes to Pro Forma Statement of Operations for the Pro Forma Adjustment attributable to Merger Related Costs incurred as of December 31, 2013.

(b) Verso Holdings historical Adjusted EBITDA is shown before the pro forma effects of our profitability program.

(3) Pursuant to the Exchange Offers, the principal amount of debt will be reduced, but under GAAP no reduction will be reflected on our balance sheet. Instead, the reduction will accrue over time as a reduction to interest expense.

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COMPARATIVE PER SHARE DATA

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

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

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

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

You should read the information below together with the historical consolidated financial statements and related notes of each of Verso and NewPage, which are included elsewhere in this joint proxy and information statement/prospectus, and with the information under the heading Unaudited Pro Forma Condensed Combined Financial Information beginning on page 100.

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

Book Value Per Share				
March 31, 2014	$ 101.52	$ (10.95)	$ (9.51)	$ (5.55)
Cash Dividends				
Three Months Ended March 31, 2014	$ 34.35	$	$	$
Year Ended December 31, 2013	$	$	$	$

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MARKET PRICE AND DIVIDEND INFORMATION

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

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

The closing sale price of Verso common stock as of July 1, 2014 was $2.20 per share.

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

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RISK FACTORS

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

Risks Relating to the Merger

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

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

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

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

- general market and economic conditions, including market conditions in the pulp, paper and packaging industry;
- actual or expected variations in quarterly results of operations;

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

changes in recommendations by securities analysts;

operations and stock performance of industry participants;

changes in Verso s capital structure;

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

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

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- sales of Verso s common stock, including sales by Verso s directors and officers or significant investors;
- historical light trading volume with respect to Verso common stock;
- recruitment or departure of key personnel; and
- early termination of client or supplier agreements or loss of clients or relationships with suppliers.

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

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

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

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

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

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

Merger. See The Merger Interests of NewPage Directors and Executive Officers in the Merger beginning on page 243 and The Merger Agreement Indemnification; Directors and Officers and Fiduciary Liability Insurance beginning on page 278 of this joint proxy and information statement/prospectus.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- NewPage may be required to pay Verso a termination fee of $27 million if the Merger Agreement is terminated under certain circumstances (See, The Merger Agreement Termination Fees beginning on page 282 of this joint proxy and information statement/prospectus);

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

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

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

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

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

Verso a termination fee of $27 million if the Merger Agreement is terminated in specified circumstances, including if the Merger Agreement is terminated as a result of NewPage entering into an agreement for an alternative transaction. See, The Merger Agreement Termination Fees beginning on page 282 of this joint proxy and information statement/prospectus.

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

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

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

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

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

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

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

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

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

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

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

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

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

- employee redeployment, relocation or severance;
- failure to retain key employees, which might adversely affect operations and the ability to retain other employees;
- integration of manufacturing, logistics, information, communications, and other systems;
- combination of research and development teams and processes;
- failure to retain customers or arrangements with suppliers; and
- other unanticipated issues, expenses and liabilities.

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

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

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

Verso and NewPage are highly dependent on the continuing efforts of their senior management team and other key personnel. As a result of the Merger, current and prospective employees could experience uncertainty about their future roles. This uncertainty may adversely affect the combined company s ability to attract and retain key management, sales, marketing and technical personnel. Any failure to attract and retain key personnel could have a material adverse effect on the combined company s business after consummation of the Merger.

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

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

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

General customer uncertainty related to the Merger could harm Verso.

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

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

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

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

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

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

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

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

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

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

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Risks Relating to Verso s Indebtedness

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

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

- making it more difficult for Verso to satisfy its obligations with respect to the New First Lien Notes;
- increasing Verso s vulnerability to general adverse economic and industry conditions;
- requiring Verso to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures, research and development efforts, and other general corporate purposes;
- increasing Verso s vulnerability to and limiting its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- exposing Verso to the risk of increased interest rates as borrowings under the Existing ABL Facility and the Existing Cash Flow Facility and the Old Floating Rate Notes are subject to variable rates of interest;
- placing Verso at a competitive disadvantage compared to its competitors that have less debt; and
- limiting Verso s ability to borrow additional funds.

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

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

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

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

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

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

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

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

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem Verso s stock;
- prepay, redeem or repurchase certain of Verso s indebtedness;
- make investments;
- sell assets, including capital stock of restricted subsidiaries;
- enter into agreements restricting Verso s subsidiaries ability to pay dividends;
- consolidate, merge, sell or otherwise dispose of all or substantially all of Verso s assets;
- enter into transactions with affiliates; and
- incur liens.

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

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

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

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

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

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

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

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

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

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

Risks Relating to the Combined Company Following the Merger

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

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

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

product availability;

the quality of its products;

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- the breadth of product offerings;
- the ability to maintain plant efficiencies and to achieve high operating rates;
- manufacturing costs per ton;
- customer service and its ability to distribute its products on time; and
- the availability and/or cost of wood fiber, market pulp, chemicals, energy and other raw materials and labor.

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

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

- Market prices for paper products are a function of supply and demand, factors over which the combined company will have limited control. The combined company will therefore have limited ability to control the pricing of its products. Market prices of grade No. 3, 60 lb. basis weight paper, which is an industry benchmark for coated freesheet paper pricing, have fluctuated since 2000 from a high of $1,100 per ton to a low of $705 per ton. In addition, market prices of grade No. 5, 34 lb. basis weight paper, which is an industry benchmark for coated groundwood paper pricing, have fluctuated between a high of $1,120 per ton to a low of $795 per ton over the same period. Prices may not improve significantly in 2014, and neither Verso nor NewPage currently expects prices in 2014 to return to the levels they were at in 2008 before they declined. Because market conditions determine the price for the combined company s paper products, the price for its paper products could fall below its cash production costs.
- Market prices for paper products typically are not directly affected by raw material costs or other costs of sales, and consequently Verso and NewPage have had limited ability to pass through increases in these raw material and/or other sales costs to their respective customers absent increases in the market price. The combined company is expected to face the same market dynamic. Thus, even though the combined company s costs may increase, it may not have the ability to increase the prices for its products, or the prices for its products may decline.
- The manufacturing of coated paper is highly capital-intensive and a large portion of Verso s and NewPage s operating costs are fixed. Additionally, paper machines are large, complex machines that operate more efficiently when operated continuously. Consequently, while its competitors do the same, the combined company will typically continue run its machines whenever marginal sales exceed the marginal costs, adversely impacting prices at times of lower demand.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Verso s largest customers, Quad/Graphics, Inc. and Central National-Gottesman, Inc. accounted for approximately 12% and 10%, respectively of its net sales in 2013. In 2013, Verso s ten largest customers (including Quad/Graphics, Inc. and Central National-Gottesman, Inc.) accounted for approximately 62% of its net sales, while Verso s ten largest end-users accounted for approximately 27% of its net sales. The loss of, or reduction in orders from, any of these customers or other customers could have a material adverse effect on Verso s business, financial condition, and results of operations, as could significant customer disputes regarding shipments, price, quality, or other matters.

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NewPage s two largest customers, xpedx, a division of International Paper Company, and Unisource Worldwide, Inc. accounted for 13% and 12% of 2013 net sales, respectively. NewPage s ten largest customers (including xpedx and Unisource) accounted for approximately half of NewPage s net sales for 2013. The loss of, or significant reduction in orders from, any of these customers could have a material adverse effect on NewPage s business, financial condition and results of operations, as could significant customer disputes regarding shipments, price, quality or other matters. On January 28, 2014, xpedx and Unisource announced that they had entered into an agreement to merge their businesses and that they expect the transaction to be completed in mid-2014 subject to certain closing conditions. At this time it is unclear whether the merger of xpedx and Unisource will have any impact on NewPage s business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to the Verso Common Stock

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to the New First Lien Notes

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

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

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

If Verso or a guarantor becomes a debtor in a case under the Bankruptcy Code or encounters other financial difficulty, under federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee may be voided, or claims in respect of a guarantee may be subordinated to all other debts of that guarantor. The guarantees may be voided as fraudulent transfers if the guarantor, at the time it incurred the indebtedness evidenced by its guarantee, received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee; and

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

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

intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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

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

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

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

it could not pay its debts as they become due.

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

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

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

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

- the original issue price for the New First Lien Notes; and
- that portion of the original issue discount that does not constitute unmatured interest for purposes of the U.S. Bankruptcy Code, if any.

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

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

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

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

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

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

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

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

Certain important corporate events, such as leveraged recapitalizations that would increase the level of Verso s indebtedness, would not constitute a change of control under the indenture governing the New First Lien Notes and the indentures governing Verso s other notes. Therefore, Verso could, in the future, enter into certain transactions, including acquisitions, reorganizations, refinancings or other recapitalizations, that would not constitute a change of control under such indentures, but that could increase the amount of indebtedness outstanding at such time or otherwise affect Verso s capital structure or credit ratings.

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

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

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

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

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

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

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

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

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

To the extent that liens securing obligations under the Existing ABL Facility, the Existing Cash Flow Facility, preexisting liens, liens permitted under the indenture and other rights, including liens on excluded assets, such as those securing purchase money obligations and capital lease obligations granted to other parties (in addition to the holders of any other obligations secured by higher priority liens), encumber any of the collateral securing the notes and the guarantees, those parties may have or may exercise rights and remedies with respect to the collateral that could adversely affect the value of the collateral and the ability of the collateral agent, the trustee under the indenture or the holders of the notes to realize or foreclose on the collateral. Under the terms of the First-Lien Intercreditor Agreement, the First-Lien Revolving Facility Collateral Agent (each as defined in the Description of New First Lien Notes) will have the exclusive right (subject to limited exceptions) to exercise remedies and take enforcement actions on behalf of the holders of First-Priority Lien Obligations (as defined in the Description of New First Lien Notes) relating to the collateral until such date as the principal amount of commitments outstanding under the Existing Cash Flow Facility is less than $30.0 million. Thereafter, the Authorized First-Lien Collateral Agent (as defined in the Description of New First Lien Notes) will be appointed by holders of a majority in aggregate outstanding principal amount of the series of First-Priority Lien Obligations (as defined in the Description of New First Lien Notes) that is the largest principal amount of any such series, subject to the First-Lien Revolving Facility Collateral Agent continuing as the Authorized First-Lien Collateral Agent in certain cases. Because the holders of the New First Lien Notes cannot directly take enforcement action and, in any case, the collateral trustee must take instructions from the agent for the lenders under Verso s Existing Cash Flow Facility for enforcement when an event of default is continuing unless the loans outstanding thereunder are less than $30.0 million and the obligations owed to holders of the New First Lien Notes are greater than the obligations owed to each class of permitted future secured creditors, there may be significant delays in taking effective action to enforce your security interest with respect to the collateral. Delays in enforcement could decrease or eliminate recovery values. By accepting a New First Lien Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the New First Lien Notes may not be able to act quickly or at all to have the collateral agent realize on the collateral in the event of a default with respect to the New First Lien Notes.

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

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

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

Verso s and the subsidiary guarantors remaining assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The indenture governing the New First Lien Notes permits liens in favor of third parties to secure additional debt, including purchase money indebtedness and capital lease obligations, and any assets subject to such liens will be automatically excluded from the collateral securing the New First Lien Notes and the guarantees. Verso s ability to incur purchase money indebtedness and capital lease obligations is subject to the limitations as described in Description of New First Lien Notes. In addition, certain categories of assets are excluded from the collateral securing the New First Lien Notes and the guarantees. Excluded assets include the assets of Verso s non-guarantor subsidiaries, securities of Verso s subsidiaries to the extent such liens would require financial statements of such subsidiaries pursuant to Rule 3-16 of Regulation S-X, certain properties that do not secure Verso s other indebtedness, leaseholds and motor vehicles, and the proceeds from any of the foregoing. See Description of the New First Lien Notes Security for the Notes. If an event of default occurs and the New First Lien Notes are accelerated, the New First Lien Notes and the guarantees will rank equally with the holders of other unsubordinated and unsecured indebtedness of the relevant entity with respect to such excluded property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The collateral is subject to casualty risks.

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

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

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens in the collateral securing the New First Lien Notes may not be perfected with respect to the claims of the New First Lien Notes if the collateral agent or its designee or predecessor is not able to take the actions necessary to perfect any of these liens on or prior to the date of the indenture governing the New First Lien Notes. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at the time such property and rights are acquired and identified. Verso and its guarantors have limited obligations to perfect the noteholders security interest in specified collateral. There can be no assurance that the trustee or the collateral agent for the New First Lien Notes will monitor, or that Verso will inform such trustee or collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. The collateral agent for the New First Lien Notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in the collateral or the priority of the security interest in favor of the New First Lien Notes against third parties.

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

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

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

- how long payments under the New First Lien Notes could be delayed following commencement of a bankruptcy case;
- whether or when the collateral agent could repossess or dispose of the collateral;
- the value of the collateral at the time of the bankruptcy petition; or
- whether or to what extent holders of the New First Lien Notes would be compensated for any delay in payment or loss of value of the collateral through the requirement of adequate protection.

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

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Risks Relating to Verso s Indebtedness Following the Merger

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

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

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

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

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

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

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

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

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

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

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

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

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

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DESCRIPTION OF OTHER INDEBTEDNESS

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

Existing ABL Facility

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

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

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

- 85% of the amount of eligible accounts, plus
- the lesser of (i) 80% of the net book value of eligible inventory and (ii) 85% of the net orderly liquidation value of eligible inventory.

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

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

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

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

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

- sell assets;
- incur additional indebtedness;

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- repay other indebtedness;
- pay dividends and distributions or repurchase its capital stock;
- create liens on assets;
- make investments, loans, guarantees or advances;
- make certain acquisitions;
- engage in mergers or consolidations;
- enter into sale/leaseback transactions;
- engage in certain transactions with affiliates;
- amend certain material agreements governing its indebtedness;
- amend its organizational documents;
- change the business conducted by Verso and its subsidiaries; and
- enter into agreements that restrict dividends from subsidiaries.

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

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

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

Existing Cash Flow Facility

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

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

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

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

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

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

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

- sell assets;
- incur additional indebtedness;
- repay other indebtedness;
- pay dividends and distributions or repurchase its capital stock;
- create liens on assets;
- make investments, loans, guarantees or advances;
- make certain acquisitions;
- engage in mergers or consolidations;

- enter into sale/leaseback transactions;
- engage in certain transactions with affiliates;
- amend certain material agreements governing its indebtedness;
- amend its organizational documents;
- change the business conducted by Verso and its subsidiaries; and
- enter into agreements that restrict dividends from subsidiaries.

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

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

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

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

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

11.75% Senior Secured Notes due 2019

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

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

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

11.75% Secured Notes due 2019

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

Interest is payable semi-annually on the Secured Notes. All of the Secured Notes are guaranteed by the same subsidiaries that guarantee Verso s Existing First Lien Notes.

All of the Secured Notes are secured by security interests in the same Collateral that secure the Existing First Lien Notes and its guarantees. Such security interests will rank junior in priority to the security interests that secure the Existing First Lien Notes and the guarantees, as well as the security interests that secure the Existing ABL Facility and the Existing Cash Flow Facility.

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

New Second Lien Notes

In the Second Lien Notes Exchange Offer, Verso will offer up to $396.0 million aggregate principal amount of its New Second Lien Notes, as well as the Verso Warrants, in exchange for any and all outstanding Old Second Lien Notes.

Interest will be payable semi-annually on the New Second Lien Notes. All Verso s obligations under the New Second Lien Notes will be fully and unconditionally and jointly and severally guaranteed by Verso Holdings direct and indirect restricted subsidiaries that are wholly owned domestic subsidiaries on the issue date and that guarantee indebtedness under its Existing ABL Facility and its Existing Cash Flow Facility, which include all its subsidiaries other than Verso Paper Inc., Verso Maine Power Holdings LLC, Verso Androscoggin Power LLC, Verso Bucksport Power LLC, Bucksport Leasing LLC and Verso Quinnesec REP LLC. Following the consummation of the Merger, the New Second Lien Notes will be guaranteed by NewPage Holdings. However, NewPage Holdings is a holding company without any assets or operations other than interests in its subsidiaries. The New Second Lien Notes will not be guaranteed by the NewPage Subsidiaries, nor will any of the assets of the NewPage Subsidiaries constitute collateral for the New Second Lien Notes.

Prior to the consummation of the Merger, the New Second Lien Notes will have substantially the same terms as the Old Second Lien Notes in that: the New Second Lien Notes will have their original principal amount, will bear interest at a rate of 8.75% per annum, will mature on February 1, 2019 and will be governed by covenants that are substantially the same as the covenants currently governing the Old Second Lien Notes. If the Merger does not occur, the New Second Lien Notes will retain their original principal amount and these same terms.

Upon the consummation of the Merger, (i) the principal amount of the outstanding New Second Lien Notes will be adjusted such that a holder of $1,000 principal amount of New Second Lien Notes immediately prior to the Merger will hold $668.75 principal amount of New Second Lien Notes immediately following the Merger, subject to adjustment based on participation in the Second Lien Notes Exchange Offer (as described below), (ii) the maturity date of the New Second Lien Notes will be extended to August 1, 2020, (iii) the interest rate will be adjusted such that the New Second Lien Notes will bear interest at a rate of 10% per annum entirely in cash plus 3% per annum (Second Lien Notes PIK Interest) entirely by increasing the principal amount of the outstanding New Second Lien Notes or by issuing additional New Second Lien Notes (Second Lien PIK Notes) from and after the date of the consummation of the Merger, (iv) certain other amendments to the terms of the New Second Lien Notes will be effected, and (v) the

Verso Warrants will have been mandatorily converted into shares of Verso common stock.

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

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

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

All of the New Second Lien Notes will be secured by security interest in the same collateral that secures the Existing First Lien Notes and its guarantees, subject to certain exclusions. Such security interest will rank junior in priority to the security interests that secure the Existing First Lien Notes, the Secured Notes, the Existing ABL Facility and the Existing Cash Flow Facility. Upon the consummation of the Merger, the security interests in the collateral securing the New Second Lien Notes will also rank junior to those securing Verso s New First Lien Notes. The New Second Lien Notes will be structurally subordinated to the obligations under the NewPage ABL Facility and the NewPage Term Loan Facility.

The indenture governing the New Second Lien Notes will contain various covenants that will limit Verso s ability to, among other things, incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem its stock; make investments; sell assets, including capital stock of restricted subsidiaries; enter into agreements restricting its subsidiaries ability to pay dividends; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into transactions with its affiliates; and incur liens. Subject to certain exceptions, the indenture governing the New Second Lien Notes will permit Verso Holdings and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

New Subordinated Notes

In the Subordinated Notes Exchange Offer, Verso will offer up to $142.5 million aggregate principal amount of its New Subordinated Notes in exchange for any and all outstanding Old Subordinated Notes.

Interest will be payable semi-annually on the New Subordinated Notes. All Verso s obligations under the New Subordinated Notes will be fully and unconditionally and jointly and severally guaranteed by Verso Holdings direct and indirect restricted subsidiaries that are wholly owned domestic subsidiaries on the issue date and that guarantee indebtedness under its Existing ABL Facility and its Existing Cash Flow Facility, which include all its subsidiaries other than Verso Paper Inc., Verso Maine Power Holdings LLC, Verso Androscoggin Power LLC, Verso Bucksport Power LLC, Bucksport Leasing LLC and Verso Quinnesec REP LLC. Following the consummation of the Merger, the New Subordinated Notes will be guaranteed by NewPage Holdings. However, NewPage Holdings is a holding company without any assets or operations other than interests in its subsidiaries and the New Subordinated Notes will not be guaranteed by the NewPage Subsidiaries.

Prior to the consummation of the Merger, the New Subordinated Notes will have substantially the same terms as the Old Subordinated Notes in that the New Subordinated Notes will have their original principal amount, will bear interest at a rate of 11 $\frac{3}{8}$% per annum, will mature on August 1, 2016 and will be governed by covenants that

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are substantially the same as the covenants currently governing the Old Subordinated Notes. If the Merger does not occur, the New Subordinated Notes will retain their original principal amount and these same terms.

Upon the consummation of the Merger, (i) the principal amount of the outstanding New Subordinated Notes will be adjusted such that a holder of $1,000 principal amount of New Subordinated Notes immediately prior to the Merger will hold $681.875 principal amount of New Subordinated Notes immediately following the Merger, subject to adjustment based on participation in the Subordinated Notes Exchange Offer (as described below), (ii) the maturity date of the New Second Lien Notes will be extended to August 1, 2021, (iii) the interest rate will be adjusted such that the New Second Lien Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus 3% per annum (Subordinated Notes PIK Interest) payable entirely by increasing the principal amount of the outstanding New Subordinated Notes or by issuing additional New Subordinated Notes (Subordinated PIK Notes), (iv) certain other amendments to the terms of the New Subordinated Notes will be effected, and (v) the Verso Warrants will have been mandatorily converted into shares of Verso common stock.

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

Percentage of Aggregate Principal Amount of Old Subordinated Notes Participating in the Subordinated Notes Exchange Offer	Principal Amount of New Subordinated Notes Following the Merger per $1,000 Principal Amount of New Subordinated Notes Prior to the Merger
75%	606.875
80%	621.875
85%	636.875
90%	651.875
95%	666.875
100%	681.875

If holders in the aggregate tender a percentage of Old Subordinated Notes that is not set forth in the table above, holders will receive the principal amount set forth next to the highest percentage set forth above that is below the actual amount tendered.

The indenture governing the New Subordinated Notes will contain various covenants that will limit Verso s ability to, among other things, incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem its stock; make investments; sell assets, including capital stock of restricted subsidiaries; enter into agreements restricting its subsidiaries ability to pay dividends; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; enter into transactions with its affiliates; and incur liens. Subject to certain exceptions, the indenture governing the New Subordinated Notes will permit Verso Holdings and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Old Second Lien Notes

As of March 31, 2014, Verso had outstanding approximately $396.0 million aggregate principal amount of its Old Second Lien Notes. The Old Second Lien Notes bear interest, payable semi-annually, at the rate of 8.75% per year. The Old Second Lien Notes are guaranteed jointly and severally by each of Verso Holdings subsidiaries, subject to certain exceptions, and the notes and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The Old Second Lien Notes and related guarantees are secured by second-priority security interests, subject to permitted liens, in substantially all of Verso Holdings and the guarantors tangible and intangible assets, excluding securities of Verso Holdings affiliates. The Old Second Lien Notes will mature on February 1, 2019.

On July 2, 2014, the Verso Issuers launched the Second Lien Notes Exchange Offer. See Exchange Offer Transactions.

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Old Subordinated Notes

As of March 31, 2014, Verso had approximately $142.5 million aggregate principal amount of its Old Subordinated Notes. The Old Subordinated Notes bear interest, payable semi-annually, at the rate of 11 3/8 % per year. The Old Subordinated Notes are guaranteed jointly and severally by each of Verso Holdings subsidiaries, subject to certain exceptions, and the notes and guarantees are unsecured senior subordinated obligations of Verso Holdings and the guarantors, respectively. The Old Subordinated Notes will mature on August 1, 2016.

On July 2, 2014, the Verso Issuers launched the Subordinated Notes Exchange Offer. See Exchange Offer Transactions.

Second Priority Senior Secured Floating Rate Notes

As of March 31, 2014, Verso had $13.3 million aggregate principal amount of Old Floating Rate Notes outstanding. The Old Floating Rate Notes bear interest, payable quarterly, at a rate equal to LIBOR plus 3.75% per year. As of March 31, 2014, the interest rate on the Old Floating Rate Notes was 3.99% per year. The Old Floating Rate Notes are guaranteed by the same subsidiaries that will guarantee the additional exchange notes. As of May 8, 2012, the Old Floating Rate Notes are no longer secured by any collateral. The Old Floating Rate Notes will mature on August 1, 2014.

Verso Quinnesec REP LLC

On December 29, 2010, Verso Holdings wholly owned subsidiary, Verso Quinnesec REP LLC, entered into a financing transaction with the Chase NMTC Verso Investment Fund LLC (the Investment Fund), a consolidated variable interest entity. Under this arrangement, Verso Holdings loaned $23.3 million to Verso Finance, which funds were invested in the $23.3 million aggregate principal amount of a 6 ½% loan due December 31, 2040, issued by the Investment Fund. The Investment Fund then contributed the loan proceeds to certain Community Development Entities, or CDEs, who, in turn, loaned the funds on similar terms to Verso Quinnesec REP LLC as partial financing for the renewable energy project at Verso s mill in Quinnesec, Michigan. As of both March 31, 2014, and December 31, 2013, Verso Holdings had a $23.3 million long-term receivable due from Verso Finance, representing these funds and accrued interest receivable of $0.1 million, while the Investment Fund had an outstanding loan of $23.3 million due to Verso Finance and accrued interest payable of $0.1 million . In addition, for the three months ended March 31, 2014 and 2013, Verso Holdings recognized interest income from Verso Finance of $0.4 million and the Investment Fund recognized interest expense to Verso Finance of $0.4 million.

Non-Core Energy Financing

On May 5, 2014, acting through our wholly owned subsidiary, Verso Androscoggin Power LLC, or VAP, we entered into a credit agreement providing for a $40 million revolving credit facility with Barclays Bank PLC and Credit Suisse AG, Cayman Islands Branch. Borrowings thereunder may be used (a) to provide cash dividends and other cash distributions to VAP s sole member, Verso Maine Power Holdings LLC, or VMPH, and our other subsidiaries, (b) for ongoing working capital for VAP, and (c) for other general corporate purposes. Borrowings under the credit facility will bear interest at a rate equal to an applicable margin plus, at the option of VAP, either (a) a base rate determined by reference to the highest of the U.S. federal funds rate plus 0.5% the prime rate of the administrative agent, and the adjusted LIBOR for a one-month interest period plus 1.00%, or (b) a eurocurrency rate, or LIBOR, determined by reference to the cost of funds for eurocurrency deposits in dollars in the London interbank market for the interest period relevant to such borrowing adjusted for certain additional costs. Prior to November 5, 2014, the applicable margin for advances under the credit facility is 2.00% for base rate advances and 3.00% for LIBOR advances. On and after November 5, 2014, the applicable margin for advances under the credit facility will be 3.00% for base rate advances and 4.00% for LIBOR advances. The credit facility will mature on the earliest to occur of (a) May 5, 2015, (b) the date that is 30 days after the consummation of the Merger, and (c) the date that is 60 days after the termination of the Merger Agreement or the abandonment of the Merger; however, upon written notice by VAP to the administrative agent, VAP may request that the commitments under the credit facility be converted to extend the maturity date for consenting lenders. The debt outstanding under the credit facility is secured by substantially all of VAP s assets, which consist principally of four hydroelectric facilities associated with our Androscoggin mill and related electricity transmission equipment. VMPH guarantees the payment of the debt outstanding under the credit facility, and its guaranty is secured by a pledge of its equity interest in VAP.

NewPage Term Loan Facility

General

On February 11, 2014, NewPage Corporation entered into the NewPage Term Loan Facility which provided a senior secured term loan facility in an aggregate principal amount of $750 million with a maturity of seven years.

In addition, NewPage Corporation may request one or more incremental term loan facilities in an aggregate amount of up to the sum of (x) $100 million plus (y) such additional amount so long as, (i) in the case of loans under additional credit facilities with liens that rank pari passu with the liens on the collateral securing the NewPage Term Loan Facility, a consolidated net first lien senior secured leverage ratio of NewPage Corporation and its restricted subsidiaries (the NewPage Entities) would be no greater than 2.50 to 1.00 and (ii) in the case of loans under additional credit facilities with liens that rank junior to the liens on the collateral securing the NewPage Term Loan Facility, a consolidated total net secured leverage ratio (excluding debt outstanding under the NewPage ABL Facility) of the NewPage Entities would be no greater than 3.00 to 1.00, subject to certain conditions and receipt of commitments by existing or additional lenders.

Proceeds of the NewPage Term Loan Facility were used to repay NewPage s former $500 million term loan facility and to pay the Recapitalization Dividend to NewPage s stockholders.

Interest Rates

Borrowings under the NewPage Term Loan Facility bear interest at a rate equal to, at NewPage Corporation s option, either (a) a LIBOR rate (subject to a LIBOR floor of 1.25%) plus a margin of 8.25% for the interest period relevant to such borrowing, adjusted for certain additional costs or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate of Credit Suisse AG and (iii) the one-month adjusted LIBOR rate plus 1.00%, in each case of (i), (ii) and (iii) plus a margin of 7.25%.

Amortization and Prepayments

The NewPage Term Loan Facility requires no amortization payments until the eighteen month anniversary of the closing date, and will thereafter require quarterly amortization payments, in an amount equal to (i) 1.25% per quarter until the three year anniversary of the closing date, (ii) 1.875% per quarter until the four year anniversary of the closing date, and (ii) 2.50% per quarter until the maturity date, with the balance due on the maturity date.

The NewPage Term Loan Facility is subject to mandatory prepayments in amounts equal to

100% of the net cash proceeds of indebtedness by the NewPage Entities (other than indebtedness permitted under the NewPage Term Loan Facility);

100% of the net cash proceeds of any non-ordinary course sale or other disposition of assets by the NewPage Entities (including as a result of casualty or condemnation) (with customary exceptions, thresholds, and reinvestment rights of up to 12 months or 18 months if contractually committed to within 12 months); and

75% of excess cash flow for each fiscal year beginning with the fiscal year ending December 31, 2015, subject to possible step-downs based on total net first lien leverage ratio thresholds.

NewPage Corporation has the right to prepay loans under the NewPage Term Loan Facility at any time without premium or penalty, other than customary breakage costs with respect to LIBOR rate loans, subject, however, to a prepayment premium for optional prepayments of the NewPage Term Loan Facility with a new or replacement term loan facility with an effective interest rate less than that applicable to the NewPage Term Loan Facility equal to (i) 3.00% if prepaid prior to the first anniversary of the closing date, (ii) 2.00% if prepaid on or after the first anniversary of the closing date and prior to the second anniversary of the closing date and (iii) 1.00% if prepaid on or after the second anniversary of the closing date and prior to the third anniversary of the closing date. However, if the Merger Agreement is terminated in accordance with its terms, the NewPage Term Loan Facility may be prepaid with no premium or penalty within 30 days.

Collateral and Guarantors

The NewPage Term Loan Facility is fully and unconditionally guaranteed on a joint and several basis by all of NewPage Corporation s existing and future direct and indirect wholly owned material domestic restricted subsidiaries, subject to certain exceptions, and by NewPage Investment Company LLC (Holdings), NewPage Corporation s direct parent (collectively, the Guarantors). Amounts outstanding under the NewPage Term Loan Facility are secured by substantially all of the assets of NewPage Corporation and the Guarantors, subject to certain exceptions. The security interest with respect to the NewPage Term Loan Facility consists of a first-priority lien with respect to all collateral other than the ABL Priority Collateral (as defined below) (the NewPage Term Loan Priority Collateral) and a second-priority lien with respect to the ABL Priority Collateral (as defined below).

Restrictive Covenants and Other Matters

The NewPage Term Loan Facility requires NewPage Corporation to maintain a maximum total net leverage ratio on the last day of any fiscal quarter when loans are outstanding under the NewPage Term Loan Facility. The initial maximum total net leverage ratio threshold is 4.10 to 1.00 through the fiscal quarter ending September 30, 2014, stepping down every year thereafter to a maximum total net leverage ratio threshold of 3.50 to 1.00 for the fiscal quarter ending December 31, 2019 and thereafter.

The NewPage Term Loan Facility contains certain additional covenants that, among other things, and subject to certain exceptions, restrict NewPage Corporation s and its restricted subsidiaries ability to incur additional debt or liens, pay dividends, repurchase common stock, prepay other indebtedness, sell, transfer, lease, or dispose of assets and make investments in or merge with another company. The NewPage Term Loan Facility also contains covenants applicable to Holdings that, among other things, and subject to certain exceptions, limit Holdings ability to incur additional debt or liens and require Holdings to continue to directly own 100% of the equity interests of NewPage Corporation.

The NewPage Term Loan Facility provides for customary events of default, including a cross-event of default provision in respect of any other existing debt instruments having an aggregate principal amount exceeding $50 million, subject to applicable threshold, notice and grace period provisions. If an event of default occurs, the lenders under the NewPage Term Loan Facility are entitled to accelerate the advances made thereunder and exercise rights against the collateral.

The negative covenants in the NewPage Term Loan Facility contain carve-outs to allow payments pursuant to the Shared Services Agreement and the distribution of certain other amounts to Verso and its subsidiaries. NewPage Investment Company LLC is not bound by any financial or negative covenants contained in the NewPage Term Loan

Facility, other than certain passive activity covenants including, with respect to the incurrence of liens on and the pledge of NewPage Corporation s capital stock and with respect to the maintenance of its existence.

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NewPage ABL Facility

General

On February 11, 2014, NewPage Corporation entered into the NewPage ABL Facility which provides a senior secured asset-based revolving facility in an aggregate principal amount of $350 million with a maturity of five years, including both a letter of credit sub-facility and a swingline loan sub-facility.

In addition, NewPage Corporation may request one or more increases in commitments in an aggregate amount of up to the greater of (x) $200 million and (y) the excess of the borrowing base over the amount of the then-effective commitments under the NewPage ABL Facility.

All borrowings under the NewPage ABL Facility are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties.

The NewPage ABL Facility replaced NewPage s former $350 million revolving credit facility for general corporate purposes, and proceeds of the NewPage ABL Facility will be used to pay certain transaction costs and expenses in connection with the Merger.

Interest Rates and Fees

Amounts drawn under the NewPage ABL Facility bear annual interest at either the LIBOR rate plus a margin of 1.75% to 2.25% or at a base rate plus a margin of 0.75% to 1.25%. The interest rate margins on the NewPage ABL Facility are subject to adjustments based on the average availability of the NewPage ABL Facility. The initial margins for borrowings under the NewPage ABL Facility are 2.00% in the case of LIBOR rate loans and 1.00% in the case of base rate loans.

The commitment fee payable on the unused portion of the NewPage ABL Facility equals 0.375% or 0.50% based on the average availability of the NewPage ABL Facility. NewPage Corporation has also agreed to pay customary letter of credit fees.

Prepayments

NewPage Corporation may voluntarily repay outstanding loans under the NewPage ABL Facility at any time, without prepayment premium or penalty, subject to customary breakage costs with respect to LIBOR rate loans.

Collateral and Guarantors

The NewPage ABL Facility is fully and unconditionally guaranteed on a joint and several basis by the Guarantors. Amounts outstanding under the NewPage ABL Facility are secured by substantially all of the assets of NewPage Corporation and the Guarantors, subject to certain exceptions. The security interest with respect to the NewPage ABL Facility will consist of a first-priority lien with respect to most inventory, accounts receivable, bank accounts, and certain other assets of NewPage Corporation and the Guarantors (the ABL Priority Collateral) and a second-priority lien with respect to the Term Loan Priority Collateral.

Restrictive Covenants and Other Matters

Under the NewPage ABL Facility, NewPage Corporation is subject to a springing minimum fixed charge coverage ratio of 1.00 to 1.00 at any time when excess availability is less than the greater of (a) 10% of the lesser of (i) the borrowing base at such time and (ii) the aggregate amount of commitments at such time or (b) $20 million.

The NewPage ABL Facility contains certain additional covenants that, among other things, and subject to certain exceptions, restrict NewPage Corporation s and its restricted subsidiaries ability to incur additional debt or liens, pay dividends, repurchase common stock, prepay other indebtedness, sell, transfer, lease, or dispose of

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assets and make investments in or merge with another company. The NewPage ABL Facility also contains covenants applicable to Holdings that, among other things, and subject to certain exceptions, limit Holdings ability to incur additional debt or liens and require Holdings to continue to directly own 100% of the equity interests of NewPage Corporation.

The NewPage ABL Facility provides for customary events of default, including a cross-event of default provision in respect of any other existing debt instruments having an aggregate principal amount exceeding $50 million, subject to applicable threshold, notice and grace period provisions. If an event of default occurs, the lenders under the NewPage Term Loan Facility are entitled to accelerate the advances made thereunder and exercise rights against the collateral.

The negative covenants in the NewPage ABL Facility contain carve-outs to allow payments pursuant to the Shared Services Agreement and the distribution of certain other amounts to Verso and its subsidiaries. NewPage Investment Company LLC is not bound by any financial or negative covenants contained in the NewPage ABL Facility, other than certain passive activity covenants including, with respect to the incurrence of liens on and the pledge of NewPage Corporation s capital stock and with respect to the maintenance of its existence.

Financing Transactions in Connection with the Merger

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

On February 11, 2014, NewPage borrowed $750 million under the NewPage Term Loan Facility and replaced its former $350 million asset-based loan facility with the NewPage ABL Facility.

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

The issuers and guarantors of Verso s debt securities (including the New First Lien Notes) and the borrower and guarantors of Verso s credit facilities do *not* guarantee the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility, and the borrower and guarantors under the NewPage Term Loan Facility and the NewPage ABL Facility will *not* guarantee the obligations under Verso s debt securities and credit facilities. As a result, following the consummation of the Merger, the holders of Verso s debt securities (including the New First Lien Notes) will be structurally subordinated to the obligations under the NewPage Term Loan Facility and the NewPage ABL Facility to the extent of the value of the assets of the NewPage Subsidiaries. Upon the consummation of the Merger, NewPage Holdings Inc. (but not the NewPage Subsidiaries) will guarantee Verso s debt securities (other than any remaining Old Second Lien Notes and Old Subordinated Notes) and Verso s credit facilities.

Exchange Offer Transactions

On July 2, 2014, the Verso Issuers launched offers to exchange (a) New Second Lien Notes and Verso Warrants for any and all outstanding Old Second Lien Notes and (b) New Subordinated Notes and Verso Warrants for any and all outstanding Old Subordinated Notes.

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

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

Upon the consummation of the Merger, (i) the principal amount of the outstanding New Second Lien Notes will be adjusted such that a holder of $1,000 principal amount of New Second Lien Notes immediately prior to the Merger will hold $668.75 principal amount of New Second Lien Notes immediately following the Merger, subject to adjustment based on participation in the Second Lien Notes Exchange Offer (as described below), and the principal amount of the outstanding New Subordinated Notes will be adjusted such that a holder of $1,000 principal amount of New Subordinated Notes immediately prior to the Merger will hold $681.875 principal amount of New Subordinated Notes immediately following the Merger subject to adjustment based on participation in the Subordinated Notes Exchange Offer (as described below), (ii) the maturity date of the New Second Lien Notes will be extended to August 1, 2020 and the maturity date of the New Subordinated Notes will be extended to August 1, 2021, (iii) the New Second Lien Notes interest rate will be adjusted such that the New Second Lien Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus Second Lien Notes PIK Interest, (iv) the New Subordinated Notes interest rate will be adjusted such that the New Subordinated Notes will bear interest from and after the date of the consummation of the Merger at a rate of 10% per annum entirely in cash plus Subordinated Notes PIK Interest, (v) certain other amendments to the terms of the New Second Lien Notes and New Subordinated Notes will be effected and (vi) the Verso Warrants have been mandatorily converted into shares of Verso common stock.

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

Percentage of Aggregate Principal Amount of Old Second Lien Notes Participating in the Second Lien Notes	Principal Amount of New Second Lien Notes Following the Merger per $1,000 Principal Amount of New Second Lien

Exchange Offer	Notes Prior to the Merger
75%	593.75
80%	608.75
85%	623.75
90%	638.75
95%	653.75
100%	668.75

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

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

Percentage of Aggregate Principal Amount of Old Subordinated Notes Participating in the Subordinated Notes Exchange Offer	Principal Amount of New Subordinated Notes Following the Merger per $1,000 Principal Amount of New Subordinated Notes Prior to the Merger
75%	606.875
80%	621.875
85%	636.875
90%	651.875
95%	666.875
100%	681.875

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

The Verso Warrants will be issued pursuant to the Warrant Agreement as of the date of the consummation of the Second Lien Notes Exchange Offer and the Subordinated Notes Exchange Offer. The Verso Warrants will entitle an eligible holder to acquire shares of Verso common stock representing, as of immediately after the consummation of the Merger, such holder s pro rata portion (based on such holder s pro rata portion of the Old Second Lien Notes or Old Subordinated Notes) of 15% or 4.774%, respectively, of the total number of outstanding shares of Verso common stock, determined on a fully diluted basis. Each Verso Warrant will be convertible into one share of Verso common stock. The Verso Warrants will be mandatorily convertible into shares of Verso common stock without payment of consideration (and will not otherwise be convertible) immediately prior to the closing of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration. No fractional shares of Verso common stock will be issued upon conversion of the Verso Warrants. If, upon conversion of the Verso Warrants, a holder would be entitled to receive a fractional interest in a share, such fractional interest will be rounded up to the nearest whole number of shares of Verso common stock to be issued to the Verso Warrant holder. If the Merger is terminated, the Verso Warrants will be void and of no value and will cease to be convertible into shares of Verso common stock.

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

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

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

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

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

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

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

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REGARDING FORWARD-LOOKING STATEMENTS

A number of the statements made in this joint proxy and information statement/prospectus are forward-looking statements within the meaning of the Private Securities Litigation Reform Act, Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements are all statements made in this joint proxy and information statement/prospectus, other than statements of historical fact. In some cases, forward-looking statements can be identified by terminology such as anticipates, believes, estimates, expects, intends, may, plans, pr would, and similar expressions or expressions of the negative of these terms. These statements include statements regarding the intent, belief or current expectations of each of Verso and NewPage and their respective subsidiaries, their directors and their officers with respect to, among other things, future events, including the Merger, the respective financial results and financial trends expected to impact each of Verso and NewPage prior to the completion of the Merger, or if the Merger is not completed, and expected to impact Verso thereafter, assuming the Merger is completed.

Forward-looking statements are based upon certain underlying assumptions, including any assumptions mentioned with the specific statements, as of the date such statements were made. Such assumptions are in turn based upon internal estimates and analyses of market conditions and trends, management plans and strategies, economic conditions and other factors. Forward-looking statements and the assumptions underlying them are necessarily subject to risks and uncertainties inherent in projecting future conditions and results. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those set forth under Risk Factors beginning on page 47, and those set forth under Forward-Looking Statements or Risk Factors.

Verso and NewPage caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this joint proxy and information statement/prospectus in the case of forward-looking statements contained in this joint proxy and information statement/prospectus. Except as may be required by law, neither Verso nor NewPage has any obligation to update or alter these forward-looking statements, whether as a result of new information, future events or otherwise.

Verso and NewPage expressly qualify in their entirety all forward-looking statements attributable to Verso or NewPage or any person acting on either of their respective behalf by the cautionary statements contained or referred to in this section.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF VERSO AND VERSO HOLDINGS

Selected Historical Consolidated Financial Data of Verso

The following table presents summary historical consolidated financial and operating data for Verso as of and for the fiscal years ended December 31, 2013, 2012, 2011, 2010, and 2009 and as of and for the three months ended March 31, 2014 and 2013. The selected historical financial information presented below for each of the five years ended December 31, 2013 has been derived from Verso s audited consolidated financial statements. The selected historical financial information presented below for the three months ended March 31, 2014 and 2013 has been derived from Verso s unaudited interim condensed consolidated financial statements. In the opinion of Verso s management, the unaudited interim financial data include all adjustments, consisting of only normal non-recurring adjustments, considered necessary for a fair presentation of this information.

The information should be read in conjunction with Verso s consolidated financial statements and the related notes thereto and the information under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations included in this joint proxy and information statement/prospectus.

	Three Months Ended March 31,		Year Ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
(Dollars in millions except per share amounts)							
Statements of Operations Data:							
Net sales	$ 299.1	$ 333.2	$ 1,388.9	$ 1,474.6	$ 1,722.5	$ 1,605.3	$ 1,360.9
Costs and expenses:							
Cost of products sold (exclusive of depreciation, amortization and depletion)	302.3	291.8	1,179.1	1,272.6	1,460.3	1,410.8	1,242.7
Depreciation, amortization, and depletion	25.7	26.0	104.7	118.2	125.3	127.4	132.7
Selling, general, and administrative expenses	17.6	18.8	73.8	74.4	78.0	71.0	61.9
Goodwill impairment					18.7		
Restructuring charges		1.0	1.4	102.4	24.5		1.0
Total operating expenses	345.6	337.6	1,359.0	1,567.6	1,706.8	1,609.2	1,438.3
Other operating income(1)		(3.3)	(4.0)	(60.6)			
Operating (loss) income	(46.5)	(1.1)	33.9	(32.4)	15.7	(3.9)	(77.4)
Interest income					(0.1)	(0.1)	(0.3)
Interest expense	34.5	34.7	137.8	135.4	126.6	128.1	123.4
Other loss (income), net(2)	9.6	2.6	7.9	7.4	26.1	(0.9)	(307.3)
(Loss) income before income taxes	(90.6)	(38.4)	(111.8)	(175.2)	(136.9)	(131.0)	106.8

Income tax (benefit) expense			(0.6)	(1.4)	0.2	0.1	0.8
Net (loss) income	$ (90.6)	$ (38.4)	$ (111.2)	$ (173.8)	$ (137.1)	$ (131.1)	$ 106.0

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	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Year Ended December 31, 2013	2012	2011	2010	2009
(Dollars in millions except per share amounts)							
Per Share Data:							
(Loss) earnings per common share:							
Basic	$ (1.70)	$ (0.72)	(2.09)	(3.29)	(2.61)	(2.50)	2.03
Diluted	(1.70)	(0.72)	(2.09)	(3.29)	(2.61)	(2.50)	2.03
Weighted average common shares outstanding (in thousands):							
Basic	53,188	52,976	53,124	52,850	52,595	52,445	52,138
Diluted	53,188	52,976	53,124	52,850	52,595	52,445	52,153
Statement of Cash Flows Data:							
Cash (used in) provided by operating activities	$ (96.3)	$ (83.2)	$ (27.7)	$ 12.0	$ 14.5	$ 73.5	$ 177.2
Cash (used in) provided by investing activities	(8.8)	32.9	(13.8)	(7.1)	(66.2)	(98.3)	(34.1)
Cash (used in) provided by financing activities	98.0	1.5	(8.7)	(38.3)	(6.2)	25.5	(110.5)
Balance Sheet Data (end of period):							
Cash and cash equivalents	$ 4.2	$ 12.7	$ 11.3	$ 61.5	$ 94.9	$ 152.8	$ 152.1
Working capital(3)	96.9	108.9	63.4	110.3	142.6	162.4	210.6
Property, plant, and equipment, net	722.1	761.8	742.9	793.0	934.7	972.7	1,022.6
Total assets	1,062.8	1,131.7	1,098.6	1,208.9	1,421.5	1,516.1	1,572.7
Total debt	1,346.2	1,259.4	1,248.5	1,257.0	1,262.5	1,228.6	1,192.4
Total (deficit) equity	(507.2)	(358.9)	(417.3)	(321.7)	(153.9)	(6.8)	125.3

(1) Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of $60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at the former Sartell mill.

(2) Other income was $307.3 million for the year ended December 31, 2009, which included $238.9 million in net benefits from alternative fuel mixture tax credits provided by the U.S. government for our use of black liquor in alternative fuel mixtures and $64.8 million in net gains related to the early retirement of debt.

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

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Selected Historical Consolidated Financial Data of Verso Holdings

The following table presents selected historical consolidated financial and operating data for Verso Holdings as of and for the fiscal years ended December 31, 2013, 2012, 2011, 2010, and 2009 and as of and for the three months ended March 31, 2014 and 2013. The selected historical financial information presented below for each of the five years ended December 31, 2013 has been derived from Verso Holdings audited consolidated financial statements. The selected historical financial information presented below for the three months ended March 31, 2014 and 2013 has been derived from Verso Holdings s unaudited interim condensed consolidated financial statements. In the opinion of Verso Holdings management, the unaudited interim financial data include all adjustments, consisting of only normal non-recurring adjustments, considered necessary for a fair presentation of this information.

The information should be read in conjunction with Verso Holdings consolidated financial statements and the related notes thereto and the information under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations included in this joint proxy and information statement/prospectus.

	Three Months Ended March 31,		Year Ended December 31,				
(Dollars in millions)	**2014**	**2013**	**2013**	**2012**	**2011**	**2010**	**2009**
Statement of Operations Data:							
Net sales	$ 299.1	$ 333.2	$ 1,388.9	$ 1,474.6	$ 1,722.5	$ 1,605.3	$ 1,360.9
Costs and expenses:							
Cost of products sold (exclusive of depreciation, amortization, and depletion)	302.3	291.8	1,179.1	1,272.6	1,460.3	1,410.8	1,242.7
Depreciation, amortization, and depletion	25.7	26.0	104.7	118.2	125.3	127.4	132.7
Selling, general, and administrative expenses	17.6	18.8	73.8	74.4	78.0	70.9	61.7
Goodwill impairment					10.5		
Restructuring and other charges		1.0	1.4	102.4	24.5		1.0
Total operating expenses	345.6	337.6	$ 1,359.0	$ 1,567.6	$ 1,698.6	$ 1,609.1	$ 1,438.1
Other operating income(1)		(3.3)	(4.0)	(60.6)			
Operating (loss) income	(46.5)	(1.1)	33.9	(32.4)	23.9	(3.8)	(77.2)
Interest income	(0.4)	(0.4)	(1.5)	(1.5)	(1.6)	(0.1)	(0.2)
Interest expense	34.9	34.4	138.7	127.9	122.2	122.5	116.1
Other loss (income), net(2)	9.6	2.6	7.9	7.4	25.8	(0.7)	(273.8)

Net (loss) income	$ (90.6)	$ (37.7)	$ (111.2)	$ (166.2)	$ (122.5)	$ (125.5)	$ 80.7
Statement of Cash Flows Data:							
Cash (used in) provided by operating activities	$ (96.3)	$ (83.0)	$ (27.5)	$ 11.3	$ 14.6	$ 75.8	$ 180.1
Cash (used in) provided by investing activities	(8.8)	32.9	(13.8)	(7.1)	(66.2)	(98.3)	(34.1)
Cash (used in) provided by financing activities	98.1	1.3	(9.0)	(37.6)	(6.3)	25.4	(115.8)
Balance Sheet Data:							
Cash and cash equivalents	$ 4.2	$ 12.6	$ 11.2	$ 61.5	$ 94.8	$ 152.7	$ 149.8
Working capital(3)	97.0	109.0	63.4	111.4	142.9	162.3	210.4
Property, plant, and equipment, net	722.1	761.8	742.9	793.0	934.7	972.7	1,022.6
Total assets	1,086.2	1,155.1	1,121.9	1,232.3	1,444.4	1,530.5	1,560.3
Total debt	1,369.5	1,282.7	1,271.8	1,187.1	1,201.1	1,172.7	1,118.3
Total (deficit) equity	(501.0)	(352.1)	(411.1)	(220.6)	(61.2)	71.4	198.0

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(1) Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of $60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at the former Sartell mill.
(2) Other income was $273.8 million for the year ended December 31, 2009, which included $238.9 million in net benefits from alternative fuel mixture tax credits provided by the U.S. government for our use of black liquor in alternative fuel mixtures and $31.3 million in net gains related to the early retirement of debt.
(3) Working capital is defined as current assets net of current liabilities, excluding the current portion of long-term debt.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF NEWPAGE AND PREDECESSOR

Selected Financial Data

The implementation of the Chapter 11 plan and the application of fresh start accounting materially changed the carrying amounts and classifications reported in our consolidated financial statements and resulted in our becoming a new entity for financial reporting purposes. Accordingly, the consolidated financial statements of the Predecessor Company will not be comparable to the consolidated financial statements of the Successor Company. For additional information regarding the impact of the implementation of the Chapter 11 plan and the application of fresh start accounting see Note 1 to the consolidated financial statements of NewPage beginning on page L-11. For purposes of this section, references to we, us and our refer to NewPage Holdings Inc. and its direct and indirect subsidiaries.

The following table sets forth historical consolidated financial information as of and for each of the five years ended December 31, 2013, 2012, 2011, 2010, and 2009 and the three months ended March 31, 2014 and 2013.

(in millions, except per share amounts for Successor) (a)	Successor Three Months Ended Mar. 31, 2014	Successor Three Months Ended Mar. 31, 2013	Successor Year Ended, Dec. 31 2013	Predecessor Year Ended, Dec. 31 2012	Predecessor 2011	Predecessor 2010	Predecessor 2009
Net sales	$ 757	$ 756	$ 3,054	$ 3,131	$ 3,502	$ 3,596	$ 3,106
Income (loss) before reorganization items and income taxes	(71)	(11)	(4)	(49)	(411)	(655)	(357)
Reorganization items, net (b)				(1,288)	86		
Net income (loss)	(71)	(11)	(2)	1,258	(498)	(656)	(303)
Net income (loss) attributable to the company	(71)	(11)	(2)	1,258	(498)	(656)	(308)
Net income (loss) attributable to the company per share:							
Basic and diluted (a)	(10.01)	(1.50)	(0.27)	12.58	(4.98)	(6.56)	(3.08)
Cash dividends paid per common share	34.35						

	Successor Three Months Ended Mar. 31, 2014	Successor Three Months Ended Mar. 31, 2013	Successor 2013	Successor 2012	Predecessor 2011	Predecessor 2010	Predecessor 2009
Working capital (g)	450	$ 480	$ 487	$ 441	$ 680	$ 438	$ 458
Total assets (c)	2,125	2,195	2,175	2,214	3,305	3,511	4,005
Long-term debt (d) (e)	750	503	487	485	248	3,157	3,030
Other long term obligations (f)	299	580	308	581	70	526	493

(a) Successor per share amounts in dollars. Predecessor per share amounts in millions.
(b) Certain expenses, provisions for losses and other charges and credits directly associated with or resulting from the reorganization and restructuring of the business that were realized or incurred in the Chapter 11 Proceedings, including the impact of the implementation of the Chapter 11 plan and the application of fresh start accounting, were recorded in reorganization items, net in our consolidated financial statements.
(c) As part of the application of fresh start accounting, all assets were adjusted to their fair values as of December 31, 2012.
(d) As previously discussed, as of the Emergence Date and pursuant to the Chapter 11 plan, all amounts outstanding under our debtor in possession financing arrangements were paid in full in cash and all pre-petition debt instruments outstanding were extinguished, and holders of claims related to the pre-petition debt arrangements received distributions on their claims in accordance with the Chapter 11 plan.

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Additionally, upon consummation of the Chapter 11 plan, we entered into a credit and guaranty agreement, consisting of a $500 million senior secured exit term loan due 2018. On February 11, 2014, this term loan was replaced with a new $750 million term loan. See Note 19 to the consolidated financial statements of NewPage beginning on page L-41 for additional information.

(e) Due to the commencement of the Chapter 11 Proceedings, our Consolidated Balance Sheet as of December 31, 2011 included unsecured and under-secured pre-petition debt obligations of $3,120 million. These obligations were included in liabilities subject to compromise.

(f) Pursuant to the Chapter 11 plan, pension and OPEB projected benefit obligations were assumed by us. These obligations, which were previously classified as liabilities subject to compromise, were reclassified to other current liabilities and other long-term obligations as of the Emergence Date.

(g) Working capital is defined as current assets minus current liabilities.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information presents the combined historical consolidated statements of operations and consolidated balance sheet of Verso and the historical consolidated statements of operations and consolidated balance sheet of NewPage as well the combined historical consolidated statements of operations and consolidated balance sheet of Verso Holdings and the historical consolidated statements of operations and consolidated balance sheet of NewPage to reflect the consummation of the Merger pursuant to the terms of the Merger Agreement. Verso is the ultimate parent company of Verso Holdings. Unless otherwise noted, references to Verso, we, us, and our refer collectively to Verso and Verso Holdings. The historical financial statements were prepared in conformity with GAAP. The unaudited pro forma condensed combined financial information is presented in accordance with the rules specified by Article 11 of Regulation S-X promulgated by the SEC, and has been prepared using the assumptions described in the notes thereto. The unaudited pro forma condensed combined balance sheets give effect to the Merger and the related financing transactions required to effect the Merger and the Exchange Offer Transactions as if they had occurred as of the balance sheet date. The unaudited pro forma condensed combined statements of operations give effect to the Merger and the related financing transactions required to effect the Merger and the Exchange Offer Transactions as if they had occurred as of January 1, 2013.

The following unaudited pro forma consolidated financial information is presented:

- Unaudited pro forma condensed combined balance sheet of Verso as of March 31, 2014;
- Unaudited pro forma condensed combined balance sheet of Verso Holdings as of March 31, 2014;
- Unaudited pro forma condensed combined statement of operations of Verso for the three months ended March 31, 2014;
- Unaudited pro forma condensed combined statement of operations of Verso Holdings for the three months ended March 31, 2014;
- Unaudited pro forma condensed combined statement of operations of Verso for the year ended December 31, 2013; and
- Unaudited pro forma condensed combined statement of operations of Verso Holdings for the year ended December 31, 2013.

The accompanying unaudited pro forma condensed combined financial statements (the Pro Forma Statements) and related notes were prepared using the acquisition method of accounting with Verso considered the acquirer of NewPage for accounting purposes. Accordingly, the consideration to be paid in the Merger has been allocated to assets and liabilities of NewPage based upon their estimated fair values as of the date of completion of the Merger. Any amount of the consideration that is in excess of the estimated fair values of assets acquired and liabilities assumed will be recorded as goodwill in Verso s balance sheet after the completion of the Merger. As of the date of this joint proxy and information statement/prospectus, Verso has not completed the detailed valuation work necessary to arrive at the required estimates of the fair value of the NewPage assets to be acquired and the liabilities to be assumed and the related allocation of purchase price, nor has it identified all adjustments necessary to conform NewPage s accounting policies to Verso s accounting policies. A final determination of the fair value of NewPage s assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of NewPage that exist as of the estimated date of completion of the Merger and, therefore, cannot be made prior to that date. Additionally, the value of a portion of the consideration to be paid by Verso to complete the Merger will be determined based on the trading price of Verso common stock at the time of the completion of the Merger. Accordingly, the accompanying unaudited pro forma purchase price allocation is preliminary and is subject to further adjustments as additional information becomes available and as additional analyses are performed. The preliminary unaudited pro forma purchase price allocation has been made solely for the purpose of preparing the accompanying Pro Forma Statements. The preliminary purchase price allocation was based on Verso s historical experience, data that was available through the public domain and

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Verso s due diligence review of NewPage s business. Until the Merger is completed, both companies are limited in their ability to share information with the other. Upon consummation of the Merger, valuation work will be finalized. Increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments to the balance sheet and/or statements of income until the purchase price allocation is finalized. Although management believes that the preliminary purchase price allocation is reasonable, there can be no assurance that such finalization will not result in material changes from the preliminary purchase price allocation included in the accompanying Pro Forma Statements.

The Merger Agreement also requires Verso to consummate exchange offers for its outstanding 8.75% Second Priority Senior Secured Notes due 2019 (the Old Second Lien Notes) and 11 3/8% Senior Subordinated Notes due 2016 (the Old Subordinated Notes), (collectively, the Exchange Offer Transactions).

The unaudited pro forma condensed combined financial information should be read in conjunction with the notes thereto and Verso, Verso Holdings and NewPage s historical consolidated financial statements included elsewhere in this joint proxy and information statement/prospectus.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations of the combined company. The unaudited pro forma condensed combined financial information does not give effect to any potential cost savings or other operational efficiencies that could result from the Merger.

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VERSO PAPER CORP.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

AS OF MARCH 31, 2014

(Dollars in thousands)

	Historical Verso	Historical NewPage	Total Adjustments		Pro Forma
ASSETS					
Current assets:					
Cash and cash equivalents	$ 4,242	$ 9,000	$ (8,242)	a	$ 5,000
Restricted cash		7,000	(7,000)	b	
Accounts receivable, net	93,972	230,000			323,972
Inventories	154,849	541,000			695,849
Prepaid expenses and other current assets	12,579	19,000			31,579
Total current assets	265,642	806,000	(15,242)		1,056,400
Property and equipment, net	722,063	1,177,000	60,019	c	1,959,082
Intangibles and other assets, net	75,094	142,000	(106,889)	d	110,205
Total assets	$ 1,062,799	$ 2,125,000	$ (62,112)		$ 3,125,687
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$ 95,718	$ 184,000	$		$ 279,718
Accrued liabilities	73,004	137,000	(17,415)	e	192,589
Current maturities of long-term debt	13,310	35,000			48,310
Total current liabilities	182,032	356,000	(17,415)		520,617
Long-term debt	1,332,858	750,000	639,301	f	2,722,159
Other long-term items:					
Other liabilities	55,158	299,000	(5,200)	b	348,958
Total liabilities	1,570,048	1,405,000	616,686		3,591,734
Commitments and contingencies					
Equity:					
Preferred stock					
Common stock	533		306	g	839
Treasury stock	(164)	(1,000)	1,000	h	(164)
Paid-in-capital	221,437	572,000	(512,686)	i	280,751
Retained deficit	(717,833)	(73,000)	54,582	k	(736,251)
Accumulated other comprehensive (loss) income	(11,222)	222,000	(222,000)	l	(11,222)

Total (deficit) equity	(507,249)	720,000	(678,798)	(466,047)
Total liabilities and equity	$ 1,062,799	$ 2,125,000	$ (62,112)	$ 3,125,687

See notes to the unaudited pro forma condensed combined financial information.

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VERSO PAPER HOLDINGS LLC

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

AS OF MARCH 31, 2014

(Dollars in thousands)

	Historical Verso Holdings	Historical NewPage	Total Adjustments		Pro Forma
ASSETS					
Current assets:					
Cash and cash equivalents	$ 4,242	$ 9,000	$ (8,242)	a	$ 5,000
Restricted cash		7,000	(7,000)	b	
Accounts receivable, net	94,097	230,000			324,097
Inventories	154,849	541,000			695,849
Prepaid expenses and other current assets	12,579	19,000			31,579
Total current assets	265,767	806,000	(15,242)		1,056,525
Property and equipment, net	722,063	1,177,000	60,019	c	1,959,082
Intangibles and other assets, net	98,399	142,000	(106,889)	d	133,510
Total assets	$ 1,086,229	$ 2,125,000	$ (62,112)		$ 3,149,117
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$ 95,718	$ 184,000	$		$ 279,718
Accrued liabilities	73,095	137,000	(17,415)	e	192,680
Current maturities of long-term debt	13,310	35,000			48,310
Total current liabilities	182,123	356,000	(17,415)		520,708
Long-term debt	1,356,163	750,000	639,301	f	2,745,464
Other long-term items:					
Other liabilities	48,985	299,000	(5,200)	b	342,785
Total liabilities	1,587,271	1,405,000	616,686		3,608,957
Commitments and contingencies					
Equity:					
Treasury stock		(1,000)	1,000	h	
Paid-in-capital	231,961	572,000	(512,380)	j	291,581
Retained deficit	(721,781)	(73,000)	54,582	k	(740,199)
Accumulated other comprehensive (loss) income	(11,222)	222,000	(222,000)	l	(11,222)
Total (deficit) deficit	(501,042)	720,000	(678,798)		(459,840)

Total liabilities and equity	$ 1,086,229	$ 2,125,000	$ (62,112)	$ 3,149,117

See notes to the unaudited pro forma condensed combined financial information.

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VERSO PAPER CORP.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2014

(Dollars in thousands, except per share amounts)

	Historical		Total		
	Verso	NewPage	Adjustments		Pro Forma
Net sales	$ 299,113	$ 757,000	$		$ 1,056,113
Costs and expenses:					
Cost of products sold (exclusive of depreciation, amortization, and depletion)	302,377	755,000	(43,179)	a	1,014,198
Depreciation, amortization, and depletion	25,683		45,711	b	71,394
Selling, general, and administrative expenses	17,592	24,000	(4,732)	c	36,860
Total operating expenses	345,652	779,000	(2,200)		1,122,452
Operating (loss) income	(46,539)	(22,000)	2,200		(66,339)
Interest expense	34,477	49,000	(16,291)	d	67,186
Other loss, net	9,585		(9,585)	e	
Loss before income taxes	(90,601)	(71,000)	28,076		(133,525)
Income tax expense	9				9
Net loss	$ (90,610)	$ (71,000)	$ 28,076		$ (133,534)
Loss per common share					
Basic	$ (1.70)	$ (10.01)			$ (1.59)
Diluted	(1.70)	(10.01)			(1.59)
Weighted average common shares outstanding (in thousands)					
Basic	53,188	7,089	23,485	f	83,762
Diluted	53,188	7,089	23,485	f	83,762

See notes to the unaudited pro forma condensed combined financial information.

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VERSO PAPER HOLDINGS LLC

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2014

(Dollars in thousands)

	Historical				
	Verso Holdings	NewPage	Total Adjustments		Pro Forma
Net sales	$ 299,113	$ 757,000	$		$ 1,056,113
Costs and expenses:					
Cost of products sold (exclusive of depreciation, amortization, and depletion)	302,377	755,000	(43,179)	a	1,014,198
Depreciation, amortization, and depletion	25,683		45,711	b	71,394
Selling, general, and administrative expenses	17,592	24,000	(4,732)	c	36,860
Total operating expenses	345,652	779,000	(2,200)		1,122,452
Operating loss	(46,539)	(22,000)	2,200		(66,339)
Interest income	(379)				(379)
Interest expense	34,856	49,000	(16,291)	d	67,565
Other loss, net	9,585		(9,585)	e	
Loss before income taxes	(90,601)	(71,000)	28,076		(133,525)
Income tax expense					
Net loss	$ (90,601)	$ (71,000)	$ 28,076		$ (133,525)

See notes to the unaudited pro forma condensed combined financial information.

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VERSO PAPER CORP.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2013

(Dollars in thousands except per share amounts)

	Historical		Total		Pro
	Verso	NewPage	Adjustments		Forma
Net sales	$ 1,388,899	$ 3,054,000	$		$ 4,442,899
Costs and expenses:					
Cost of products sold (exclusive of depreciation, amortization, and depletion)	1,179,085	2,865,000	(172,358)	a	3,871,727
Depreciation, amortization, and depletion	104,730		183,922	b	288,652
Selling, general, and administrative expenses	73,777	146,000	(19,366)	c	200,411
Restructuring charges	1,378				1,378
Total operating expenses	1,358,970	3,011,000	(7,802)		4,362,168
Other operating income	(3,971)				(3,971)
Operating income	33,900	43,000	7,802		84,702
Interest income	(25)				(25)
Interest expense	137,728	47,000	84,234	d	268,962
Other loss, net	7,965		(5,165)	e	2,800
Loss before income taxes	(111,768)	(4,000)	(71,267)		(187,035)
Income tax benefit	(562)	(2,000)			(2,562)
Net loss	$ (111,206)	$ (2,000)	$ (71,267)		$ (184,473)
Loss per common share					
Basic	$ (2.09)	$ (0.27)			$ (2.20)
Diluted	(2.09)	(0.27)			(2.20)
Weighted average common shares outstanding (in thousands)					
Basic	53,124	7,080	23,494	f	83,698
Diluted	53,124	7,080	23,494	f	83,698

See notes to the unaudited pro forma condensed combined financial information.

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VERSO PAPER HOLDINGS LLC

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2013

(Dollars in thousands)

	Historical				
	Verso Holdings	NewPage	Total Adjustments		Pro Forma
Net sales	$ 1,388,899	$ 3,054,000	$		$ 4,442,899
Costs and expenses:					
Cost of products sold (exclusive of depreciation, amortization, and depletion)	1,179,085	2,865,000	(172,358)	a	3,871,727
Depreciation, amortization, and depletion	104,730		183,922	b	288,652
Selling, general, and administrative expenses	73,777	146,000	(19,366)	c	200,411
Restructuring charges	1,378				1,378
Total operating expenses	1,358,970	3,011,000	(7,802)		4,362,168
Other operating income	(3,971)				(3,971)
Operating income	33,900	43,000	7,802		84,702
Interest income	(1,539)				(1,539)
Interest expense	138,626	47,000	84,234	d	269,860
Other loss, net	7,965		(5,165)	e	2,800
Loss before income taxes	(111,152)	(4,000)	(71,267)		(186,419)
Income tax benefit		(2,000)			(2,000)
Net loss	$ (111,152)	$ (2,000)	$ (71,267)		$ (184,419)

See notes to the unaudited pro forma condensed combined financial information.

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NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of the Transaction

On January 3, 2014, Verso entered into the Merger Agreement with NewPage. Pursuant to the terms of the Merger Agreement, Merger Sub, an indirect, wholly owned subsidiary of Verso, and NewPage will merge, with NewPage surviving as an indirect, wholly owned subsidiary of Verso.

The Merger Agreement provides for a series of transactions pursuant to which equity holders of NewPage will receive Transaction Consideration consisting of (i) $250 million total in cash, approximately $243 million of which was paid to NewPage s stockholders as a dividend prior to the date of this joint proxy and information statement/prospectus, plus the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger; (ii) $650 million aggregate principal amount of New First Lien Notes (valued at face value) to be issued at closing; and (iii) shares of Verso common stock representing 20% (subject to potential upward adjustment to 25% under certain circumstances described below) of the sum of the outstanding shares as of immediately prior to closing (after giving effect to the issuance of shares of Verso common stock in respect of all Verso Warrants issued in the Exchange Offers) and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement. However, for accounting purposes, consideration includes only the New First Lien Notes and Verso common stock (the Accounting Consideration). The payment of the Recapitalization Dividend and approximately $7 million in cash held in escrow for holders of NewPage stock options and restricted stock units is distinct from the share and note consideration that will be paid directly by Verso to NewPage stockholders at the closing of the Merger, as such restricted cash was and is NewPage s cash. If the Merger does not close, any such restricted cash would be returned to NewPage from the escrow account in which it is being held. The cash portion of the Transaction Consideration (other than cash received from option exercises prior to closing) was funded from the proceeds of a new $750 million bank borrowing that was also used to refinance NewPage s former $500 million term loan facility. The amount of New First Lien Notes to be issued in the Merger is subject to downward adjustment, in an amount not to exceed $27 million in value, if NewPage makes certain restricted payments between September 30, 2013 and the closing. If the Merger has not closed by August 31, 2014, and the reason for the failure to close by such date, or any subsequent delay in closing after such date, is solely the result of Verso s failure to take certain actions to satisfy closing conditions, the amount of Verso common stock to be issued to NewPage stockholders will increase in monthly increments by up to 5% so that the total amount of Verso common stock issued to NewPage Stockholders would be up to 25% of the sum of the outstanding shares as of immediately prior to closing (after giving effect to the issuance of shares of Verso common stock in respect of all Verso Warrants issued in the Exchange Offers) and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement:

Verso common stock valued at June 27, 2014 closing price and assuming 14.0 million shares issued	$ 27.3 million
New First Lien Notes	650.0 million
Accounting Consideration	$ 677.3 million

On February 11, 2014, NewPage replaced its former term loan facility with a $750 million term loan facility and replaced its former ABL facility with a $350 million ABL facility, in accordance with the terms of the Merger Agreement.

Additionally, Verso expects to consummate the Exchange Offer Transactions. The Verso modifications described in the Exchange Offers have been accounted for in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 470-60 assuming a participation rate of 100% for both the New Second Lien Notes and the New Subordinated Notes. As a result of the modifications, the New Second Lien

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Notes were recorded at their carrying value immediately prior to the Merger of $368.9 million. The difference between carrying value and reduced par value of $319.8 million (including Paid in Kind interest over the term of the New Second Lien Notes) is recognized as a non-cash reduction of interest expense over the term of the New Second Lien Notes. In addition, the modification of the New Subordinated Notes in connection with the consummation of the Merger resulted in the New Subordinated Notes being recorded at their carrying value immediately prior to the Merger of $136.3 million. The difference between carrying value and reduced par value of $120.9 million (including Paid in Kind interest over the term of the New Subordinated Notes) is recognized as a non-cash reduction of interest expense over the term of the New Subordinated Notes.

The Exchange Transactions terms vary based on the actual participation in the Exchange Transactions, subject to a minimum participation threshold of 75% individually for each of the Old Second Lien Notes and Old Subordinated Notes. If only the minimum participation of 75% were achieved for both the Old Second Lien Notes and Old Subordinated Notes, the pro forma financial statements for the periods presented would be impacted as follows:

(in thousands)	Verso Pro Forma (100% Participation)	Verso Holdings Pro Forma (100% Participation)	Impact of 75% Participation (1)
As of and for the Three Months Ended March 31, 2014:			
Shares issued as Accounting Consideration for the Merger	13,984	N/A	(1,009)
Shares issued in Exchange Transactions	16,591	N/A	(5,045)
Accounting Consideration for the Merger	$ 27,268	$ 27,268	(1,968)
Total assets	3,125,687	3,149,117	(285)
Long-term debt	2,722,159	2,745,464	7,718
Total equity	(466,047)	(459,840)	(10,123)
Interest expense	67,186	67,565	(908)
For the Year Ended December 31, 2013:			
Interest expense	$ 268,962	$ 269,860	(3,621)

(1) The impact of minimum participation is the same for both Verso and Verso Holdings.

The estimated value of the Accounting Consideration reflected herein does not purport to represent the actual value of the total Accounting Consideration that will be received by NewPage s stockholders when the Merger is completed. In accordance with GAAP, the fair value of Verso common stock issued as part of the Accounting Consideration will be measured on the closing date of the Merger at the then-current market price. This requirement will likely result in a per share value component different from the $1.95, based on the closing price of Verso common stock on June 27, 2014, assumed in these Pro Forma Statements and that difference may be material. For example, an increase or decrease by 10% in the price of Verso common stock on the closing date of the Merger from the price of Verso common stock assumed in these Pro Forma Statements would increase or decrease the value of the Accounting Consideration by approximately $2.7 million, which would be reflected in these Pro Forma Statements as an equivalent increase or decrease to intangible assets. Further, under certain circumstances as described in Note 1, Description of the Transaction, the number of shares of Verso common

stock issued in connection with the Merger is subject to potential adjustment up by approximately 3.5 million shares, which would increase the value of the Accounting Consideration by approximately $6.8 million.

2. Basis of Presentation

The Pro Forma Statements have been derived from the historical consolidated financial statements of Verso and NewPage that are contained elsewhere in this joint proxy and information statement/prospectus. Certain financial statement line items included in NewPage s historical presentation have been disaggregated or condensed to conform to corresponding financial statement line items included in Verso s historical presentation. For the unaudited pro forma condensed combined statements of operations, depreciation, amortization, and depletion expense has been conformed to the Verso presentation. The reclassification of these items had no impact on the historical total assets, total liabilities, or stockholders equity reported by Verso or NewPage, respectively. The reclassifications also did not impact the historical earnings from continuing operations. In addition, the impact of differences in NewPage s accounting policy for inventory valuation of Last in First Out (LIFO) and Verso s accounting policy of First in First Out (FIFO) is not expected to have a significant impact on cost of products sold, therefore no adjustment has been reflected in the accompanying Pro Forma Statements for conforming the accounting policy of NewPage to Verso s policy.

The Merger is reflected in the Pro Forma Statements as an acquisition of NewPage by Verso using the acquisition method of accounting, in accordance with business combination accounting guidance under GAAP. Under these accounting standards, the total estimated purchase price will be allocated as described in Note 4 to the Pro Forma Statements, and the assets acquired and the liabilities assumed will be measured at estimated fair value. For the purpose of measuring the estimated fair value of the assets acquired and liabilities assumed, Verso has applied the accounting guidance under GAAP for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurements utilize estimates based on key assumptions in connection with the Merger, including historical and current market data. The unaudited pro forma adjustments included herein are preliminary since the Merger has not progressed to a stage where there is sufficient information to make a definitive allocation and will be revised at the time of the Merger as additional information becomes available and as valuation work is finalized. The final purchase price allocation will be determined after the completion of the Merger, and the final allocations may differ materially from those presented.

3. Pro Forma Adjustments

The pro forma adjustments described below do not reflect the statutory tax effect of those adjustments as Verso has net operating loss carryforwards and a related full valuation allowance that are expected to eliminate any tax implications of the adjustments.

The following adjustments have been reflected in the unaudited pro forma condensed combined balance sheets as of March 31, 2014:

a) Represents estimated transaction costs associated with the Merger expected to be paid in cash, calculated as such:

$ 69,000	Total estimated transaction costs associated with the Merger.
(50,582)	Less transaction costs incurred by Verso and NewPage through March 31, 2014.
18,418	Transaction costs not yet incurred by Verso and NewPage.
(10,176)	Less borrowings on the NewPage ABL Facility to fund expected transaction costs.
$ 8,242	Expected transaction costs to be paid in cash.

(b) Represents the elimination of NewPage Restricted cash and Other liabilities related to NewPage stock based compensation awards.

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(c) Represents an adjustment to value property, plant and equipment acquired at the preliminary estimated fair value as of the Merger date. The fair value of NewPage s property, plant, and equipment was estimated using the replacement cost method and adjusted for physical, functional, and economic obsolescence.

(d) The following table summarizes pro forma adjustments impacting intangibles and other assets:

(d1)	$ (9,867)	Represents the elimination of the NewPage pre-Merger goodwill.
(d2)	(61,000)	Represents the elimination of the NewPage pre-Merger trademarks and customer relationships intangible assets.
(d3)	(31,741)	Represents the elimination of the NewPage pre-Merger debt issuance costs.
(d4)	(4,281)	Represents the elimination of the NewPage pre-Merger deferred taxes and the related valuation allowance.
	$ (106,889)	

(e) The following table summarizes pro forma adjustments impacting Accrued liabilities:

(e1)	$ (4,938)	Represents the elimination of the NewPage pre-Merger deferred taxes and the related valuation allowance.
(e2)	(4,000)	Represents the elimination of the NewPage Accrued liabilities related to NewPage stock based compensation awards.
(e3)	(5,775)	Represents the accrued interest payable as of March 31, 2014 on Old Second Lien Notes to be included in the New Second Lien Note carrying value.
(e4)	(2,702)	Represents the accrued interest payable as of March 31, 2014 on Old Subordinated Notes to be included in the New Subordinated Notes carrying value.
	$ (17,415)	

(f) The following table summarizes pro forma adjustments impacting Long-term debt:

(f1)	$ 3,000	Represents the fair value adjustment for the NewPage Term Loan Facility assumed in the Merger to 98% of par.
(f2)	650,000	Represents the issuance of additional New First Lien Notes in connection with the Merger.
(f3)	10,176	Represents borrowings on the NewPage ABL Facility to fund expected transaction costs.
(f4)	(24,541)	Represents the reduction in the carrying value of the New Second Lien Notes for the issuance of an additional 12.6 million shares of Verso common stock outstanding to New Second Lien Noteholders.
(f5)	(7,811)	Represents the reduction in the carrying value of the New Subordinated Notes for the issuance of an additional 4.0 million shares of Verso common stock outstanding to New

		Subordinated Noteholders.
(f6)	5,775	Represents the accrued interest payable as of March 31, 2014 on Old Second Lien Notes to be included in the New Second Lien Note carrying value.
(f7)	2,702	Represents the accrued interest payable as of March 31, 2014 on Old Subordinated Notes to be included in the New Subordinated Notes carrying value.
	$ 639,301	

(g) Represents the issuance of 20% of shares of Verso common stock outstanding, or 14.0 million shares with a par value of $.01 as Accounting Consideration, the issuance of an additional 16.6 million shares of common stock in connection with the exchange of the Old Second Lien Notes and the exchange of the Old Subordinated Notes.

(h) Represents the elimination of NewPage historical treasury stock.

(i) The following table summarizes pro forma adjustments impacting Verso s Paid-in-capital.

(i1)	$ (572,000)	Represents the elimination of NewPage historical paid-in-capital.
(i2)	27,128	Represents the Paid-in-capital associated with the issuance of 20% of shares of Verso common stock outstanding immediately prior to the Merger, or 14.0 million shares with an estimated value of $1.95 per share based on the closing share price of Verso common stock on June 27, 2014 and par value of $.01.
(i3)	24,415	Represents the Paid-in-capital associated with the issuance of an additional 12.6 million shares of common stock outstanding in connection with the exchange of Old Second Lien Notes, assuming 100% participation, with a par value of $.01 and an expected price of $1.95 based on the closing share price of Verso Paper common stock on June 27, 2014.
(i4)	7,771	Represents the Paid-in-capital associated with the issuance of an additional 4.0 million shares of common stock outstanding in connection with the exchange of Old Subordinated Notes, assuming 100% participation, with a par value of $.01 and an expected price of $1.95 based on the closing share price of Verso Paper common stock on June 27, 2014.
	$ (512,686)	

(j) The following table summarizes pro forma adjustments impacting Verso Holdings Paid-in-capital.

(j1)	$ (572,000)	Represents the elimination of NewPage historical paid-in-capital.
(j2)	27,268	Represents the Paid-in-capital associated with the issuance of 20% of shares of Verso common stock outstanding immediately prior to the Merger, or 14.0 million shares with an estimated value of $1.95 per share based on the closing share price of Verso common stock on June 27, 2014 and par value of $.01.
(j3)	24,541	Represents the Paid-in-capital associated with the issuance of an additional 12.6 million shares of common stock outstanding in connection with the exchange of Old Second Lien Notes, assuming 100% participation, with a par value of $.01 and an expected price of $1.95 based on the closing share price of Verso Paper common stock on June 27, 2014.
(j4)	7,811	Represents the Paid-in-capital associated with the issuance of an additional 4.0 million shares of common stock outstanding in connection with the exchange of Old Subordinated Notes, assuming 100% participation, with a par value of $.01 and an expected price of $1.95 based on the closing share price of Verso Paper common stock on June 27, 2014.
	$ (512,380)	

(k) The following table summarizes pro forma adjustments impacting Retained deficit:

(k1)	$ 73,000	Represents the elimination of NewPage historical retained deficit.
(k2)	(6,731)	Represents transaction costs associated with the exchange of Subordinated and Second Lien notes expensed as incurred excluding amounts incurred as of March 31, 2014.
(k3)	(11,687)	Represents estimated transaction costs associated with the Merger expected to be expensed as incurred. These costs were not included in the historical financial statements.
	$ 54,582	

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(l) Represents the elimination of NewPage Accumulated other comprehensive income.

The following adjustments have been reflected in the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2014:

(a) Represents a reclassification adjustment to conform NewPage s presentation of depreciation, amortization, and depletion from Cost of products sold with Verso s presentation as NewPage did not report those costs separately.

(b) The following table summarizes pro forma adjustments impacting Depreciation, amortization, and depletion:

(b1)	$ 45,911	Represents a reclassification adjustment to conform NewPage s presentation of depreciation, amortization, and depletion from Cost of products sold and Selling, general and administrative expenses to conform with Verso s presentation as NewPage did not report those costs separately.
(b2)	1,800	Represents additional depreciation resulting from the preliminary adjustment of the NewPage property and equipment to estimated fair value as of the Merger date based on a preliminary estimated average useful life of approximately eight years and straight-line depreciation.
(b3)	(2,000)	Represents the elimination of amortization expense associated with NewPage intangible assets that were written-off as part of purchase accounting.
	$ 45,711	

(c) The following table summarizes pro forma adjustments impacting Selling, general and administrative expenses:

(c1)	$ (2,732)	Represents a reclassification adjustment to conform NewPage s presentation of depreciation, amortization, and depletion from Selling, general and administrative expenses to conform with Verso s presentation as NewPage did not report those costs separately.
(c2)	(2,000)	Represents NewPage Merger related costs incurred during the three months ended March 31, 2014.
	$ (4,732)	

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(d) The following table summarizes pro forma adjustments impacting Interest expense:

(d1)	$ 38,443	Represents preliminary estimated additional interest expense for debt incurred in connection with the Merger based on LIBOR plus 2% for NewPage ABL borrowings of $63.2 million and LIBOR plus 8.25% for NewPage Term loan borrowings of $750 million calculated using the actual terms of the NewPage Term Loan Facility and NewPage ABL Facility dated February 11, 2014. Interest expense for the 11.75% for New First Lien Notes of $650 million was calculated using the rate included in the Merger Agreement. A 1/8% increase/decrease in LIBOR would have had an impact of +/- $0.0 million on interest expense at March 31, 2014.
(d2)	(14,200)	Represents the elimination of historical interest expense for the former and the current NewPage term loan facilities.
(d3)	(180)	Represents the elimination of historical interest expense for the former and the current NewPage ABL facility.
(d4)	(1,373)	Represents the elimination of historical interest expense for the former and the current NewPage term loan facility and the former and the current NewPage ABL facility financing costs amortization and the former and the current NewPage term loan facility discount amortization.
(d5)	(33,553)	Represents the elimination of NewPage historical interest expense for the loss on refinancing of the NewPage Term Loan Facility and ABL Facility.
(d6)	(13,173)	Represents the elimination of historical interest expense for Verso s Old Second Lien Notes and Old Subordinated Notes assuming a participation rate of 100% for both the Old Second Lien Notes and Old Subordinated Notes.
(d7)	7,745	Represents interest expense associated with the modification of the New Second Lien Notes and New Subordinated Notes in connection with the Merger in accordance with ASC 470-60, as described in note 1 of the Pro Forma Statements Description of the Transaction, assuming a participation rate of 100% for both the Old Second Lien Notes and Old Subordinated Notes.
	$ (16,291)	

(e) Represents Verso Merger related costs incurred during the three months ended March 31, 2014.

(f) Represents 20% of the Verso common stock outstanding issued in connection with the Merger or 14.0 million shares and 16.6 million shares of Verso common stock outstanding issued in connection with the Exchange Offers, assuming 100% participation, less NewPage shares cancelled in the Merger of 7.1 million shares.

The following adjustments have been reflected in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2013:

(a) Represents a reclassification adjustment to conform NewPage s presentation of depreciation, amortization, and depletion from Cost of products sold with Verso s presentation as NewPage did not report those costs separately.

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(b) The following table summarizes pro forma adjustments impacting Depreciation, amortization, and depletion:

(b1)	$ 183,724	Represents a reclassification adjustment to conform NewPage s presentation of depreciation, amortization, and depletion from Cost of products sold and Selling, general and administrative expenses to conform with Verso s presentation as NewPage did not report those costs separately.
(b2)	7,198	Represents additional depreciation resulting from the preliminary adjustment of the NewPage property and equipment to estimated fair value as of the Merger date based on a preliminary estimated average useful life of approximately eight years and straight-line depreciation.
(b3)	(7,000)	Represents the elimination of amortization expense associated with NewPage intangible assets that were written-off as part of purchase accounting.
	$ 183,922	

(c) The following table summarizes pro forma adjustments impacting Selling, general and administrative expenses:

(c1)	$ (11,366)	Represents a reclassification adjustment to conform NewPage s presentation of depreciation, amortization, and depletion from Selling, general and administrative expenses to conform with Verso s presentation as NewPage did not report those costs separately.
(c2)	(8,000)	Represents NewPage Merger related costs incurred during the year ended December 31, 2013.
	$ (19,366)	

(d) The following table summarizes pro forma adjustments impacting Interest expense:

(d1)	$ 153,645	Represents preliminary estimated additional interest expense for debt incurred in connection with the Merger based on LIBOR plus 2% for NewPage ABL borrowings of $63.2 million and LIBOR plus 8.25% for NewPage Term loan borrowings of $750 million calculated using the actual terms of the NewPage Term Loan Facility and NewPage ABL Facility dated February 11, 2014. Interest expense for the 11.75% for New First Lien Notes of $650 million was calculated using the rate included in the Merger Agreement. A 1/8% increase/decrease in LIBOR would have had an impact of +/- $0.0 million on interest expense at December 31, 2013.
(d2)	(39,642)	Represents the elimination of historical interest expense for former NewPage term loan facility.
(d3)	(2,603)	Represents the elimination of historical interest expense for former NewPage ABL facility.

(d4)	(5,790)	Represents the elimination of historical interest expense for former NewPage term loan facility and former NewPage ABL facility financing costs amortization and former NewPage term loan facility discount amortization.
(d5)	(52,601)	Represents the elimination of historical interest expense for Verso s Old Second Lien Notes and Old Subordinated Notes assuming a participation rate of 100% for both the Old Second Lien Notes and Old Subordinated Notes.
(d6)	31,225	Represents interest expense associated with the modification of the New Second Lien Notes and New Subordinated Notes in connection with the Merger in accordance with ASC 470-60, as described in note 1 of the Pro Forma Statements Description of the Transaction, assuming a participation rate of 100% for both the Old Second Lien Notes and Old Subordinated Notes.
	$ 84,234	

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(e) Represents Verso Merger related costs incurred during the year ended December 31, 2013.

(f) Represents 20% of the Verso common stock outstanding issued in connection with the Merger or 14.0 million shares and 16.6 million shares of Verso common stock outstanding issued in connection with the Exchange Offers, assuming 100% participation, less NewPage shares cancelled in the Merger of 7.1 million shares.

4. Preliminary Purchase Price Allocation

The allocation of the preliminary purchase price to the fair values of assets to be acquired and liabilities to be assumed in the Merger includes unaudited pro forma adjustments to reflect the expected fair values of NewPage s assets and liabilities at the completion of the Merger. The allocation of the preliminary purchase price is as follows (in thousands):

Current assets	$ 799,000
Property and equipment	1,237,019
Other long-term assets	35,111
Current liabilities	(347,062)
Other long-term liabilities	(293,800)
Long-term debt	(753,000)
Net assets acquired	$ 677,268

The preliminary purchase price allocation for NewPage is subject to revision as more detailed analysis is completed and additional information on the fair values of NewPage s assets and liabilities becomes available and as pre-Merger contingencies are identified, and Merger related costs, etc. are finalized. The preliminary purchase price allocation was based on Verso s historical experience, data that was available through the public domain and Verso s due diligence review of NewPage s business. We did not identify a material amount of goodwill or other intangible assets as a result of the preliminary purchase price allocation. However, as additional information is obtained and the Accounting Consideration is finalized, goodwill and other intangible assets may be identified and the final purchase price allocation may differ materially from the allocation presented here.

The accompanying Pro Forma Statements do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies, or any revenue, tax, or other synergies expected to result from the Merger. In addition, the Merger is not expected to result in a taxable transaction and Verso has net operating loss carryforwards and a related full valuation allowance that are expected to offset any deferred tax impact of the Merger. Therefore no deferred taxes have been established as a result of the purchase price allocation.

Verso has made preliminary allocation estimates based on limited access to information and will not have sufficient information to make final allocations until after completion of the Merger. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after completion of the Merger. Verso anticipates that the valuations of the acquired assets and liabilities will include, but not be limited to, fixed assets, goodwill, and other potential intangible assets. The valuations will consist of physical appraisals, discounted cash flow analyses, or other appropriate valuation techniques to determine the fair value of the assets acquired and liabilities assumed.

The final Accounting Consideration, and amounts allocated to assets acquired and liabilities assumed in the Merger, could differ materially from the preliminary amounts presented in these Statements. In addition, if the value of the acquired assets is higher than the preliminary indication, it may result in higher amortization and depreciation expense than is presented in these statements. See Note 3 for the effects of changes in estimated fair value of property and equipment to be acquired in the Merger on the calculation of pro forma depreciation and amortization expense.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations includes statements regarding the industry outlook and our expectations regarding the performance of our business. These non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Risk Factors. Our actual results may differ materially from those contained in or implied by any forward-looking statements. The discussion and analysis should be read in conjunction with the Risk Factors and financial statements and notes thereto included elsewhere in this joint proxy and information statement/prospectus. Unless otherwise noted, the information provided pertains to both Verso and Verso Holdings. All assets, liabilities, income, expenses and cash flows presented for all periods represent those of Verso s indirect, wholly owned subsidiary, Verso Holdings, in all material respects, except for Verso s common stock transactions, Verso Finance s debt obligation and related financing costs and interest expense, Verso Holdings loan to Verso Finance, and the debt obligation of Verso Holdings consolidated variable interest entity to Verso Finance. For the purpose of this section, references to we, us, and our refer collectively to Verso and Verso Holdings.

Overview

We are a leading North American supplier of coated papers to catalog and magazine publishers. Coated paper is used primarily in media and marketing applications, including catalogs, magazines, and commercial printing applications, such as high-end advertising brochures, annual reports, and direct mail advertising. We are one of North America s largest producers of coated groundwood paper which is used primarily for catalogs and magazines. We are also a low cost producer of coated freesheet paper which is used primarily for annual reports, brochures, and magazine covers. We also produce and sell market kraft pulp which is used to manufacture printing and writing paper grades and tissue products.

Background

We began operations on August 1, 2006, when we acquired the assets and certain liabilities comprising the business of the Coated and Supercalendered Papers Division of International Paper Company, or International Paper. We were formed by affiliates of Apollo Global Management, LLC, or Apollo for the purpose of consummating the acquisition from International Paper. Verso went public on May 14, 2008, with an initial public offering, or IPO, of 14 million shares of common stock.

Selected Factors Affecting Operating Results

Net Sales

Our sales, which we report net of rebates, allowances, and discounts, are a function of the number of tons of paper that we sell and the price at which we sell our paper. The coated paper industry is cyclical, which results in changes in both volume and price. Paper prices historically have been a function of macro-economic factors which influence supply and demand. Price has historically been substantially more variable than volume and can change significantly over relatively short time periods. In 2013, while our coated paper prices declined slightly, prices for our pulp and specialty papers were higher. Prices may not improve significantly in 2014, and we do not expect prices in 2014 to return to the levels they were at in 2008 before they declined.

We are primarily focused on serving two end-user segments: catalogs and magazines. In 2013, we believe we were a leading North American supplier of coated papers to catalog and magazine publishers. Coated paper demand is primarily driven by advertising and print media usage. Advertising spending and magazine and catalog circulation tend to correlate with changes in the GDP of the United States they rise with a strong economy and contract with a weak economy.

Many of our customers provide us with forecasts of their paper needs, which allows us to plan our production runs in advance, optimizing production over our integrated mill system and thereby reducing costs and increasing overall efficiency. Generally, our sales agreements do not extend beyond the calendar year. Typically, our sales agreements provide for semiannual price adjustments based on market price movements.

We reach our end-users through several channels, including printers, brokers, paper merchants, and direct sales to end-users. We sell and market our products to approximately 130 customers which comprise approximately 700 end-user accounts. In 2013, Quad/Graphics, Inc. and Central National-Gottesman, Inc. accounted for approximately 12% and 10% of our net sales, respectively.

Our historical results include specialty papers that we manufacture for Expera Specialty Solutions, LLC (formerly named Thilmany, LLC), or Expera, on paper machine no. 5 at the Androscoggin mill. Under a long-term supply agreement entered into in 2005 in connection with International Paper s sale of its Industrial Papers business to Expera, these products are sold to Expera at a variable charge for the paper purchased and a fixed charge for the availability of the machine. The amounts included in our net sales for the specialty papers sold to Expera totaled $43.0 million, $42.0 million, and $39.5 million, in 2013, 2012, and 2011, respectively.

Cost of Products Sold

The principal components of our cost of sales are chemicals, wood, energy, labor, and maintenance. Costs for commodities, including chemicals, wood, and energy, are the most variable component of our cost of sales because their prices can fluctuate substantially, sometimes within a relatively short period of time. In addition, our aggregate commodity purchases fluctuate based on the volume of paper that we produce.

Chemicals. Chemicals utilized in the manufacturing of coated papers include latex, clay, starch, calcium carbonate, caustic soda, sodium chlorate, and titanium dioxide. We purchase these chemicals from a variety of suppliers and are not dependent on any single supplier to satisfy our chemical needs. We expect imbalances in supply and demand to periodically create volatility in prices for certain chemicals.

Wood. Our costs to purchase wood are affected directly by market costs of wood in our regional markets and indirectly by the effect of higher fuel costs on logging and transportation of timber to our facilities. While we have in place fiber supply agreements that ensure a substantial portion of our wood requirements, purchases under these agreements are typically at market rates.

Energy. We produce approximately 53% of our energy needs for our paper mills from sources such as waste wood, waste water, hydroelectric facilities, liquid biomass from our pulping process, and internal energy cogeneration facilities. Our external energy purchases vary across each of our mills and include fuel oil, natural gas, coal, and electricity. While our internal energy production capacity and ability to switch between certain energy sources mitigates the volatility of our overall energy expenditures, we expect prices for energy to remain volatile for the foreseeable future. We utilize derivative contracts as part of our risk management strategy to manage our exposure to market fluctuations in energy prices. At the end of 2011, we completed a $45 million renewable energy project at our mill in Quinnesec, Michigan that is exceeding expectations for efficiency and cost savings. In November 2012, we completed and commercialized a $42 million renewable energy project at our mill in Bucksport, Maine.

Labor. Labor costs include wages, salary, and benefit expenses attributable to our mill personnel. Mill employees at a non-managerial level are compensated on an hourly basis. Management employees at our mills are compensated on a salaried basis. Wages, salary, and benefit expenses included in cost of sales do not vary significantly over the short term. In addition, we have not experienced significant labor shortages.

Maintenance. Maintenance expense includes day-to-day maintenance, equipment repairs, and larger maintenance projects, such as paper machine shutdowns for periodic maintenance. Day-to-day maintenance

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expenses have not varied significantly from year-to-year. Larger maintenance projects and equipment expenses can produce year-to-year fluctuations in our maintenance expenses. In conjunction with our periodic maintenance shutdowns, we have incidental incremental costs that are primarily comprised of unabsorbed fixed costs from lower production volumes and other incremental costs for purchased materials and energy that would otherwise be produced as part of the normal operation of our mills.

Depreciation, Amortization, and Depletion. Depreciation, amortization, and depletion expense represents the periodic charge to earnings through which the cost of tangible assets, intangible assets, and natural resources are recognized over the asset s life. Capital investments can increase our asset bases and produce year-to-year fluctuations in expense.

Selling, General, and Administrative Expenses

The principal components of our selling, general, and administrative expenses are wages, salaries, and benefits for our office personnel at our headquarters and our sales force, travel and entertainment expenses, advertising expenses, expenses relating to certain information technology systems, and research and development expenses.

Critical Accounting Policies

Our accounting policies are fundamental to understanding management s discussion and analysis of financial condition and results of operations. Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and follow general practices within the industry in which we operate. The preparation of the financial statements requires management to make certain judgments and assumptions in determining accounting estimates. Accounting estimates are considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and different estimates reasonably could have been used in the current period, or changes in the accounting estimate are reasonably likely to occur from period to period, that would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

Management believes the following critical accounting policies are both important to the portrayal of our financial condition and results of operations and require subjective or complex judgments. These judgments about critical accounting estimates are based on information available to us as of the date of the financial statements.

Accounting standards whose application may have a significant effect on the reported results of operations and financial position, and that can require judgments by management that affect their application, include the following: Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 450, *Contingencies*, ASC Topic 360, *Property, Plant, and Equipment*, ASC Topic 350, *Intangibles Goodwill and Other*, and ASC Topic 715, *Compensation Retirement Benefits.*

Impairment of long-lived assets and goodwill. Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use.

In 2012, based on a comprehensive assessment of the damage resulting from the fire and explosion at our paper mill in Sartell, Minnesota, we decided to permanently close the mill and recorded a fixed asset impairment charge of $66.5 million, which was included in Restructuring charges on our accompanying consolidated statements of operations. The impairment charge was calculated based on the excess of carrying value over the estimated fair value of the site, which was estimated based on preliminary negotiations with potential buyers received subsequent to our decision to shut down the mill.

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Goodwill and other intangible assets are accounted for in accordance with ASC Topic 350. Intangible assets primarily consist of trademarks, customer-related intangible assets and patents obtained through business acquisitions. We have identified the following trademarks as intangible assets with an indefinite life: Influence®, Liberty®, and Advocate®. We assess goodwill and indefinite-lived intangible assets at least annually for impairment or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

Trademarks are evaluated by comparing their fair value to their carrying values. During 2013, as a result of our annual impairment testing, we recognized an impairment charge of $1.6 million, which is included in Cost of products sold on our accompanying consolidated statements of operations. During 2012, as a result of a reduction in production capacity from the closure of the Sartell mill, we recognized a trademarks impairment charge of $3.7 million, which was included in Restructuring charges on our accompanying consolidated statements of operations.

Goodwill was evaluated at the reporting unit level and was previously allocated to the Coated segment. We tested goodwill for impairment by applying a two-step test. The first step was to compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit was less than its carrying amount, goodwill was considered impaired and the loss was measured by performing step two, which involved using a hypothetical purchase price allocation to determine the implied fair value of the goodwill and comparing it to the carrying value of the goodwill. For reporting units with zero or negative carrying amounts, step two was required if it was more likely than not that a goodwill impairment existed. An impairment loss was recognized to the extent the implied fair value of the goodwill was less than the carrying amount of the goodwill.

During 2011, based on a combination of factors, including the difficult market conditions that resulted in a decline in customer demand and excess capacity in the coated paper markets and high raw material, energy and distribution costs that have challenged the profitability of our products, Verso Paper recognized a goodwill impairment charge of $18.7 million and Verso Holdings recognized a goodwill impairment charge of $10.5 million. We had no goodwill remaining as of December 31, 2011.

Management believes that the accounting estimates associated with determining fair value as part of an impairment analysis are critical accounting estimates because estimates and assumptions are made about our future performance and cash flows. The estimated fair value is generally determined on the basis of discounted future cash flows. We also consider a market-based approach and a combination of both. While management uses the best information available to estimate future performance and cash flows, future adjustments to management s projections may be necessary if economic conditions differ substantially from the assumptions used in making the estimates.

Pension benefit obligations. We offer various pension plans to employees. The calculation of the obligations and related expenses under these plans requires the use of actuarial valuation methods and assumptions, including the expected long-term rate of return on plan assets, discount rates, and mortality rates. Actuarial valuations and assumptions used in the determination of future values of plan assets and liabilities are subject to management judgment and may differ significantly if different assumptions are used.

Contingent liabilities. A liability is contingent if the outcome or amount is not presently known, but may become known in the future as a result of the occurrence of some uncertain future event. We estimate our contingent liabilities based on management s estimates about the probability of outcomes and their ability to estimate the range of exposure. Accounting standards require that a liability be recorded if management determines that it is probable that a loss has occurred and the loss can be reasonably estimated. In addition, it must be probable that the loss will be confirmed by some future event. As part of the estimation process, management is required to make assumptions about matters that are by their nature highly uncertain.

The assessment of contingent liabilities, including legal contingencies, asset retirement obligations and environmental costs and obligations, involves the use of critical estimates, assumptions, and judgments.

Management s estimates are based on their belief that future events will validate the current assumptions regarding the ultimate outcome of these exposures. However, there can be no assurance that future events will not differ from management s assessments.

Recent Accounting Developments

ASC Topic 405, Obligations from Joint and Several Liability Arrangements. In February 2013, the FASB issued Accounting Standards Update, or ASU, 2013-04, Liabilities (Topic 405), *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date*. This ASU defines how entities measure obligations from joint and several liability arrangements which are fixed at the reporting date and for which no U.S. GAAP guidance exists. The guidance also requires entities to disclose the nature, amount and other information about those obligations. The ASU was effective for periods beginning after December 15, 2013. Retrospective presentation for all comparative periods presented is required. The adoption of this amendment in the first quarter of 2014, did not have a material impact on the presentation of our consolidated financial statements.

Other new accounting pronouncements issued but not effective until after March 31, 2014, are not expected to have a significant effect on our consolidated financial statements.

Financial Overview

Our net sales for the first quarter of 2014 decreased $34.1 million, or 10.2%, compared to the first quarter of 2013, reflecting a 1.9% decrease in average sales price per ton and an 8.5% decline in total sales volume. Prices for our pulp segment were higher while coated and other segment prices declined. Volumes and operating costs were negatively impacted by significant downtime taken during the quarter, weather-related increases to energy, wood, and operating costs as well as a planned capital spending related outage at our Androscoggin mill.

In 2013, net sales decreased 5.8%, or $85.7 million, as sales volume decreased 6.1% compared to 2012, which was driven by the closure of the former Sartell mill in the third quarter of 2012. The average sales price for all of our products remained flat in 2013 compared to 2012. Our gross margin was 15.1% in 2013 compared to 13.7% in 2012, reflecting lower input prices, including the effects of energy hedge benefits.

Verso s Adjusted EBITDA (before the pro forma effects of the profitability program) was $129.5 million in 2013 compared to $140.1 million in 2012. (Note: Adjusted EBITDA is a non-GAAP financial measure and is defined and reconciled to cash flows from operating activities later in this report). EBITDA adjustments (excluding the pro forma effect of the profitability program) of $1.2 million in 2013 consisted primarily of $14.3 million of unrealized gains on energy-related derivative contracts offset by $5.2 million of costs incurred in connection with the Merger and $2.8 million of costs related to our debt refinancing. EBITDA adjustments (excluding the pro forma effect of the profitability program) of $61.7 million in 2012 included restructuring charges of $102.4 million, net losses of $8.2 million related to the early retirement of debt in connection with our debt refinancing, and $52.6 million of gains from insurance settlement due to the fire and explosion at our former Sartell mill.

In 2013, Verso reported a net loss of $111.2 million, or $2.09 per diluted share, and operating income of $33.9 million. Impacting the results for 2013 were losses related to debt refinancing, and gains from the sales of the former Sartell mill and the assets of Verso Fiber Farm LLC, or Fiber Farm. In 2012, Verso Paper reported a net loss of $173.8 million, or $3.29 per diluted share, and operating loss of $32.4 million. Impacting the results for 2012 were the restructuring costs associated with the closure of our former Sartell mill, losses related to debt refinancing, and gains from insurance settlement due to the fire and explosion at our Sartell mill.

We continued to focus on improving our capital structure in 2013. On January 31, 2013, Verso Holdings issued an additional $72.9 million aggregate principal amount of its 11.75% Senior Secured Notes due 2019 to certain lenders holding approximately $85.8 million aggregate principal amount of Verso Finance s Senior

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Unsecured Term Loans, and net accrued interest through the closing date, in exchange for the assignment to Verso Finance of its Senior Unsecured Term Loans and the cancellation of such loans. There are no longer any outstanding Senior Unsecured Term Loans.

Results of Operations

The following tables set forth certain consolidated financial information of Verso and Verso Holdings for the periods indicated below. The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto included elsewhere in this joint proxy and information statement/prospectus.

	VERSO Three Months Ended March 31,		**VERSO HOLDINGS Three Months Ended March 31,**	
(Dollars in thousands)	**2014**	**2013**	**2014**	**2013**
Net sales	**$ 299,113**	$ 333,220	**$ 299,113**	$ 333,220
Costs and expenses:				
Cost of products sold (exclusive of depreciation, amortization, and depletion)	**302,377**	291,859	**302,377**	291,859
Depreciation, amortization, and depletion	**25,683**	25,980	**25,683**	25,980
Selling, general, and administrative expenses	**17,592**	18,796	**17,592**	18,796
Restructuring charges		1,016		1,016
Total operating expenses	**345,652**	337,651	**345,652**	337,651
Other operating income		(3,285)		(3,285)
Operating loss	**(46,539)**	(1,146)	**(46,539)**	(1,146)
Interest income		(9)	**(379)**	(388)
Interest expense	**34,477**	34,660	**34,856**	34,439
Other loss, net	**9,585**	2,572	**9,585**	2,572
Loss before income taxes	**(90,601)**	(38,369)	**(90,601)**	(37,769)
Income tax expense	**9**	9		
Net loss	**$ (90,610)**	$ (38,378)	**$ (90,601)**	$ (37,769)

First Quarter of 2014 Compared to First Quarter of 2013

Net Sales. Net sales for the first quarter of 2014 decreased 10.2% to $299.1 million from $333.2 million in the first quarter of 2013, reflecting a 1.9% decrease in average sales price per ton and an 8.5% decline in total sales volume.

Net sales for our coated papers segment decreased 12.9% in the first quarter of 2014 to $218.3 million from $250.5 million for the same period in 2013, due to an 8.7% decrease in paper sales volume and a 4.6% decline in average sales price per ton. The decline in sales volume and price were driven by declining demand for coated papers, increased competition from the global marketplace, and lower production due to record-level energy costs.

Net sales for our market pulp segment decreased 2.7% in the first quarter of 2014 to $36.2 million from $37.2 million for the same period in 2013. The sales volume declined 14.1% while the average sales price per ton increased 13.3% compared to the first quarter of 2013.

Net sales for our other segment decreased 1.9% to $44.6 million in first quarter of 2014 from $45.5 million in the first quarter of 2013. This decrease was driven by a 3.2% decrease in average sales price per ton partially offset by a 1.4% increase in sales volume.

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Cost of sales. Cost of sales, including depreciation, amortization, and depletion, was $328.0 million in the first quarter of 2014 compared to $317.8 million in 2013, reflecting the negative impact of over 38,000 tons of downtime related to market conditions and energy-related curtailments as well as decreased productivity associated with a planned capital spending related outage at our Androscoggin mill. Our cost of sales was also unfavorably affected by elevated energy and operating costs driven by severe winter weather conditions. Our gross margin, excluding depreciation, amortization, and depletion, was (1.1)% for the first quarter of 2014 compared to 12.4% for the first quarter of 2013. Our gross margin was also negatively impacted by approximately 38,000 tons of market-related downtime in the first quarter of 2014. Depreciation, amortization, and depletion expenses were $25.7 million for the first quarter of 2014 compared to $26.0 million for the first quarter of 2013.

Selling, general, and administrative. Selling, general, and administrative expenses were $17.6 million in the first quarter of 2014 compared to $18.8 million for the first quarter of 2013.

Restructuring charges. Restructuring charges for the first quarter of 2013 were $1.0 million and related to the closure of the former Sartell mill.

Other operating income. Other operating income in first quarter of 2013 was $3.3 million and consisted of the gains on the sales of our former Sartell mill and the Fiber Farm assets.

Interest expense. Verso s interest expense for the first quarter of 2014 was $34.5 million compared to $34.7 million for the same period in 2013. Verso Holdings interest expense was $34.9 million for the first quarter of 2014 compared to $34.4 million for the same period in 2013.

Other loss, net. Other loss, net for the first quarter of 2014 was $9.6 million and reflected costs incurred in connection with the NewPage acquisition. Other loss, net of $2.6 million for the same period in 2013 reflected losses related to debt refinancing.

	VERSO			**VERSO HOLDINGS**		
	Year Ended December 31,			**Year Ended December 31,**		
(Dollars in thousands)	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Net sales	**$ 1,388,899**	$ 1,474,612	$ 1,722,489	**$ 1,388,899**	$ 1,474,612	$ 1,722,489
Costs and expenses:						
Cost of products sold (exclusive of depreciation, amortization, and depletion)	**1,179,085**	1,272,630	1,460,290	**1,179,085**	1,272,630	1,460,290
Depreciation, amortization, and depletion	**104,730**	118,178	125,295	**104,730**	118,178	125,295
Selling, general, and administrative expenses	**73,777**	74,415	78,059	**73,777**	74,364	78,007
Goodwill impairment			18,695			10,551
Restructuring charges	**1,378**	102,404	24,464	**1,378**	102,404	24,464
Total operating expenses	**1,358,970**	1,567,627	1,706,803	**1,358,970**	1,567,576	1,698,607
Other operating income	**(3,971)**	(60,594)		**(3,971)**	(60,594)	

Operating income (loss)	**33,900**	(32,421)	15,686	**33,900**	(32,370)	23,882
Interest income	**(25)**	(8)	(99)	**(1,539)**	(1,523)	(1,614)
Interest expense	**137,728**	135,461	126,607	**138,626**	127,943	122,213
Other loss, net	**7,965**	7,379	26,042	**7,965**	7,380	25,812
Loss before income taxes	**(111,768)**	(175,253)	(136,864)	**(111,152)**	(166,170)	(122,529)
Income tax (benefit) expense	**(562)**	(1,424)	197			
Net loss	**$ (111,206)**	$ (173,829)	$ (137,061)	**$ (111,152)**	$ (166,170)	$ (122,529)

2013 Compared to 2012

Net Sales. Net sales for 2013 decreased 5.8% to $1,388.9 million from $1,474.6 million in 2012, due to a 6.1% decline in total sales volume, and the average sales price for all of our products remained flat in 2013 compared to 2012.

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Net sales for our coated papers segment decreased 9.7% to $1,062.6 million in 2013 from $1,177.1 million in 2012, due to an 8.3% decline in paper sales volume, which was driven by the closure of the former Sartell mill in the third quarter of 2012. The average sales price per ton of coated paper decreased 1.5% compared to last year.

Net sales for our market pulp segment increased 10.9% in 2013 to $156.1 million from $140.8 million in 2012. The sales volume decreased 0.5% while the average sales price per ton increased 11.4% compared to 2012.

Net sales for our other segment increased 8.6% to $170.2 million in 2013 from $156.7 million in 2012. This increase was driven by a 5.3% increase in sales price and a 3.2% increase in sales volume.

Cost of sales. Cost of sales, including depreciation, amortization, and depletion, was $1,283.8 million in 2013 compared to $1,390.8 million in 2012, reflecting the closure of the former Sartell mill in the third quarter of 2012. Our gross margin, excluding depreciation, amortization, and depletion, was 15.1% for 2013 compared to 13.7% for 2012, reflecting lower input prices, including the effects of energy hedge benefits. Depreciation, amortization, and depletion expenses were $104.7 million for 2013 compared to $118.2 million for 2012.

Selling, general, and administrative. Selling, general, and administrative expenses were $73.8 million in 2013 compared to $74.4 million in 2012.

Restructuring charges. Restructuring charges in 2013 were $1.4 million, and consisted primarily of facility operations and personnel costs for the Sartell mill site through the date of sale. Restructuring charges for 2012 were $102.4 million, and consisted primarily of fixed asset and other impairment charges of $77.1 million and severance and benefit costs of $19.4 million related to the closure of the former Sartell mill.

Other operating income. Other operating income in 2013 was $4.0 million and consisted of the gains on the sales of our former Sartell mill and Fiber Farm assets. Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of $60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at our Sartell mill.

Interest expense. Verso s interest expense for 2013 was $137.8 million compared to $135.4 million in 2012. Verso Holdings interest expense was $138.7 million in 2013 compared to $127.9 million in 2012.

Other loss, net. Other loss, net was $7.9 million for 2013, and reflected costs incurred in connection with the Merger Agreement and losses related to debt refinancing. Other loss, net was $7.4 million in 2012, which represented losses related to debt refinancing.

Income tax (benefit) expense. Income tax benefit of $0.6 million and $1.4 million for 2013 and 2012, respectively, resulted from reductions in the deferred tax liability related to the non-cash trademark impairment charge taken in the years presented.

2012 Compared to 2011

Net sales. Net sales for 2012 decreased 14.4% to $1,474.6 million from $1,722.5 million in 2011, which reflected an 11.1% decrease in total sales volume, which was driven by the shutdown of three paper machines in late 2011 and the closure of the former Sartell mill in the third quarter of 2012. Additionally, the average sales price for all of our products decreased 3.7%, led by a decline in the price of pulp.

Net sales for our coated papers segment decreased 17.0% to $1,177.1 million in 2012, from $1,418.8 million in 2011. This change reflected a 15.3% decrease in paper sales volume, which was driven by the shutdown of three paper machines in late 2011 and the closure of the former Sartell mill in the third quarter of 2012. The average sales price per ton of coated paper decreased 2.1% compared to the prior year.

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Net sales for our market pulp segment decreased 6.2% to $140.8 million in 2012, from $150.1 million in 2011. This decrease was due to a 10.7% decline in the average sales price per ton while sales volume increased 5.0% compared to 2011.

Net sales for our other segment increased 2.1% to $156.7 million in 2012, from $153.6 million in 2011. The improvement in 2012 was due to a 4.2% increase in sales volume, reflecting the continued development of new paper product offerings for our customers. The average sales price per ton decreased 2.0% compared to 2011.

Cost of sales. Cost of sales, including depreciation, amortization, and depletion, was $1,390.8 million in 2012, compared to $1,585.6 million in 2011, and reflected realized cost reductions from the shutdown of three paper machines in late 2011 and the closure of the former Sartell mill in the third quarter of 2012. Our gross margin, excluding depreciation, amortization, and depletion, was 13.7% for 2012, compared to 15.2% for 2011, which reflected lower average sales prices during 2012. Depreciation, amortization, and depletion expenses were $118.2 million for 2012, compared to $125.3 million for 2011.

Selling, general, and administrative. Selling, general, and administrative expenses were $74.4 million in 2012, compared to $78.0 million in 2011.

Restructuring charges. Restructuring charges for 2012 were $102.4 million, and consisted primarily of fixed asset and other impairment charges of $77.1 million and severance and benefit costs of $19.4 million related to the closure of the former Sartell mill. Restructuring charges of $24.5 million in 2011 reflected the permanent shut down of the No. 2 coated groundwood paper machine at our mill in Bucksport, Maine, and two supercalendered paper machines at our former mill in Sartell, Minnesota.

Other operating income. Other operating income in 2012 reflected insurance proceeds in excess of costs and property damages incurred of $60.6 million, as we reached a final settlement agreement with our insurance provider for property and business losses resulting from the fire and explosion at our former Sartell mill.

Interest expense. Verso s interest expense for 2012 was $135.4 million, compared to $126.6 million for 2011. Verso Holdings interest expense for 2012, was $127.9 million compared to $122.2 million for 2011.

Other loss, net. Verso s other loss, net for 2012 was $7.4 million, compared to a net loss of $26.1 million for 2011. Verso Holdings other loss, net for 2012 was $7.4 million, compared to a net loss of $25.8 million for 2011. Included in the results for 2012 and 2011 were losses of $8.2 million and $26.1 million, respectively, related to the early retirement of debt in connection with debt refinancing.

Income tax (benefit) expense. Income tax benefit for 2012 of $1.4 million resulted from a reduction in the deferred tax liability related to the non-cash trademark impairment charge that was taken as a result of a reduction in production capacity from the closure of the Sartell mill.

Seasonality

We are exposed to fluctuations in quarterly net sales volumes and expenses due to seasonal factors. These seasonal factors are common in the coated paper industry. Typically, the first two quarters are our slowest quarters due to lower demand for coated paper during this period. Our third quarter is generally our strongest quarter, reflecting an increase in printing related to end-of-year magazines, increased end-of-year direct mailings, and holiday season catalogs. Our working capital and accounts receivable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the third quarter season. We expect our seasonality trends to continue for the foreseeable future.

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Liquidity and Capital Resources

We rely primarily upon cash flow from operations and borrowings under our revolving credit facilities to finance operations, capital expenditures, and fluctuations in debt service requirements. As of March 31, 2014, $44.4 million was available for future borrowing under our revolving credit facilities. We believe that our ability to manage cash flow and working capital levels, particularly inventory and accounts payable, will allow us to meet our current and future obligations, pay scheduled principal and interest payments, and provide funds for working capital, capital expenditures, and other needs of the business for at least the next twelve months. The ability to achieve our future projected operating results is based on a number of assumptions which involve significant judgment and estimates, and no assurance can be given that we will be able to generate sufficient cash flows from operations or that future borrowings will be available under our revolving credit facilities in an amount sufficient to fund our liquidity needs. If we are unable to meet our projected performance targets, our liquidity could be adversely impacted and we may need to seek additional sources of liquidity. Our future performance could adversely affect our ability to raise additional capital to fund our operations, and there is no assurance that financing will be available in a sufficient amount, on acceptable terms, or on a timely basis.

On May 5, 2014, acting through our wholly owned subsidiary, Verso Androscoggin Power LLC, or VAP, we entered into a credit agreement providing for a $40 million revolving credit facility with Barclays Bank PLC and Credit Suisse AG, Cayman Islands Branch. Borrowings thereunder may be used (a) to provide cash dividends and other cash distributions to VAP s sole member, Verso Maine Power Holdings LLC, or VMPH, and our other subsidiaries, (b) for ongoing working capital for VAP, and (c) for other general corporate purposes. Borrowings under the credit facility will bear interest at a rate equal to an applicable margin plus, at the option of VAP, either (a) a base rate determined by reference to the highest of the U.S. federal funds rate plus 0.50%, the prime rate of the administrative agent, and the adjusted LIBOR for a one-month interest period plus 1.00%, or (b) a eurocurrency rate, or LIBOR, determined by reference to the cost of funds for eurocurrency deposits in dollars in the London interbank market for the interest period relevant to such borrowing adjusted for certain additional costs. Prior to November 5, 2014, the applicable margin for advances under the credit facility is 2.00% for base rate advances and 3.00% for LIBOR advances. On and after November 5, 2014, the applicable margin for advances under the credit facility will be 3.00% for base rate advances and 4.00% for LIBOR advances. The credit facility will mature on the earliest to occur of (a) May 5, 2015, (b) the date that is 30 days after the consummation of the Merger, and (c) the date that is 60 days after the termination of the Merger Agreement or the abandonment of the Merger; however, upon written notice by VAP to the administrative agent, VAP may request that the commitments under the credit facility be converted to extend the maturity date for consenting lenders. The debt outstanding under the credit facility is secured by substantially all of VAP s assets, which consist principally of four hydroelectric facilities associated with our Androscoggin mill and related electricity transmission equipment. VMPH will guarantee the payment of the debt outstanding under the credit facility, and its guaranty will be secured by a pledge of its equity interest in VAP.

As we focus on managing our expenses and cash flows, we continue to assess and implement, as appropriate, various earnings enhancement and expense reduction initiatives. Management has developed a company-wide cost reduction program and expects to yield approximately $37 million of additional cost reductions, of which approximately $30 million are expected to be realized in the remainder of 2014 and the remaining $7 million are expected to be realized in 2015. We continue to search for and develop additional cost saving measures; however, no assurance can be given that the anticipated benefits we project will be realized as expected or at all. In addition, we continue to evaluate selling non-strategic assets in the future to obtain additional liquidity.

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Verso s and Verso Holdings cash flows from operating, investing and financing activities, as reflected in the accompanying condensed consolidated statements of cash flows, are summarized in the following tables.

	VERSO Three Months Ended March 31,		VERSO HOLDINGS Three Months Ended March 31,	
(Dollars in thousands)	**2014**	**2013**	**2014**	**2013**
Net cash provided by (used in):				
Operating activities	**$ (96,284)**	$ (83,248)	**$ (96,282)**	$ (83,095)
Investing activities	**(8,796)**	32,943	**(8,796)**	32,943
Financing activities	**98,027**	1,477	**98,080**	1,324
Net change in cash and cash equivalents	**$ (7,053)**	$ (48,828)	**$ (6,998)**	$ (48,828)

	VERSO Year Ended December 31,			VERSO HOLDINGS Year Ended December 31,		
(Dollars in thousands)	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Net cash (used in) provided by:						
Operating activities	**$ (27,732)**	$ 12,008	$ 14,511	**$ (27,462)**	$ 11,302	$ 14,562
Investing activities	**(13,755)**	(7,069)	(66,205)	**(13,755)**	(7,069)	(66,205)
Financing activities	**(8,743)**	(38,283)	(6,217)	**(9,013)**	(37,558)	(6,268)
Net change in cash and cash equivalents	**$ (50,230)**	$ (33,344)	$ (57,911)	**$ (50,230)**	$ (33,325)	$ (57,911)

Operating activities. In the first quarter of 2014, Verso s net cash used in operating activities of $96.3 million reflects a net loss of $90.6 million adjusted for non-cash depreciation, amortization, and accretion of $27.2 million and an increase in working capital of $47.4 million. The change in working capital reflects seasonal increases in inventory and a decrease in accrued liabilities primarily attributable to the scheduled semi-annual interest payments during the quarter.

In the first quarter of 2013, Verso s net cash used in operating activities of $83.2 million reflected a net loss of $38.4 million adjusted for non-cash depreciation, amortization, depletion and accretion of $27.5 million and an increase in working capital of $68.2 million. The change in working capital reflected a seasonal increase in inventory and a decrease in accrued liabilities reflecting interest payments made during the quarter.

In 2013, Verso s net cash used in operating activities of $27.7 million reflects a net loss of $111.2 million adjusted for non-cash depreciation, amortization, and accretion of $110.7 million and an increase in cash used by changes in working capital of $26.2 million. The change in working capital reflects increases in inventory and accounts receivable and decreases in accounts payable.

Verso s net cash provided by operating activities of $12.0 million in 2012 reflected a net loss of $173.8 million adjusted for non-cash depreciation, amortization, depletion, and accretion and non-cash losses on early extinguishment of debt and asset impairment charges totaling $210.5 million and a decrease in working capital of $31.2 million, which was primarily due to decreases in inventory and accounts receivable. In 2011, Verso s net cash provided by operating activities of $14.5 million reflected a net loss of $137.1 million adjusted for non-cash depreciation, amortization, depletion, and accretion and non-cash losses on early extinguishment of debt and goodwill impairment totaling $186.6 million and an increase in working capital of $40.5 million, which was primarily due to increases in inventory and accounts receivable. Verso Holdings operating cash flows are the same as those of Verso in all material respects.

Investing activities. In the first quarter of 2014, Verso s net cash used in investing activities of $8.8 million reflects capital expenditures of $16.5 million. This compares to $32.9 million of net cash provided by investing activities in the first quarter of 2013, which included proceeds from the sales of our former Sartell mill and the

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Fiber Farm assets of $27.6 million, capital expenditures of $8.2 million, and $13.7 million of governmental grants received in conjunction with a renewable energy project at our mill in Bucksport, Maine.

In 2013, Verso s net cash used in investing activities of $13.8 million reflected proceeds from sale of Sartell and Fiber Farm of $28.4 million offset by capital expenditures of $40.7 million, net of $13.7 million received from governmental grants associated with a renewable energy project at our mill in Bucksport, Maine. This compares to net cash used in investing activities of $7.1 million in 2012, which reflected $59.9 million in capital expenditures net of $14.7 million received from governmental grants associated with a renewable energy project at our mill in Quinnesec, Michigan and $51.0 million in proceeds attributable to property, plant and equipment from the insurance settlement related to the fire at our Sartell mill. In 2011, net cash used in investing activities of $66.2 million reflected $90.3 million in capital expenditures net of $24.8 million in funds transferred from restricted cash for use on a renewable energy project at our mill in Quinnesec, Michigan. Verso Holdings investing cash flows are the same as those of Verso.

Financing activities. In the first quarter of 2014, Verso s net cash provided by financing activities was $98.0 million compared to $1.5 million in the first quarter of 2013. Cash provided by financing activities in the first quarter of 2014, resulted primarily from net borrowings on our revolving credit facilities. Cash provided by financing activities in the first quarter of 2013 represented net borrowings on our revolving credit facilities offset by payments on the Verso Finance Senior Unsecured Term Loans. Verso Holdings distribution to Verso Finance for payment of the Senior Unsecured Term Loans is reflected as a return of capital in the Statement of Cash Flows.

In 2013, Verso s net cash used in financing activities was $8.7 million and consisted primarily of payments on the Verso Finance Senior Unsecured Term Loans. Verso Holdings distribution to Verso Finance for payment of the Senior Unsecured Term Loans is reflected as a return of capital in the Statement of Cash Flows.

In 2012, Verso s net cash used in financing activities was $38.3 million and reflected a total of $355.0 million in cash payments to repurchase and retire and to redeem a total of $315.0 million aggregate principal amount of our 11.5% Senior Secured Notes due 2014 and to exchange $166.9 million aggregate principal amount of our Second Priority Senior Secured Floating Rate Notes due 2014 along with $157.5 million aggregate principal amount of our Senior Subordinated Notes due 2016 for a total of $271.6 million aggregate principal amount of our 11.75% Secured Notes due 2019. Cash provided by financing activities included $316.7 million in net proceeds from the issuance of long-term debt after discount, underwriting fees and issuance costs, primarily related to the issuance of $345.0 million aggregate principal amount of our 11.75% Senior Secured Notes due 2019.

In 2011, Verso s net cash used in financing activities was $6.2 million, reflecting cash payments of $390.0 million to repurchase long-term debt and pay related fees and charges, net of $383.8 million in proceeds from the issuance of $396.0 million aggregate principal amount of Second Priority Senior Secured Notes net of discount, underwriting fees and issuance costs.

Revolving credit facilities. In 2012, Verso Holdings entered into revolving credit facilities consisting of a $150.0 million asset-based loan facility, or ABL Facility, and a $50.0 million cash-flow facility, or Cash Flow Facility. Verso Holdings ABL Facility had $60.0 million outstanding, $40.3 million in letters of credit issued, and $32.4 million available for future borrowing as of March 31, 2014. Verso Holdings Cash Flow Facility had $38.0 million outstanding balance, no letters of credit issued, and $12.0 million available for future borrowing as of March 31, 2014. The indebtedness under the revolving credit facilities bears interest at a floating rate based on a margin over a base rate or eurocurrency rate. As of March 31, 2014, the applicable margin for advances under the ABL Facility was 1.25% for base rate advances and 2.25% for LIBOR advances, and the applicable margin for advances under the Cash Flow Facility was 3.75% for base rate advances and 4.75% for LIBOR advances. As of March 31, 2014, the weighted-average interest rate on outstanding advances was 3.46%. Verso Holdings is required to pay a commitment fee to the lenders in respect of the unused commitments under the ABL Facility at an annual rate of either 0.375% or 0.50%, based on daily average utilization, and under the Cash Flow Facility at an annual rate of 0.625%. The indebtedness under the revolving credit facilities is guaranteed jointly and severally by Verso Finance and each of Verso Holdings subsidiaries, subject to certain exceptions, and the indebtedness and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The indebtedness under the ABL Facility and related guarantees are secured by first-priority security interests, subject to permitted liens, in substantially all of Verso Holdings , Verso Finance s, and the subsidiary guarantors inventory and accounts receivable, or ABL Priority Collateral, and second-priority security interests, subject to permitted liens, in substantially all of their other assets, or Notes Priority Collateral. The indebtedness under the Cash Flow Facility and related guarantees are secured, *pari passu* with the 11.75% Senior Secured Notes due 2019 and related guarantees, by first-priority security interests in the Notes Priority Collateral and second-priority security interests in the ABL Priority Collateral. The revolving facilities will mature on May 4, 2017, unless, on any of the dates that is 91 days prior to the earliest scheduled maturity of any of the Second Priority Senior Secured Floating Rate Notes due 2014, or the 11.38% Senior Subordinated Notes, an aggregate principal amount in excess of $100.0 million of indebtedness under such existing second-lien notes, subordinated notes, as applicable, is outstanding, in which case the revolving credit facilities will mature on such earlier date. On January 3, 2014, Verso Holdings entered into certain amendments to the revolving credit facilities in connection with the NewPage acquisition, in which (a) the lenders under each of our revolving credit facilities consented to the NewPage acquisition and the other transactions contemplated by the Merger Agreement, including the incurrence of certain additional indebtedness, (b) the lenders consented to amendments to allow the sale and/or financing of certain non-core assets and (c) the parties agreed to amend our revolving credit facilities to allow for certain other transactions upon the consummation of the NewPage acquisition and the other transactions contemplated by the Merger Agreement.

11.75% Senior Secured Notes due 2019. In 2012, Verso Holdings issued $345.0 million aggregate principal amount of 11.75% Senior Secured Notes due 2019. In 2013, Verso Holdings issued $72.9 million aggregate principal amount of its 11.75% Senior Secured Notes due 2019 to certain lenders holding approximately $85.8 million aggregate principal amount of Verso Finance s Senior Unsecured Term Loans, and net accrued interest through the closing date, at an exchange rate of 85%, in exchange for the assignment to Verso Finance of its Senior Unsecured Term Loans and the cancellation of such loans. After the exchange there are no longer any outstanding Senior Unsecured Term Loans.

The 11.75% Senior Secured Notes due 2019 issued in 2012 and 2013 constitute one class of securities. The notes bear interest, payable semi-annually, at the rate of 11.75% per year. The notes are guaranteed jointly and severally by each of Verso Holdings subsidiaries, subject to certain exceptions, and the notes and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The indebtedness under the notes and related guarantees are secured, *pari passu* with the Cash Flow Facility and related guarantees, by first-priority security interests in the Notes Priority Collateral and second-priority security interests in the ABL Priority Collateral. The notes will mature on January 15, 2019; provided, however, that, if as of 45 days prior to the maturity dates of our 11.38% Senior Subordinated Notes due 2016, more than $100.0 million of such Senior Subordinated Notes remains outstanding, the notes will mature on that day.

11.75% Secured Notes due 2019. In 2012, Verso Holdings issued $271.6 million aggregate principal amount of 11.75% Secured Notes due 2019. The notes bear interest, payable semi-annually, at the rate of 11.75% per year. The notes are guaranteed jointly and severally by each of Verso Holdings subsidiaries, subject to certain exceptions, and the notes and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The notes and related guarantees are secured by security interests, subject to permitted liens, in substantially all of Verso Holdings and the guarantors tangible and intangible assets. The security interests securing the notes rank junior to those securing the obligations under the ABL Facility, the Cash Flow Facility, and the 11.75% Senior Secured Notes due 2019 and rank senior to those securing the 8.75% Second Priority Senior Secured Notes due 2019. The notes will mature on January 15, 2019.

8.75% Second Priority Senior Secured Notes due 2019. In 2011, Verso Holdings issued $396.0 million aggregate principal amount of 8.75% Second Priority Senior Secured Notes due 2019. The notes bear interest, payable semi-annually, at the rate of 8.75% per year. The notes are guaranteed jointly and severally by each of Verso Holdings subsidiaries, subject to certain exceptions, and the notes and guarantees are senior secured obligations of Verso Holdings and the guarantors, respectively. The notes and related guarantees are secured by second-priority security interests, subject to permitted liens, in substantially all of Verso Holdings and the guarantors tangible and intangible assets, excluding securities of Verso Holdings affiliates. The notes will mature on February 1, 2019.

Second Priority Senior Secured Floating Rate Notes due 2014. In 2006, Verso Holdings issued $250.0 million aggregate principal amount of Second Priority Senior Secured Floating Rate Notes due 2014 and as of March 31, 2014, $13.3 million aggregate principal amount of the Second Priority Senior Secured Floating Rate Notes remain outstanding. The notes bear interest, payable quarterly, at a rate equal to LIBOR plus 3.75% per year. As of March 31, 2014, the interest rate on the notes was 3.99% per year. The notes are guaranteed jointly and severally by each of Verso Holdings subsidiaries, subject to certain exceptions. The notes will mature on August 1, 2014. As of March 31, 2014, the balance of the Second Priority Senior Secured Floating Rate Notes is included in Current maturities of long-term debt on the accompanying condensed consolidated balance sheet.

11.38% Senior Subordinated Notes due 2016. In 2006, Verso Holdings issued $300.0 million aggregate principal amount of 11.38% Senior Subordinated Notes due 2016 and as of March 31, 2014, $142.5 million aggregate principal amount of the 11.38% Senior Subordinated Notes remain outstanding. The notes bear interest, payable semi-annually, at the rate of 11.38% per year. The notes are guaranteed jointly and severally by each of Verso Holdings subsidiaries, subject to certain exceptions, and the notes and guarantees are unsecured senior subordinated obligations of Verso Holdings and the guarantors, respectively. The notes will mature on August 1, 2016.

Loan from Verso Paper Finance Holdings LLC/ Verso Paper Holdings LLC. In 2010, Verso Quinnesec REP LLC, an indirect, wholly owned subsidiary of Verso Holdings, entered into a financing transaction with Chase NMTC Verso Investment Fund, LLC, or the Investment Fund, a consolidated variable interest entity. Under this arrangement, Verso Holdings loaned $23.3 million to Verso Finance at an interest rate of 6.5% per year and with a maturity of December 29, 2040, and Verso Finance, in turn, loaned the funds on similar terms to the Investment Fund. The Investment Fund then contributed the loan proceeds to certain community development entities, which, in turn, loaned the funds on similar terms to Verso Quinnesec REP LLC as partial financing for the renewable energy project at our mill in Quinnesec, Michigan.

As a holding company, Verso s investments in its operating subsidiaries constitute substantially all of its operating assets. Consequently, Verso s subsidiaries conduct all of its consolidated operations and own substantially all of its operating assets. Verso s principal source of the cash it needs to pay its debts is the cash that its subsidiaries generate from their operations and their borrowings. Verso s subsidiaries are not obligated to make funds available to it. The terms of the revolving credit facilities and the indentures governing the outstanding notes of Verso s subsidiaries significantly restrict its subsidiaries from paying dividends and otherwise transferring assets to Verso. Furthermore, Verso s subsidiaries are permitted under the terms of the revolving credit facilities and the indentures to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends, or the making of loans by such subsidiaries to Verso. Although the terms of the debt agreements of Verso s subsidiaries do not restrict its operating subsidiaries from obtaining funds from their respective subsidiaries to fund their operations and payments on indebtedness, there can be no assurance that the agreements governing the current and future indebtedness of its subsidiaries will permit its subsidiaries to provide Verso with sufficient dividends, distributions or loans to fund its obligations or pay dividends to its stockholders.

We may elect to retire our outstanding debt in open market purchases, privately negotiated transactions, or otherwise. These repurchases may be funded through available cash from operations and borrowings under our revolving credit facilities. Such repurchases are dependent on prevailing market conditions, our liquidity requirements, contractual restrictions, and other factors.

Financing Transactions in Connection with the Merger. On January 3, 2014, Verso Paper, Verso Merger Sub Inc., a Delaware corporation and an indirect, wholly owned subsidiary of Verso Paper, or Merger Sub, and NewPage Holdings Inc., a Delaware corporation, or NewPage, entered into the Merger Agreement, pursuant to which Merger Sub will merge with and into NewPage on the terms and subject to the conditions set forth in the Merger Agreement, with NewPage surviving the Merger as an indirect, wholly owned subsidiary of Verso.

The Merger Agreement provides for a series of transactions pursuant to which equity holders of NewPage will receive (i) $250 million total in cash, approximately $243 million of which has been paid to NewPage s stockholders as a dividend from the proceeds of the NewPage term loan facility, plus the cash actually received by NewPage in respect of any exercises of NewPage stock options between the date of the Merger Agreement and the closing of the Merger; (ii) up to $650 million aggregate principal amount of New First Lien Notes (valued at face value) to be issued at closing; and (iii) shares of our common stock representing 20% (subject to potential upward adjustment to 25% under certain circumstances) of the sum of the outstanding shares of our common stock as of immediately prior to closing and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement, or collectively the Merger Consideration. The amount of New First Lien Notes to be issued in the Merger is subject to downward adjustment, in an amount not to exceed $27 million in value, if NewPage makes certain restricted payments between September 30, 2013 and the closing of the Merger. If the Merger has not closed by August 31, 2014, and the reason for the failure to close by such date, or any subsequent delay in closing after such date, is solely the result of our failure to take certain actions to satisfy certain closing conditions, the amount of our common stock to be issued as Merger Consideration will increase in monthly increments by up to 5% so that the total amount of our common stock issued in the Merger Consideration would be up to 25% of the sum of the outstanding shares as of immediately prior to closing and the shares, if any, underlying vested, in-the-money stock options as of the signing of the Merger Agreement.

As described above, on January 3, 2014, in connection with the entry into the Merger Agreement, we entered into amendments of our revolving credit facilities such that (a) the lenders under each of our revolving credit facilities consented to the Merger and the other transactions contemplated by the Merger Agreement, including the incurrence of certain additional indebtedness, (b) the lenders consented to amendments to allow the sale and/or financing of certain non-core assets and (c) the parties agreed to amend our revolving credit facilities to allow for certain other transactions upon the consummation of the Merger and the other transactions contemplated by the Merger Agreement. The pricing terms, maturities and commitments under our revolving credit facilities remain unchanged.

At the time of the closing of the Merger, we expect to issue up to $650 million in aggregate principal amount of the New First Lien Notes to the current shareholders of NewPage as part of the consideration for the Merger. The New First Lien Notes will be substantially similar to the existing 11.75% Senior Secured Notes due 2019, except for certain additional restrictive covenants and that we expect that we will not be permitted to repurchase them for one year after their issuance date unless we pay the holders a make-whole premium.

The issuers and guarantors of our debt securities (including the New First Lien Notes) and the borrower and guarantors of our revolving credit facilities will not guarantee the obligations under NewPage s term loan facility and NewPage s ABL facility, and the borrower and guarantors under NewPage s term loan facility and NewPage s ABL facility will not guarantee the obligations under our debt securities and credit facilities. Upon the consummation of the Merger, NewPage Holdings Inc. (but not the subsidiaries of NewPage) will guarantee certain of our debt securities and our credit facilities as required by the terms governing such debt.

Exchange Offer Transactions. On July 2, 2014, the Verso Issuers launched offers to exchange (a) New Second Lien Notes and Verso Warrants for any and all outstanding Old Second Lien Notes and (b) New Subordinated Notes and Verso Warrants for any and all outstanding Old Subordinated Notes. See Description of Other Indebtedness Exchange

Offer Transactions.

As of the date of this joint proxy and information statement/prospectus, Verso has not obtained the Verso Junior Noteholder Consent or consummated the Exchange Offer Transactions, and Verso may not be able to

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obtain the Verso Junior Noteholder Consent or consummate the Exchange Offer Transactions on the current terms or at all, in which case the Merger may not close.

Covenant Compliance

The credit agreement and the indentures governing our notes contain affirmative covenants as well as restrictive covenants which limit our ability to, among other things, incur additional indebtedness; pay dividends or make other distributions; repurchase or redeem our stock; make investments; sell assets, including capital stock of restricted subsidiaries; enter into agreements restricting our subsidiaries ability to pay dividends; consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; enter into transactions with our affiliates; and incur liens. These covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. The material covenants in the indentures that are impacted by the calculation of Adjusted EBITDA are those that govern the amount of indebtedness that Verso Holdings and its subsidiaries may incur, whether Verso Holdings may make certain dividends, distributions or payments on subordinated indebtedness, and whether Verso Holdings may merge with another company. Although there are limited baskets for incurring indebtedness contained in the indentures, the primary means for incurring additional indebtedness under the Indentures is to have a pro forma Fixed Charge Coverage Ratio of at least 2.00 to 1.00 after the incurrence of such additional indebtedness. This same test also applies to most dividends and other payments made in respect of Verso Holdings equity and subordinated indebtedness and also to whether Verso Holdings may merge with another company. In the case of a merger, Verso Holdings may merge so long as either its Fixed Charge Coverage Ratio is at least 2.00 to 1.00 or that same ratio improves after giving pro forma effect to the merger. If Verso Holdings were not able to meet the Fixed Charge Coverage Ratio requirement contained in these covenants, it would limit our long-term growth prospects, as it would severely hinder Verso Holdings ability to incur additional indebtedness for the purpose of completing acquisitions or capital improvement programs, among other things. In addition, if the ratio test were not met, distributions by Verso Holdings to Verso Paper would also be severely restricted. As of March 31, 2014, we were in compliance in all material respects with the covenants in our debt agreements.

Effect of Inflation

While inflationary increases in certain input costs, such as for energy, wood fiber, and chemicals, have an impact on our operating results, changes in general inflation have had minimal impact on our operating results in the last three years. Sales prices and volumes are more strongly influenced by supply and demand factors in specific markets and by exchange rate fluctuations than by inflationary factors. We cannot assure you, however, that we will not be affected by general inflation in the future.

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Contractual Obligations

The following table reflects our contractual obligations and commercial commitments as of December 31, 2013. Commercial commitments include lines of credit, guarantees, and other potential cash outflows resulting from a contingent event that requires our performance pursuant to a funding commitment.

	Payments due by period				
(Dollars in millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Verso Paper Holdings LLC					
Long-term debt(1)	$ 1,870.2	$ 147.4	$ 399.6	$ 231.3	$ 1,091.9
Operating leases	9.7	5.3	3.6	0.6	0.2
Purchase obligations(2)	375.0	85.5	83.3	76.6	129.6
Other long-term liabilities(3)	25.6	0.5	2.7	2.4	20.0
Chase NMTC Verso Investment Fund LLC					
Loan from Verso Paper Finance Holdings LLC	64.2	1.5	3.0	3.0	56.7
Total contractual obligations for Verso Paper Holdings LLC	2,344.7	240.2	492.2	313.9	1,298.4
Debt for Verso Paper Finance Holdings LLC	64.2	1.5	3.0	3.0	56.7
Eliminate loans from affiliates	(128.4)	(3.0)	(6.0)	(6.0)	(113.4)
Total contractual obligations for Verso Paper Corp.	$ 2,280.5	$ 238.7	$ 489.2	$ 310.9	$ 1,241.7

(1) Long-term debt includes principal payments, commitment fees, and interest payable. A portion of interest expense is at a variable rate and has been calculated using current LIBOR. Actual payments could vary.
(2) Purchase obligations include unconditional purchase obligations for power purchase agreements (gas and electricity), machine clothing, and other commitments for advertising, raw materials, or storeroom inventory.
(3) Other long-term liabilities reflected above represent the gross amount of asset retirement obligations.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from fluctuations in our paper prices, interest rates, energy prices, and commodity prices for our inputs.

Paper Prices

Our sales, which we report net of rebates, allowances, and discounts, are a function of the number of tons of paper that we sell and the price at which we sell our paper. The coated paper industry is cyclical, which results in changes in both volume and price. Paper prices historically have been a function of macroeconomic factors that influence supply and demand. Price has historically been substantially more variable than volume and can change significantly over relatively short time periods.

We are primarily focused on serving two end-user segments: catalogs and magazines. Coated paper demand is primarily driven by advertising and print media usage. Advertising spending and magazine and catalog circulation tend to correlate with gross domestic product, or GDP, in the United States, as they rise with a strong economy and contract with a weak economy.

Many of our customers provide us with forecasts of their paper needs, which allows us to plan our production runs in advance, optimizing production over our integrated mill system and thereby reducing costs and increasing overall efficiency. Generally, our sales agreements do not extend beyond the calendar year, and they typically provide for semiannual price adjustments based on market price movements.

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We reach our end-users through several channels, including printers, brokers, paper merchants, and direct sales to end-users. We sell and market our products to approximately 130 customers. During the first three months of 2014, Quad/Graphics, Inc. and Central National-Gottesman, Inc. accounted for approximately 12% and 10% of our total net sales, respectively.

Interest Rates

We have issued fixed- and floating-rate debt in order to manage our variability to cash flows from interest rates. Borrowings under the revolving credit facilities and the Second Priority Senior Secured Floating Rate Notes due 2014 accrue interest at variable rates. A 100 basis point increase in quoted interest rates on our outstanding floating-rate debt as of March 31, 2014, would increase annual interest expense by $1.1 million. While we may enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection from this risk.

Derivatives

In the normal course of business, we utilize derivatives contracts as part of our risk management strategy to manage our exposure to market fluctuations in energy prices. These instruments are subject to credit and market risks in excess of the amount recorded on the balance sheet in accordance with generally accepted accounting principles. Controls and monitoring procedures for these instruments have been established and are routinely reevaluated. We have an Energy Risk Management Policy which was adopted by our board of directors and is monitored by an Energy Risk Management Committee composed of our senior management. In addition, we have an Interest Rate Risk Committee which was formed to monitor our Interest Rate Risk Management Policy. Credit risk represents the potential loss that may occur because a party to a transaction fails to perform according to the terms of the contract. The measure of credit exposure is the replacement cost of contracts with a positive fair value. We manage credit risk by entering into financial instrument transactions only through approved counterparties. Market risk represents the potential loss due to the decrease in the value of a financial instrument caused primarily by changes in commodity prices. We manage market risk by establishing and monitoring limits on the types and degree of risk that may be undertaken.

We do not hedge the entire exposure of our operations from commodity price volatility for a variety of reasons. To the extent that we do not hedge against commodity price volatility, our results of operations may be affected either favorably or unfavorably by a shift in the future price curve. As of March 31, 2014, we had liabilities for net unrealized losses of $1.2 million on open commodity contracts with maturities of one to twelve months. These derivative instruments involve the exchange of net cash settlements, based on changes in the price of the underlying commodity index compared to the fixed price offering, at specified intervals without the exchange of any underlying principal. A 10% decrease in commodity prices would have a negative impact of approximately $2.1 million on the fair value of such instruments. This quantification of exposure to market risk does not take into account the offsetting impact of changes in prices on anticipated future energy purchases.

Commodity Prices

We are subject to changes in our cost of sales caused by movements underlying commodity prices. The principal components of our cost of sales are chemicals, wood, energy, labor, maintenance, and depreciation, amortization, and depletion. Costs for commodities, including chemicals, wood and energy, are the most variable component of our cost of sales because their prices can fluctuate substantially, sometimes within a relatively short period of time. In addition, our aggregate commodity purchases fluctuate based on the volume of paper that we produce.

Chemicals. Chemicals utilized in the manufacturing of coated papers include latex, clay, starch, calcium carbonate, caustic soda, sodium chlorate, and titanium dioxide. We purchase these chemicals from a variety of suppliers and are not dependent on any single supplier to satisfy our chemical needs. We expect imbalances in supply and demand to periodically create volatility in prices for certain chemicals.

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Wood. Our costs to purchase wood are affected directly by market costs of wood in our regional markets and indirectly by the effect of higher fuel costs on logging and transportation of timber to our facilities. While we have in place fiber supply agreements that ensure a substantial portion of our wood requirements, purchases under these agreements are typically at market rates.

Energy. We produce approximately 53% of our energy needs for our paper mills from sources such as waste wood, waste water, hydroelectric facilities, liquid biomass from our pulping process, and internal energy cogeneration facilities. Our external energy purchases vary across each of our mills and include fuel oil, natural gas, coal, and electricity. While our internal energy production capacity and ability to switch between certain energy sources mitigates the volatility of our overall energy expenditures, we expect prices for energy to remain volatile for the foreseeable future. We utilize derivatives contracts as part of our risk management strategy to manage our exposure to market fluctuations in energy prices.

Off-Balance Sheet Arrangements

None.

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BUSINESS

For the purpose of this section, references to we, us, and our refer collectively to Verso and Verso Holdings. Unless otherwise noted, the information provided pertains to both Verso and Verso Holdings.

Background

We began operations on August 1, 2006, when we acquired the assets and certain liabilities comprising the business of the Coated and Supercalendered Papers Division of International Paper. We were formed by affiliates of Apollo for the purpose of consummating the acquisition from International Paper. Verso went public on May 14, 2008, with an IPO of 14 million shares of common stock.

Overview

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

We are one of North America s largest producers of coated groundwood paper, which is used primarily for catalogs and magazines. We are also a low cost producer of coated freesheet paper, which is used primarily for annual reports, brochures, and magazine covers. We also produce and sell market kraft pulp, which is used to manufacture printing and writing paper grades and tissue products.

We operate eight paper machines at three mills located in Maine and Michigan. The mills have a combined annual production capacity of 1,305,000 tons of coated paper, 160,000 tons of ultra-lightweight specialty and uncoated papers, and 930,000 tons of kraft pulp.

We sell and market our products to approximately 130 customers which comprise approximately 700 end-user accounts. We have long-standing relationships with many leading magazine and catalog publishers, commercial printers, specialty retail merchandisers, and paper merchants. Our relationships with our ten largest coated paper customers average more than 20 years. We reach our end-users through several distribution channels, including direct sales, commercial printers, paper merchants, and brokers.

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Our net sales (in millions) by product line for the year ended December 31, 2013, are illustrated below:

Industry

Based on 2013 sales, the size of the global coated paper industry is estimated to be approximately $42 billion, or 44 million tons of coated paper shipments, including approximately $7 billion, or 8 million tons of coated paper shipments, in North America. Coated paper is used primarily in media and marketing applications, including catalogs, magazines, and commercial printing applications, which include high-end advertising brochures, annual reports, and direct mail advertising. Demand is generally driven by North American advertising and print media trends, which in turn have historically been correlated with growth in Gross Domestic Product, or GDP.

In North America, coated papers are classified by brightness and fall into five grades, labeled No. 1 to No. 5, with No. 1 having the highest brightness level and No. 5 having the lowest brightness level. Papers graded No. 1, No. 2, and No. 3 are typically coated freesheet grades. No. 4 and No. 5 papers are predominantly groundwood containing grades. Coated groundwood grades are the preferred grades for catalogs and magazines, while coated freesheet is more commonly used in commercial print applications.

Products

We manufacture two main grades of paper: coated groundwood paper and coated freesheet paper. These paper grades are differentiated primarily by their respective brightness, weight, print quality, bulk, opacity, and strength. We also produce Northern Bleached Hardwood Kraft, or NBHK, pulp. See notes to the consolidated financial statements for further information on our segments. The following table sets forth our principal products by tons sold and as a percentage of our net sales in 2013:

	Sales Volume		**Net Sales**	
(Tons in thousands, Dollars in millions)	**Tons**	**%**	**$**	**%**
Product:				
Coated groundwood paper	709	42	619	45
Coated freesheet paper	535	32	444	32
Pulp	273	16	156	11
Other	173	10	170	12
Total	1,690	100	1,389	100

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As a result of our scale and technological capabilities, we are able to offer our customers a broad product offering, from ultra-lightweight coated groundwood to heavyweight coated freesheet. Our customers have the opportunity to sole-source all of their coated paper needs from us while optimizing their choice of paper products. As our customers preferences change, they can switch paper grades to meet their desired balance between cost and performance attributes while maintaining their relationship with us.

Coated groundwood paper. Coated groundwood paper includes a fiber component produced through a mechanical pulping process. The use of such fiber results in a bulkier and more opaque paper that is better suited for applications where lighter weights and/or higher stiffness are required, such as catalogs and magazines. In addition to mechanical pulp, coated groundwood paper typically includes a kraft pulp component to improve brightness and print quality.

Coated freesheet paper. Coated freesheet paper is made from bleached kraft pulp, which is produced using a chemical process to break apart wood fibers and dissolve impurities such as lignin. The use of kraft pulp results in a bright, heavier-weight paper with excellent print qualities, which is well-suited for high-end commercial applications and premium magazines. Coated freesheet contains primarily kraft pulp, with less than 10% mechanical pulp in its composition.

Pulp. We produce and sell NBHK pulp. NBHK pulp is produced through the chemical kraft process using hardwoods. Hardwoods typically have shorter length fibers than softwoods and are used to smooth paper. Kraft describes pulp produced using a chemical process, whereby wood chips are combined with chemicals and steam to separate the wood fibers. The fibers are then washed and pressure screened to remove the chemicals and lignin which originally held the fibers together. Finally, the pulp is bleached to the necessary whiteness and brightness. Kraft pulp is used in applications where brighter and whiter paper is required.

Other products. We also offer recycled paper to help meet specific customer requirements. Additionally, we offer customized product solutions for strategic accounts by producing paper grades with customer-specified weight, brightness and pulp mix characteristics, providing customers with cost benefits and/or brand differentiation. Our product offerings also include ultra-lightweight uncoated printing papers and ultra-lightweight coated and uncoated flexible packaging papers.

Manufacturing

We operate eight paper machines at three mills located in Maine and Michigan. We believe our coated paper mills are among the most efficient and lowest cost coated paper mills based on the cash cost of delivery to Chicago, Illinois. We attribute our manufacturing efficiency, in part, to the significant historical investments made in our mills. Our mills have a combined annual production capacity of 1,305,000 tons of coated paper, 160,000 tons of ultra-lightweight specialty and uncoated papers, and 930,000 tons of kraft pulp. Of the pulp that we produce, we consume approximately 635,000 tons internally and sell the rest. The facilities also benefit from convenient and cost-effective access to northern softwood fiber, which is required for the production of lightweight and ultra-lightweight coated papers.

The following table sets forth the locations of our mills, the products they produce and other key operating information:

Mill/Location	Product/Paper Grades	Paper Machines	Production Capacity (in tons)
Jay (Androscoggin), Maine	Lightweight Coated Groundwood	2	355,000
	Lightweight Coated Freesheet	1	175,000
	Specialty/Uncoated	1	105,000
	Pulp		445,000
Bucksport, Maine	Lightweight and Ultra-Lightweight Coated Groundwood and High Bulk Specialty Coated Groundwood	2	350,000
	Specialty/Uncoated	1	55,000
Quinnesec, Michigan	Coated Freesheet	1	425,000
	Pulp		485,000

The basic raw material of the papermaking process is wood pulp. The first stage of papermaking involves converting wood logs to pulp through either a mechanical or chemical process. Before logs can be processed into pulp, they are passed through a debarking drum to remove the bark. Once separated, the bark is burned as fuel in bark boilers. The wood logs are composed of small cellulose fibers which are bound together by a glue-like substance called lignin. The cellulose fibers are then separated from each other through either a mechanical or a kraft pulping process.

After the pulping phase, the fiber furnish is run onto the forming fabric of the paper machine. On the forming fabric, the fibers become interlaced, forming a mat of paper, and much of the water is extracted. The paper web then goes through a pressing and drying process to extract the remaining water. After drying, the web receives a uniform layer of coating that makes the paper smooth and provides uniform ink absorption. After coating, the paper goes through a calendering process that provides a smooth finish by ironing the sheet between multiple soft nips that consist of alternating hard (steel) and soft (cotton or synthetic) rolls. At the dry end, the paper is wound onto spools to form a machine reel and then rewound and split into smaller rolls on a winder. Finally, the paper is wrapped, labeled, and shipped.

Catalog and magazine publishers with longer print runs tend to purchase paper in roll form for use in web printing, a process of printing from a reel of paper as opposed to individual sheets of paper, in order to minimize costs. In contrast, commercial printers typically buy large quantities of sheeted paper in order to satisfy the short-run printing requirements of their customers. We believe that sheeted paper is a less attractive product as it requires additional processing, bigger inventory stocks, a larger sales and marketing team and a different channel strategy. For this reason, we have pursued a deliberate strategy of configuring our manufacturing facilities to produce all web-based papers which are shipped in roll form and have developed relationships with third-party converters to address any sheeted paper needs of our key customers.

We utilize a manufacturing excellence program, called R-GAP, to take advantage of the financial opportunities that exist between the current or historical performance of our mills and the best performance possible given usual and normal constraints (i.e., configuration, geographical, and capital constraints). Our continuous improvement process is designed to lower our cost position and enhance operating efficiency through reduced consumption of energy and material inputs, reduced spending on indirect costs, and improved productivity. The program utilizes benchmarking data to identify improvement initiatives and establish performance targets. Detailed action plans are used to monitor the execution of these initiatives and calculate the amount saved. We also use multi-variable testing, lean manufacturing, center of excellence teams, source-of-loss initiatives, and best practice sharing to constantly improve our manufacturing processes and products. One of our facilities has been recognized by the Occupational Safety and Health Administration, or OSHA, as a Star site as part of OSHA s Voluntary Protection Program which recognizes outstanding safety programs and performance.

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Raw Materials and Suppliers

Our key cost inputs in the papermaking process are wood fiber, market kraft pulp, chemicals, and energy.

Wood Fiber. We source our wood fiber from a broad group of timberland and sawmill owners located in our regions.

Kraft Pulp. Overall, we have the capacity to produce approximately 930,000 tons of kraft pulp, consisting of 445,000 tons of pulp at our Androscoggin mill and 485,000 tons of pulp at our Quinnesec mill, of which approximately 635,000 tons are consumed internally. We supplement our internal production of kraft pulp with purchases from third parties. In 2013, we purchased approximately 52,000 tons of pulp from a variety of suppliers. We are not dependent on any single supplier to satisfy our pulp needs.

Chemicals. Chemicals utilized in the manufacturing of coated papers include latex, clay, starch, calcium carbonate, caustic soda, sodium chlorate, and titanium dioxide. We purchase these chemicals from a variety of suppliers and are not dependent on any single supplier to satisfy our chemical needs.

Energy. We produce approximately 53% of our energy needs for our paper mills from sources such as waste wood, waste water, hydroelectric facilities, liquid biomass from our pulping process, and internal energy cogeneration facilities. Our external energy purchases vary across each of our mills and include fuel oil, natural gas, coal, and electricity. While our internal energy production capacity mitigates the volatility of our overall energy expenditures, we expect prices for energy to remain volatile for the foreseeable future and our energy costs to increase in a high energy cost environment. As prices fluctuate, we have some ability to switch between certain energy sources in order to minimize costs. We utilize derivatives contracts as part of our risk management strategy to manage our exposure to market fluctuations in energy prices.

Sales, Marketing, and Distribution

We reach our end-users through several sales channels. These include selling directly to end-users, through brokers, merchants, and printers. We sell and market products to approximately 130 customers, which comprise approximately 700 end-user accounts.

Sales to End-Users. In 2013, we sold approximately 37% of our paper products directly to end-users, most of which are catalog and magazine publishers. These customers are typically large, sophisticated buyers who have the scale, resources, and expertise to procure paper directly from manufacturers. Customers for our pulp products are mostly other paper manufacturers.

Sales to Brokers and Merchants. Our largest indirect paper sales by volume are through brokers and merchants who resell the paper to end-users. In 2013, our total sales to brokers and merchants represented approximately 41% of our total sales. Brokers typically act as an intermediary between paper manufacturers and smaller end-users who do not have the scale or resources to cost effectively procure paper directly from manufacturers. The majority of the paper sold to brokers is resold to catalog publishers. We work closely with brokers to achieve share targets in the catalog, magazine, and insert end-user segments through collaborative selling.

Merchants are similar to brokers in that they act as an intermediary between the manufacturer and the end-user. However, merchants generally take physical delivery of the product and keep inventory on hand. Merchants tend to deal with smaller end-users that lack the scale to warrant direct delivery from the manufacturer. Coated freesheet comprises the majority of our sales to merchants. In most cases, because they are relatively small, the ultimate end-users of paper sold through merchants are generally regional or local catalog or magazine publishers.

Sales to Printers. In 2013, our total sales to printers represented approximately 22% of our total sales. The majority of our sales were to the two largest publication printers in the United States. Printers also effectively act as an intermediary between manufacturers and end-users in that they directly source paper for printing/converting and then resell it to their customers as a finished product.

The majority of our products are delivered directly from our manufacturing facilities to the printer, regardless of the sales channel. In order to serve the grade No. 3 coated freesheet segment, we maintain a network of distribution centers located in the West, Midwest, South, and Northeast close to our customer base to provide quick delivery. The majority of our pulp products are delivered to our customers paper mills.

Our sales force is organized around our sales channels. We maintain an active dialogue with all of our major customers and track product performance and demand across grades. We have a team of sales representatives and marketing professionals organized into three major sales groups that correspond with our sales channels: direct sales support; support to brokers and merchants; and printer support.

Many of our customers provide us with forecasts of their paper needs, which allows us to plan our production runs in advance, optimizing production over our integrated mill system and thereby reducing costs and increasing overall efficiency. Generally, our sales agreements do not extend beyond the calendar year. Typically, our sales agreements provide for semiannual price adjustments based on market price movements.

Part of our strategy is to continually reduce the cost to serve our customer base through e-commerce initiatives which allow for simplified ordering, tracking, and invoicing. In 2013, orders totaling $196.0 million, or approximately 17% of our total paper sales, were placed through our online ordering platforms. We are focused on further developing our technology platform and e-commerce capabilities.

Customers

We serve the catalog, magazine, insert, and commercial printing markets and have developed long-standing relationships with the premier North American retailers and catalog and magazine publishers. The length of our relationships with our top ten customers averages more than 20 years. Our largest customers, Quad/Graphics, Inc. and Central National-Gottesman, Inc. accounted for approximately 12% and 10%, respectively, of our net sales in 2013. Our key customers include leading magazine publishers such as Condé Nast Publications, Hearst Enterprises, and National Geographic Society; leading catalog producers such as Avon Products, Inc., Restoration Hardware, Inc. and Cornerstone Brands, Inc.; leading commercial printers such as Quad/Graphics, Inc. and RR Donnelley & Sons Company and leading paper merchants and brokers, such as A.T. Clayton & Co., xpedx, and Clifford Paper, Inc.

Our net sales, excluding pulp sales, by end-user segment for the year ended December 31, 2013, are illustrated below (dollars in millions):

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Research and Development

The primary function of our research and development efforts is to work with customers in developing and modifying products to accommodate their evolving needs and to identify cost-saving opportunities within our operations.

Examples of our research and development efforts implemented over the past several years include:

- lightweight grade No. 4 coated groundwood;
- ultra-lightweight grade No. 5 coated groundwood; and
- innovative and performance driven products for the flexible packaging, label, and specialty printing markets.

Intellectual Property

We have several patents and patent applications in the United States and various foreign countries. These patents and patent applications generally relate to various paper manufacturing methods and equipment which may become commercially viable in the future. We also have trademarks for our names, Verso® and Verso Paper®, as well as for our products such as Influence®, Velocity®, Liberty®, and Advocate®. In addition to the intellectual property that we own, we license a significant portion of the intellectual property used in our business on a perpetual, royalty-free, non-exclusive basis from International Paper.

Competition

Our business is highly competitive. A significant number of North American competitors produce coated papers, and several overseas manufacturers, principally from Europe, export to North America. We compete based on a number of factors, including:

- price;
- product availability;
- product quality;
- breadth of product offerings;
- timeliness of product delivery; and

customer service.

Foreign competition in North America is also affected by the exchange rate of the U.S. dollar relative to other currencies, especially the euro, market prices in North America and other markets, worldwide supply and demand, and the cost of ocean-going freight.

While our product offering is broad in terms of grades produced (from ultra-lightweight coated groundwood offerings to heavier-weight coated freesheet products), we are focused on producing coated groundwood and coated freesheet in roll form. This strategy is driven by our alignment with catalog and magazine end-users which tend to purchase paper in roll form for use in long runs of web printing in order to minimize costs. Our principal competitors include NewPage Corporation, Resolute Forest Products, UPM-Kymmene Corporation, and Sappi Limited, all of which have North American operations. UPM and Sappi are headquartered overseas and also have overseas manufacturing facilities.

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Properties

Our corporate headquarters is located in Memphis, Tennessee. We own three mills located in Maine and Michigan at which we operate eight paper machines. We own four hydroelectric dams, which provide hydroelectric power to our Androscoggin mill. We also own 14 woodyards for the purpose of storage and loading of forest products, and we lease two woodyards and a number of sales offices.

Our headquarters and material facilities are shown in the following table:

Location	Use	Owned/Leased
Memphis, Tennessee	corporate headquarters	leased
Jay (Androscoggin), Maine	paper mill/kraft pulp mill	owned
Bucksport, Maine	paper mill	owned
Quinnesec, Michigan	paper mill/kraft pulp mill	owned
West Chester, Ohio	sales, distribution, and customer service	leased

Employees

As of June 30, 2014, we had approximately 2,100 employees, of whom approximately 23% are unionized and approximately 72% are hourly employees. Employees at one of our three mills are represented by labor unions. As of March 31, 2014, three collective bargaining agreements with the labor unions at the Bucksport mill

were in effect. Two of these agreements will expire on April 30, 2015, and the third agreement will expire on October 31, 2015. We have not experienced any work stoppages during the past several years. We believe that we have good relations with our employees.

Environmental and Other Governmental Regulations

We are subject to a wide range of federal, state, regional, and local general and industry specific environmental, health and safety laws and regulations, including the federal Water Pollution Control Act of 1972, or Clean Water Act, the federal Clean Air Act, the federal Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, the federal Occupational Safety and Health Act, and analogous state and local laws. Our operations also are subject to two regional regimes designed to address climate change, the Regional Greenhouse Gas Initiative in the northeastern United States and the Midwestern Greenhouse Gas Reduction Accord, and in the future we may be subject to additional federal, state, regional, local, or supranational legislation related to climate change and greenhouse gas controls. Among our activities subject to environmental regulation are the emissions of air pollutants, discharges of wastewater and stormwater, operation of dams, storage, treatment, and disposal of materials and waste, and remediation of soil, surface water and ground water contamination. Many environmental laws and regulations provide for substantial fines or penalties and criminal sanctions for any failure to comply. In addition, failure to comply with these laws and regulations could result in the interruption of our operations and, in some cases, facility shutdowns.

Certain of these environmental laws, such as CERCLA and analogous state laws, provide for strict liability, and under certain circumstances joint and several liability, for investigation and remediation of the release of hazardous substances into the environment, including soil and groundwater. These laws may apply to properties presently or formerly owned or operated by or presently or formerly under the charge, management or control of an entity or its predecessors, as well as to conditions at properties at which wastes attributable to an entity or its predecessors were disposed. Under these environmental laws, a current or previous owner or operator of real property or a party formerly or previously in charge, management or control of real property, and parties that generate or transport hazardous substances that are disposed of at real property, may be held liable for the cost to investigate or clean up that real property and for related damages to natural resources. We handle and dispose of wastes arising from our mill operations, including disposal at on-site landfills. We are required to maintain financial assurance (in the form of letters of credit and other similar instruments) for the expected cost of landfill closure and post-closure care. We may be subject to liability, including liability for investigation and cleanup costs, if contamination is discovered at one of our current or former paper mills or another location where we have disposed of, or arranged for the disposal of, wastes. We could be subject to potentially significant fines, penalties, criminal sanctions, plant shutdowns, or interruptions in operations for any failure to comply with applicable environmental, health and safety laws, regulations, and permits.

Compliance with environmental laws and regulations is a significant factor in our business. We have made, and will continue to make, significant expenditures to comply with these requirements and our permits. We incurred environmental capital expenditures of $0.9 million in 2013, $0.7 million in 2012, and $0.1 million in 2011, and we expect to incur additional environmental capital expenditures of approximately $7 million in 2014. We anticipate that environmental compliance will continue to require increased capital expenditures and operating expenses over time as environmental laws or regulations, or interpretations thereof, change or the nature of our operations require us to make significant additional capital expenditures.

Permits are required for the operation of our mills and related facilities. The permits are subject to renewal, modification, and revocation. We and others have the right to challenge our permit conditions through administrative and legal appeals and review processes. Governmental authorities have the power to enforce compliance with the permits, and violators are subject to civil and criminal penalties, including fines, injunctions or both. Other parties also may have the right to pursue legal actions to enforce compliance with the permits.

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VERSO STOCKHOLDERS

Security Ownership of Management and Certain Beneficial Owners

The following table provides information about the beneficial ownership of our common stock as of June 30, 2014, by each of our directors and named executive officers, all of our directors and executive officers as a group, and each person known to our management to be the beneficial owner of more than 5% of the outstanding shares of our common stock. As of June 30, 2014, there were 53,327,441 outstanding shares of our common stock.

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Shares Outstanding[1]
Directors and Named Executive Officers:		
David J. Paterson[2,3,4]	509,211	*
Lyle J. Fellows[2,3,4]	423,445	*
Robert P. Mundy[2,3,4]	434,475	*
Michael A. Weinhold[2,3,4]	435,547	*
Peter H. Kesser[2,3,4,5]	380,393	*
Michael E. Ducey[2,3]	81,873	*
Thomas Gutierrez[2,3,4]	53,883	*
Scott M. Kleinman[2,3,6,7]	61,873	*
David W. Oskin[2,3]	61,873	*
Eric L. Press[2,3,4,7]	53,883	*
L.H. Puckett, Jr.[2,3]	219,871	*
Reed B. Rayman[2,3,7]	6,514	*
David B. Sambur[2,3,6,7]	61,870	*
All Directors and Executive Officers as a group (15 persons)[3,4,5,6,7]	3,170,414	5.8%
Other Stockholders:		
Verso Paper Management LP[8]	36,147,188	67.8%

* Less than 1% of the outstanding shares of our common stock.

(1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. The number and percentage of shares of common stock beneficially owned by each person listed in the table is determined based on the shares of common stock that such person beneficially owned as of June 30, 2014, and that such person has the right to acquire within 60 days thereafter. The number of outstanding shares used as the denominator in calculating the percentage ownership of each person is the sum of 53,327,441 shares of common stock (which is the number of shares of common stock outstanding as of June 30, 2014) and the shares of common stock that such person has the right to acquire as of June 30, 2014, and within 60 days thereafter. Each person has sole voting power and sole investment power over the shares of common stock that the person beneficially owns, unless otherwise indicated.

(2) The address of Messrs. Paterson, Fellows, Mundy, Weinhold, Kesser, Ducey, Gutierrez, Oskin and Puckett is c/o Verso Paper Corp., 6775 Lenox Court, Suite 400, Memphis, Tennessee 38115-4436. The address of Messrs. Kleinman, Press, Rayman and Sambur is c/o Apollo Global Management, LLC, 9 West 57th Street, 43rd Floor, New York, New York 10019.

(3) The number of shares beneficially owned includes restricted shares of common stock granted to the following persons that are not vested as of June 30, 2014: Mr. Paterson 42,547 shares; Mr. Fellows 28,559 shares; Mr. Mundy 25,846 shares; Mr. Weinhold 25,830 shares; Mr. Kesser 24,284 shares; Mr. Ducey 22,406 shares; Mr. Gutierrez 22,406 shares; Mr. Kleinman 22,406 shares; Mr. Oskin 22,406 shares; Mr. Press 22,406 shares; Mr. Puckett 22,406 shares; Mr. Rayman 6,514 shares; Mr. Sambur 22,406 shares; and all directors and executive officers as a group 339,261 shares.

(4) The number of shares beneficially owned includes shares of common stock that the following persons have the right to acquire as of June 30, 2014, and within 60 days thereafter by exercising stock options: Mr. Paterson 454,998 shares; Mr. Fellows 238,165 shares; Mr. Mundy 211,771 shares; Mr. Weinhold 212,776 shares; Mr. Kesser 178,333 shares; Mr. Gutierrez 15,200 shares; Mr. Press 15,200 shares; and all directors and executive officers as a group 1,550,318 shares.

(5) The number of shares beneficially owned by Mr. Kesser includes 7,400 shares of common stock owned by his wife.

(6) The number of shares beneficially owned includes shares of common stock owned by Verso Paper Management LP, which the following persons, as limited partners of Verso Paper Management LP, have the right to acquire as of June 30, 2014, by exchanging units representing limited partner interests in Verso Paper Management LP: Mr. Kleinman 23,190 shares; Mr. Sambur 23,187 shares; and all directors and executive officers as a group 46,377 shares.

(7) Messrs. Kleinman, Press, Rayman and Sambur are associated with Apollo Management VI, L.P., and its affiliated investment managers. The number and percentage of shares shown do not include any shares beneficially owned by Apollo Management VI, L.P., or any of its affiliates, including shares held of record by Verso Paper Management LP. Messrs. Kleinman, Press, Rayman and Sambur expressly disclaim beneficial ownership of the shares owned by Verso Paper Management LP, except to the extent of any pecuniary interest therein.

(8) All of the shares of common stock shown as beneficially owned by Verso Paper Management LP are held of record by Verso Paper Management LP. Verso Paper Investments LP is the general partner of Verso Paper Management LP. Verso Paper Investments Management LLC is the general partner of Verso Paper Investments LP. CMP Apollo LLC is the sole and managing member of Verso Paper Investments Management LLC. Apollo Management VI, L.P., or Management VI, is the sole and managing member of CMP Apollo LLC. AIF VI Management, LLC, or AIF VI LLC, is the general partner of Management VI. Apollo Management, L.P., or Apollo, is the sole member and manager of AIF VI LLC. Apollo Management GP, LLC, or Apollo Management GP, is the general partner of Apollo. Apollo Management Holdings, L.P., or AMH, is the sole member and manager of Apollo Management GP. Apollo Management Holdings GP, LLC, or AMH GP, is the general partner of AMH. Leon Black, Joshua Harris and Marc Rowan are the managers and executive officers of AMH GP, and as such may be deemed to have voting and dispositive control of the shares of common stock held by Verso Paper Management LP. Verso Paper Investments LP, Verso Paper Investments Management LLC, CMP Apollo LLC, Management VI, AIF VI LLC, Apollo, Apollo Management GP, AMH, AMH GP and Messrs. Black, Harris and Rowan each disclaims beneficial ownership of the shares held by Verso Paper Management LP, except to the extent of any pecuniary interest therein. The address of Verso Paper Management LP, Verso Paper Investments LP, Verso Paper Investments Management LLC, CMP Apollo LLC, Management VI, AIF VI LLC, Apollo, Apollo Management GP, AMH, AMH GP, and Messrs. Black, Harris and Rowan is c/o Apollo Management VI, L.P., 9 West 57th Street, 43rd Floor, New York, New York 10019.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors and executive officers and the beneficial owners of more than 10% of our registered equity securities file with the SEC initial reports of, and subsequent reports of changes in, their beneficial ownership of our equity securities. Based solely on our review of such Section 16(a) reports and written representations that our directors and executive officers have furnished to us, we believe that all reporting persons complied with all applicable Section 16(a) filing requirements during 2013.

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DIRECTORS AND EXECUTIVE OFFICERS

The following table and biographical descriptions provide information regarding our directors and executive officers.

Name	Age	Position(s)
David J. Paterson	59	President, Chief Executive Officer and Director
Lyle J. Fellows	58	Senior Vice President of Manufacturing and Energy
Robert P. Mundy	52	Senior Vice President and Chief Financial Officer
Michael A. Weinhold	49	Senior Vice President of Sales, Marketing and Product Development
Peter H. Kesser	56	Senior Vice President, General Counsel and Secretary
Kenneth D. Sawyer	58	Vice President of Human Resources
Benjamin Hinchman, IV	66	Vice President and Chief Information Officer
Michael E. Ducey	65	Director
Thomas Gutierrez	65	Director
Scott M. Kleinman	41	Director and Chairman of the Board
David W. Oskin	71	Director
Eric L. Press	48	Director
L.H. Puckett, Jr.	65	Director
Reed B. Rayman	28	Director
David B. Sambur	34	Director

Executive Officers

David J. Paterson

Mr. Paterson has been our President and Chief Executive Officer and a director of Verso since 2012. Information about Mr. Paterson appears below under the heading Directors.

Lyle J. Fellows

Mr. Fellows has been our Senior Vice President of Manufacturing and Energy since 2009 and was our Senior Vice President of Manufacturing from 2006 to 2009. Mr. Fellows previously worked at International Paper Company from 1981 to 2006, where he was Vice President of Manufacturing of the Coated and Supercalendered Papers Division from 2003 to 2006, manager of the pulp and paper mill in Courtland, Alabama, from 2001 to 2003, manager of the pulp and paper mill in Saillat, France, from 2000 to 2001, Manufacturing Director of the Arizona Chemical business in Europe from 1998 to 1999, and Technical Director of the White Papers business in Europe from 1994 to 1997. He also served in various manufacturing positions at the pulp and paper mill in Pine Bluff, Arkansas, from 1981 to 1994.

Robert P. Mundy

Mr. Mundy has been our Senior Vice President and Chief Financial Officer since 2006. Mr. Mundy previously worked at International Paper Company from 1983 to 2006, where he was Director of Finance of the Coated and Supercalendered Papers Division from 2002 to 2006, Director of Finance Projects from 2001 to 2002, Controller of Masonite Corporation from 1999 to 2001, and Controller of the Petroleum and Minerals business from 1996 to 1999. He also served in various business positions from 1983 to 1996, including company-wide SAP implementation, corporate internal audit, and manufacturing and operational finance at three pulp and paper mills.

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Michael A. Weinhold

Mr. Weinhold has been our Senior Vice President of Sales, Marketing and Product Development since 2011 and was our Senior Vice President of Sales and Marketing from 2006 to 2011. He is responsible for our sales, marketing, supply chain, customer technical service, e-commerce, product development, product management and Nextier Solutions® functions. Mr. Weinhold previously worked at International Paper Company from 2000 to 2006, where he held various sales, marketing and management positions in the Coated and Supercalendered Papers Division, including Business Manager from 2004 to 2006, Business Manager of Sales and Marketing from 2003 to 2004, and Director of Marketing and Product Development from 2001 to 2003. He also held similar positions at Champion International Corporation from 1994 until it was acquired by International Paper Company in 2000.

Peter H. Kesser

Mr. Kesser has been our Senior Vice President, General Counsel and Secretary since 2012 and was our Vice President, General Counsel and Secretary from 2006 to 2012. During his legal career, Mr. Kesser has worked both as an attorney in major law firms and as the general counsel of publicly held companies. He has concentrated his practice in the areas of corporate, securities, mergers and acquisitions, and commercial law, plus he has had significant oversight responsibility for a wide variety of other legal matters such as antitrust, compliance, employee benefits, employment, energy, environmental, intellectual property, litigation and real estate. Prior to joining Verso, Mr. Kesser was an attorney and shareholder with Baker Donelson Bearman Caldwell & Berkowitz PC from 1999 to 2006. He was Vice President, Assistant General Counsel and Assistant Secretary of Promus Hotel Corporation, a premier lodging company, from 1998 to 1999. Mr. Kesser was Vice President, General Counsel and Secretary of Arcadian Corporation, a leading global nitrogen chemical producer, from 1993 to 1997. He began his legal career as an attorney with Bracewell & Patterson LLP (now named Bracewell & Giuliani LLP) from 1983 to 1992. Mr. Kesser is the former Chair of the Business Law section of the Tennessee Bar Association.

Kenneth D. Sawyer

Mr. Sawyer has been our Vice President of Human Resources since 2011. He previously worked at AbitibiBowater, Inc. (now named Resolute Forest Products Inc.), a producer of pulp, paper and wood products, from 2007 to 2010, where he was Director of Human Resources for all United States operations from 2009 to 2010, and Director of Human Resources for the Commercial Printing Papers Division in the United States, Canada and South Korea from 2007 to 2009. Mr. Sawyer worked at Bowater Incorporated, a manufacturer of pulp, paper and wood products, from 1999 to 2007, where he was Director of Process Improvement and Organization Effectiveness from 2006 to 2007, and Director of Human Resources of the Coated Papers Division from 1999 to 2006. Mr. Sawyer was Vice President of Human Resources of Dorsey Trailers, Inc., a transportation equipment manufacturer, from 1993 to 1999.

Benjamin Hinchman, IV

Mr. Hinchman has been our Vice President and Chief Information Officer since 2006. During his extensive career in the information technology field, he has implemented and managed information systems supporting manufacturing, quality control, research and development, sales, order fulfillment, distribution, warehousing, finance and e-commerce. Mr. Hinchman previously worked at International Paper Company from 1999 to 2006, where he was Director of Information Technology of the Coated and Supercalendered Papers Division in 2006, Director of Information Technology of the xpedx business from 2002 to 2006, and Director of Strategic Technologies from 1999 to 2001. Mr. Hinchman worked for Union Camp Corporation from 1995 to 1999, where he was Director of Information Services for the Fine Papers Division until its acquisition by International Paper Company. Mr. Hinchman previously worked in various other businesses, holding positions of increasing responsibility in information technology.

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Directors

We believe that the members of our board of directors should have a range of skills, expertise, experience and diversity that enables them to provide sound guidance with respect to our business and operations. As discussed below, each of our directors has an established record of professional accomplishment and particular knowledge, qualifications, skills and experience that the board of directors considers important attributes for service on the board of directors.

The composition of our board of directors is balanced among four independent directors; four directors associated with Apollo Management VI, L.P., which manages funds that control Verso Paper Management LP, our largest stockholder; and one management director who serves as our President and Chief Executive Officer. That balance, to which each of our directors contributes, is important to us for the following reasons:

- As independent directors, each of Messrs. Ducey, Gutierrez, Oskin and Puckett contributes an outside point of view that we value for providing multiple perspectives to the board of directors oversight and direction and for facilitating objectivity in the board s decision-making process.

- Because of their association with Apollo Management VI, L.P., each of Messrs. Kleinman, Press, Rayman and Sambur is particularly attuned to strategic, financial and other considerations that may affect our stockholders investments in us.

- Mr. Paterson, as our President and Chief Executive Officer, brings his knowledge of Verso and our industry, operations and business plans to the board of directors.

In addition, as indicated below, each of our directors has specific knowledge, experience and expertise relevant to serving as a director of Verso, and most of our directors have experience serving on boards of directors of other companies. Each director also has the following key attributes that we believe are important to an effective board of directors: integrity and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; and diversity of background, experience and thought.

Michael E. Ducey

Mr. Ducey has been a director of Verso since 2007 and a member and the chairman of the Audit Committee since 2008. He was President and Chief Executive Officer of Compass Minerals International, Inc., or Compass, a producer of salt and specialty fertilizers, from 2002 to 2006, and he remains a consultant to Compass. Mr. Ducey worked at Borden Chemical, Inc., a diversified chemical company, or Borden, from 1972 to 2002, where he held various management, sales, marketing, planning and commercial development positions, including President and Chief Executive Officer from 1999 to 2002 and Executive Vice President and Chief Operating Officer from 1997 to 1999.

Mr. Ducey has been a director of Apollo Global Management, LLC, a leading global alternative investment manager, since 2011 and a director of HaloSource, Inc., a global producer of water purification and disinfecting technologies, since 2010. He previously was a director of TPC Group Inc., a producer of hydrocarbon derivatives, from 2009 to 2012; a director of Smurfit-Stone Container, Inc., a producer of corrugated containers, from 2010 to 2011; a director of UAP Holding Corp., the parent of United Agri Products, Inc., from 2006 to 2008; and a director of Compass from

2002 to 2006.

Mr. Ducey s broad experience in manufacturing, strategic planning and management, gained from his lengthy career with Compass and Borden, is valuable to our board of directors. Mr. Ducey s background in manufacturing provides experience with complex challenges and opportunities that are comparable to those that we sometimes face as a manufacturer, and his experiences as President and Chief Executive Officer of both Compass and Borden provide valuable insight on which he can draw while overseeing our management. In addition, Mr. Ducey s service as a director of other companies augments his knowledge of effective corporate governance.

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Thomas Gutierrez

Mr. Gutierrez has been a director of Verso since 2008 and a member of the Audit Committee since 2009. He has been President and Chief Executive Officer of GT Advanced Technologies Inc., a provider of specialized equipment, technology and services for the solar power industry, since 2009. Mr. Gutierrez was Chief Executive Officer of PhytoChem Pharmaceuticals, Inc., a development-stage pharmaceutical company, in 2009. He was Chief Executive Officer of Xerium Technologies Inc., a manufacturer of synthetic textiles and specialty roll covers used in the production of paper, from 2001 to 2008. Mr. Gutierrez was Chief Executive Officer of various business units of Invensys plc, a provider of technology used to monitor, control and automate processes, from 1995 to 2001. He was Chief Operating Officer of Pulse Engineering, Inc., a manufacturer of electronic components for telecommunications and power applications, from 1992 to 1994. Earlier in his career, Mr. Gutierrez held various management, technical and engineering positions with Pitney Bowes Inc., Franklin Computer Corporation, Motorola, Inc., and Digital Equipment Corporation.

Mr. Gutierrez has been a director of GT Advanced Technologies Inc. since 2009 and a director of PhytoChem Pharmaceuticals, Inc., since 2009. He previously was a director of Veeco Instruments Inc., a producer of process equipment for LED, solar and data storage manufacturers, from 2010 to 2011; a director of Comverge, Inc., a provider of clean energy alternatives, from 2009 to 2010; and a director of Xerium Technologies Inc. from 2001 to 2008.

Mr. Gutierrez s extensive experience in various industries, including manufacturing, provides him with a breadth and depth of knowledge that informs his oversight of our organization as a director. His background of providing leadership, as the most senior executive and as a director, of various companies provides him with experience in guiding organizations through complex challenges and opportunities. In addition, from his many years of experience as the chief executive officer of large companies, Mr. Gutierrez has developed expertise in managing enterprises which enhances his oversight of our management and the guidance that he provides as our director. Finally, his service as a director of other companies enhances his knowledge of effective corporate governance.

Scott M. Kleinman

Mr. Kleinman has been a director and Chairman of the Board of Verso since 2006. He also has been a member and the chairman of the Compensation Committee and the Corporate Governance and Nominating Committee since 2008, and was a member and the chairman of the Audit Committee in 2008. Mr. Kleinman is the Lead Partner for Private Equity at Apollo Global Management, LLC, a leading global alternative investment manager, where he has worked since 1996. He previously was employed by Smith Barney Inc. in its Investment Banking division from 1994 to 1996.

Mr. Kleinman has been a director of Momentive Specialty Chemicals Inc., a producer of thermoset resins and other specialty chemicals, since 2014; a director of Taminco Corporation, a producer of alkylamines and derivatives, since 2011; and a director of Momentive Performance Materials Inc., a producer of silicone, quartz and ceramics materials, since 2010. He previously was a director of LyondellBasell Industries, N.V., a plastics, chemical and refining company, from 2010 to 2013; a director of Realogy Corporation, a provider of residential real estate and relocation services, from 2007 to 2013; and a director of Noranda Aluminum Holding Corporation, a manufacturer of aluminum products, from 2007 to 2011.

With significant experience in financing, analyzing, investing in and managing investments in public and private companies, Mr. Kleinman has gained substantial expertise in strategic and financial matters that inform his contributions to our board of directors and enhance his oversight and direction of us. In addition, Mr. Kleinman led the Apollo team that managed the acquisition of Verso s business from International Paper Company in 2006, which provided him with unique knowledge of our industry, business and organization. Finally, Mr. Kleinman s service as a director of other companies in a variety of industries gives him a range of experience as a director on which he can draw in serving as our director and increases his knowledge of effective corporate governance.

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David W. Oskin

Mr. Oskin has been a director of Verso since 2007. He also has been a member of the Audit Committee since 2008 and the Corporate Governance and Nominating Committee since 2008. Mr. Oskin has been President of Four Winds Ventures, LLC, a private investment company, since 2005. He previously worked for 29 years in the paper and forest products industries in various senior management, distribution, sales and marketing, quality management, human resources and other positions. Mr. Oskin spent most of his career with International Paper Company, where he worked initially from 1975 to 1991 and then again as an Executive Vice President from 1996 to 2003. Mr. Oskin was Managing Director and Chief Executive Officer of Carter Holt Harvey Limited, a forest products company based in New Zealand, from 1992 to 1995.

Mr. Oskin has been a director of Rayonier Inc., a forest products company, since 2009; a director of Samling Global Limited, a timber and forest products concern, since 2005; and a director of Big Earth Publishing LLC, a book and magazine publisher, since 2004. He previously was a director of Pacific Millennium Corporation, a packaging company, from 2003 to 2012 and a director of Goodman Global Inc., a heating, ventilation and air conditioning products manufacturer, from 2006 to 2008. Mr. Oskin was Chair of the Board of Trustees of Widener University from 2001 to 2009 and currently is the Chair Emeritus.

Mr. Oskin s significant management experience with International Paper Company and Carter Holt Harvey Limited, in a wide range of areas such as distribution, sales and marketing, quality management, and human resources, and his service on the boards of directors of various companies in the paper and forest products industry, provide him with a substantial knowledge base on which he can draw in providing oversight and input as our director. In addition, Mr. Oskin s current service with Big Earth Publishing LLC gives him experience in magazine and book publishing that is relevant to our sales and marketing efforts. Finally, Mr. Oskin s service as a director of other companies augments his knowledge of effective corporate governance.

David J. Paterson

Mr. Paterson has been our President and Chief Executive Officer and a director of Verso since 2012. He previously was President and Chief Executive Officer of AbitibiBowater Inc. (now named Resolute Forest Products Inc.), a producer of pulp, paper and wood products, from 2007 to 2011. AbitibiBowater Inc. filed a voluntary Chapter 11 bankruptcy proceeding in 2009 from which it emerged in 2010. Mr. Paterson was Chairman, President and Chief Executive Officer of Bowater Incorporated during 2007 and President and Chief Executive Officer of Bowater Incorporated from 2006 to 2007. He worked in various executive and sales and marketing positions for Georgia-Pacific Corporation, a manufacturer of tissue, packaging, paper, building products and related chemicals, from 1987 to 2006, serving most recently as Executive Vice President of the Building Products division from 2003 to 2006, Executive Vice President of the Pulp and Paperboard division from 2001 to 2003, President of the Paper and Bleached Board division in 2001, and Senior Vice President of the Communication Papers division from 2000 to 2001.

Mr. Paterson has been a director of KiOr, Inc., a next-generation renewable fuels company, since 2012. He previously was a director of AbitibiBowater Inc. from 2007 to 2011 and a director of Bowater Incorporated from 2006 to 2007.

From his many years in the paper and forest products industry, Mr. Paterson has obtained a wealth of knowledge about industry matters of importance to us and experience in meeting many challenges presented by, and identifying and exploiting opportunities available in, our industry. His industry-specific knowledge and experience not only make him well suited to serve as our President and Chief Executive Officer, but also enhance discussions and decisions of our board of directors. In addition, as our President and Chief Executive Officer, Mr. Paterson is uniquely positioned as a director to contribute his in-depth knowledge of our organization and other matters relating to our business to board discussions and decision-making.

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Eric L. Press

Mr. Press has been a director of Verso since 2009. He is a senior partner at Apollo Global Management, LLC, a leading global alternative investment manager, where he has worked since 1998 analyzing and overseeing Apollo s investments in basic industries, financial services, lodging, leisure and entertainment companies. Mr. Press previously was an attorney with Wachtell, Lipton, Rosen & Katz from 1992 to 1998, concentrating his practice in mergers, acquisitions, restructurings and related financing transactions. Mr. Press was a consultant with The Boston Consulting Group from 1987 to 1989.

Mr. Press has been a director of Princimar Chemical Holdings, LLC and affiliated entities, a maritime shipping company, since 2013; a director of Apollo Commercial Real Estate Finance, Inc., a real estate investment trust, since 2009; a director of Caesars Entertainment Corporation, a gaming company, since 2008; a director of Noranda Aluminum Holding Corporation, a manufacturer of aluminum products, since 2007; a director of Prestige Cruise Holdings, Inc., a cruise company, since 2007; and a director of Affinion Group Holdings, Inc., and its subsidiary, Affinion Group Inc., a provider of marketing products and services, since 2005. He previously was a director of Athene Asset Management, LLC, a fixed annuity reinsurance company, from 2009 to 2014; a director of Metals USA Holding Corp., a metal service center and processor of metal components, from 2005 to 2013; a director of Innkeepers USA Trust, an owner of upscale extended-stay hotel properties, from 2007 to 2010; a director of Quality Distribution, Inc., a bulk tank truck network operator, from 2004 to 2008; a director of AEP Industries, a manufacturer of plastic packaging films, from 2004 to 2008; and a director of Wyndham International, Inc., a lodging company, in 2005.

Mr. Press s extensive background in analyzing, financing and managing investments, and his prior background as an attorney specializing in mergers, acquisitions, restructurings and related financing transactions, provides him with considerable experience in identifying and analyzing operational, financial and management matters that affect investments. These skills are highly pertinent to his oversight of our business, financial performance and management. In addition, Mr. Press s service as a director of other companies in a variety of industries provides him with a range of experience and enhances his knowledge of effective corporate governance.

L.H. Puckett, Jr.

Mr. Puckett has been a director of Verso since 2006 and was our President and Chief Executive Officer in 2006. He was Executive Vice President of Sales and Marketing at National Envelope Corporation in 2010 until the sale of substantially all of its assets as part of its voluntary Chapter 11 bankruptcy. Mr. Puckett previously worked at International Paper Company from 1999 to 2006, where he was Senior Vice President of the Coated and Supercalendered Papers Division from 2000 to 2006 and Vice President of the Commercial Printing and Imaging Papers businesses from 1999 to 2000. Mr. Puckett worked at Union Camp Corporation from 1974 to 1999 when it was acquired by International Paper Company, serving most recently as Senior Vice President of the Fine Papers business from 1998 to 1999.

Mr. Puckett brings to our board of directors considerable experience in the pulp and paper industry, including a combined seven years serving as the principal executive officer of Verso and our business when it was a division of International Paper Company. Mr. Puckett s management experience provides him with an in-depth understanding of our industry, business and organization which is useful in providing guidance to our management. Mr. Puckett s significant industry experience and in-depth knowledge of our business enhances his oversight of us and provides him with insight into matters of importance to our organization.

Reed B. Rayman

Mr. Rayman has been a director of Verso since March 2014. He is an associate at Apollo Global Management, LLC, a leading global alternative investment manager, where he has worked since 2010. Mr. Rayman previously was employed by Goldman, Sachs & Co. in both its Industrials Investment Banking and Principal Strategies groups from 2008 to 2010.

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Mr. Rayman s background in analyzing, financing and investing in companies provides him with expertise in identifying and analyzing operational, financial and management matters that affect investments. This knowledge enables Mr. Rayman to more successfully oversee our business, financial performance and management.

David B. Sambur

Mr. Sambur has been a director of Verso since 2008 and a member of the Compensation Committee since 2008. He also was a member of the Audit Committee from 2008 to 2009. Mr. Sambur is a partner at Apollo Global Management, LLC, a leading global alternative investment manager, where he has worked since 2004. Mr. Sambur previously was employed by Salomon Smith Barney Inc. in its Leveraged Finance group from 2002 to 2004.

Mr. Sambur has been a director of AP Gaming Holdco, Inc., a designer and manufacturer of gaming machines, since 2013; a director of Caesars Entertainment Corporation and Caesars Acquisition Company, affiliated gaming companies, since 2010 and 2013, respectively; a director of Momentive Performance Materials Inc., a producer of silicone, quartz and specialty ceramics materials, since 2010; and a director of Momentive Specialty Chemicals Inc., a producer of thermoset resins and other specialty chemicals, since 2010.

With experience in analyzing, financing and investing in public and private companies, Mr. Sambur has gained substantial expertise in strategic and financial matters which inform his contributions to our board of directors and contribute to his ability to conduct oversight of our business, financial performance and management. In addition, Mr. Sambur was a member of the Apollo team that managed the acquisition of Verso s business from International Paper Company in 2006, which provided him with unique insight into our industry, business and organization. Finally, Mr. Sambur s service on the boards of directors of other companies increases his knowledge of effective corporate governance.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Board of Directors Structure

Our board of directors consists of nine directors who are divided into three classes Class I, Class II and Class III with three directors each. The directors in each class serve for staggered three-year terms. Messrs. Gutierrez, Press and Puckett are Class I directors whose terms will expire at our 2015 Annual Meeting of Stockholders. Messrs. Oskin, Paterson and Rayman are Class II directors whose terms will expire at our 2016 Annual Meeting of Stockholders. Messrs. Ducey, Kleinman and Sambur are Class III directors whose terms will expire at our 2017 Annual Meeting of Stockholders.

Leadership Structure

The role of our Chairman of the Board is to lead and oversee the board of directors, including ensuring that the board of directors functions effectively and fulfills its responsibilities to Verso and our stockholders. The Chairman of the Board presides at meetings of the board of directors. The role of our Chief Executive Officer is to lead and manage Verso and serve as our primary liaison with the board of directors.

We do not have any policy that requires the roles of Chairman of the Board and Chief Executive Officer to be filled by separate individuals, nor do we have any policy that requires the Chairman of the Board to be selected from a particular group of directors such as non-employee directors or independent directors. The board of directors has the prerogative to adopt such a policy, but has not found it necessary to do so. Instead, the board of directors has the flexibility to determine who should serve as the Chairman of the Board, and whether the Chairman of the Board and the Chief Executive Officer should be separate individuals, in each case based on Verso s needs. The board of directors makes its determination based on the criteria and considerations that it deems appropriate to provide suitable leadership for the board of directors and Verso. The positions of Chairman of the Board and Chief Executive Officer currently are held by different individuals. Our Chairman of the Board is Scott M. Kleinman, a non-employee director who is the Lead Partner for Private Equity at Apollo Global Management, LLC, and our Chief Executive Officer is David J. Paterson, who also serves as a director and our President.

We believe that our current leadership structure, in which the roles of Chairman of the Board and Chief Executive Officer are separated, is appropriate for Verso at this time. This structure enhances the board of directors oversight of management, because a non-employee Chairman of the Board is more likely to question management actions. The separation of roles also permits the Chairman of the Board to participate in non-management executive sessions of the board of directors, from which he would be excluded if he also were our Chief Executive Officer. Finally, this structure allows the Chief Executive Officer to focus his efforts on the job of leading and managing Verso on a daily basis.

Director Independence

The listing standards of the New York Stock Exchange, or NYSE, require that a listed company have a majority of independent directors. However, we are a controlled company as defined in the NYSE s listing standards *i.e.*, a company of which more than 50% of the voting power is held by an individual, group or another company and thus are not required by the NYSE to comply with the majority director independence requirement or to have a compensation committee and a nominating committee composed entirely of independent directors. Nonetheless, our board of directors has determined that four of our nine directors Messrs. Ducey, Gutierrez, Oskin and Puckett are independent under the NYSE s listing standards. In making this determination, our board of directors has affirmatively determined that each of these directors meets the objective criteria for independence set forth by the NYSE, as well as the additional independence requirements imposed by the SEC for audit committee members which are incorporated into the NYSE s listing standards, and that none of them has any relationship, direct or indirect, to us other than as stockholders or through their service as directors of us or, with respect to Mr. Ducey, an affiliate of Verso Paper Management LP, our largest stockholder.

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Committees of the Board of Directors

Committee Overview

Our board of directors has three standing committees: an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee, each of which operates under a charter adopted by our board of directors. The charters of these committees are available for review in the Governance section of the Our Company page on our website at *www.versopaper.com*. The information on our website is not a part of this Proxy Statement.

The following table summarizes the committee structure of our board of directors.

Director	Independent	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Michael E. Ducey		*		
Thomas Gutierrez				
Scott M. Kleinman			*	*
David W. Oskin				
David J. Paterson				
Eric L. Press				
L.H. Puckett, Jr.				
Reed B. Rayman				
David B. Sambur				

* Chair of the committee.

Audit Committee

The purposes of the Audit Committee are to assist our board of directors in fulfilling its responsibilities regarding

- the integrity of our financial statements and other financial information provided to our stockholders and other relevant parties;
- the performance of our internal accounting and financial controls;
- our system of internal control;
- the qualifications, independence and performance of our independent registered public accounting firm;

- the function of our internal audit department; and
- our process for monitoring compliance with applicable legal and regulatory requirements, including accounting, financial reporting and public disclosure requirements.

Each director serving on the Audit Committee Messrs. Ducey, Gutierrez and Oskin is independent under the NYSE s and SEC s rules, satisfies the NYSE s requirements of being financially literate and possessing accounting or related financial management expertise, and qualifies as an audit committee financial expert under the SEC s rules.

Compensation Committee

The purposes of the Compensation Committee are to assist our board of directors in fulfilling its responsibilities regarding

- review and approval of our compensation philosophy and objectives for our executive officers;
- review and approval of the performance goals and objectives relevant to the compensation of our executive officers;

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- review and approval of the compensation of our executive officers; and
- acting as administrator as may be required by our incentive compensation and equity-related plans in which our executive officers may be participants.

Corporate Governance and Nominating Committee

The purposes of the Corporate Governance and Nominating Committee are to assist our board of directors in fulfilling its responsibilities regarding

- identification of qualified candidates to become our directors, consistent with criteria approved by our board of directors;
- selection of nominees for election as directors at meetings of our stockholders at which directors are to be elected;
- selection of candidates to fill vacancies and newly created directorships on our board of directors;
- identification of best practices and recommendation of corporate governance principles, including giving proper attention and making effective responses to stockholder concerns regarding corporate governance;
- development and recommendation to our board of directors of guidelines setting forth corporate governance principles applicable to us; and
- oversight of the evaluation of our board of directors and management.

Nomination and Evaluation of Director Candidates

Our board of directors will consider nominating all potential candidates for election as directors who are recommended by our stockholders or board of directors, provided that the recommendation complies with the relevant requirements of our bylaws. All recommendations of candidates for director must be made in accordance with the provisions of Article II, Section 13 of our bylaws, which sets forth requirements concerning the information to be provided about the candidate and the timing for the submission of the recommendation. Any stockholder who desires to recommend a candidate for nomination as a director should send the nomination to Corporate Governance and Nominating Committee, c/o Secretary, Verso Paper Corp., 6775 Lenox Center Court, Suite 400, Memphis, Tennessee 38115-4436.

Our Corporate Governance and Nominating Committee screens every potential director candidate in the same manner, regardless of the source of his or her recommendation. Each director candidate must possess fundamental qualities of intelligence, honesty and strong ethics and standards of integrity, fairness and responsibility. In further evaluating the suitability of director candidates (both new candidates and current directors), the Corporate Governance and Nominating Committee, in recommending candidates for election, and the board of directors, in approving (and, in the case of vacancies, appointing) such candidates, takes into account many factors, including the candidate s

- business judgment and ability to make independent analytical inquiries;
- understanding of manufacturing, sales, marketing, product development, finance and other elements relevant to our success in a competitive business environment;
- professional background, including experience as a director of a public company and as an officer or former officer of a public company;
- experience in our industry and with relevant social policy concerns;
- understanding of our business on a technical level; and
- educational background, including academic expertise in an area of our operations.

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The Corporate Governance and Nominating Committee and our board of directors also evaluate each director candidate in the context of our board of directors as a whole, with the objective of assembling a group of directors who can best perpetuate the success of our business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas. In determining whether to recommend a director for re-election, the Corporate Governance and Nominating Committee and our board of directors also consider the director s past attendance at meetings of our board of directors, the director s participation in and contributions to the activities of our board of directors, and the results of the most recent board of directors evaluation. Notwithstanding the foregoing criteria, if we are legally required, by contract or otherwise, to permit a party to designate one or more directors to be elected or appointed to our board of directors (*e.g.*, pursuant to rights contained in a certificate of designation of a class of preferred stock), then the nomination or appointment of such directors will be governed by those requirements.

We do not have a formal policy with regard to the consideration of diversity in identifying candidates for election to the board of directors, but the Corporate Governance and Nominating Committee recognizes the benefits associated with a diverse group of directors and takes diversity considerations into account when identifying director candidates. The Corporate Governance and Nominating Committee considers diversity in the broadest context, including the familiar diversity concepts of race, national origin, gender, *etc.*, as well as diversity of professional experience, employment history, and experience on other boards of directors and as management of other companies.

Nominees for Election as Class III Directors

Our board of directors has nominated Messrs. Ducey, Kleinman and Sambur for election as Class III directors at the 2014 Annual Meeting of Stockholders. Each nominee is an incumbent director. Mr. Ducey is a member and the chair of our Audit Committee. Mr. Kleinman is a member and the chair of both our Compensation Committee and our Corporate Governance and Nominating Committee. Mr. Sambur is a member of our Compensation Committee.

Director Attendance at Board of Directors and Committee Meetings

The board of directors and the Audit Committee hold meetings on at least a quarterly basis, and the Compensation Committee and the Corporate Governance and Nominating Committee hold meetings as necessary or appropriate. At times, the board of directors and its committees also act by written consent in lieu of formal meetings. In 2013, the board of directors met six times and acted by written consent four times; the Audit Committee met four times and acted by written consent one time; the Compensation Committee acted by written consent five times; and the Corporate Governance and Nominating Committee acted by written consent one time. In 2013, each director attended all of the meetings of the board of directors and the committees on which he served, except that Thomas Gutierrez, Eric L. Press and Jordan C. Zaken, a former director of Verso who resigned on March 19, 2014, each was absent from two board of directors meetings.

The NYSE s listing standards require that our non-management directors meet regularly in executive session without management present. Our Corporate Governance Guidelines require our non-management directors to meet in executive session without management present at least two times per year. In 2013, our non-management directors held four executive sessions. The presiding director at the executive sessions is Mr. Oskin or, in his absence, a director selected by a majority vote of the non-management directors present. Executive sessions are of no fixed duration, and our non-management directors are encouraged to raise and discuss any issues of concern.

Director Attendance at Stockholders Meetings

We do not maintain a formal policy regarding director attendance at our annual stockholders meetings. One director attended our 2013 Annual Meeting of Stockholders.

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Communications with Directors

Any interested party wishing to communicate with our board of directors, our non-management directors, or a specific director may do so by delivering the written communication in person or mailing it to Board of Directors, c/o Secretary, Verso Paper Corp., 6775 Lenox Center Court, Suite 400, Memphis, Tennessee 38115 4436. Communications will be distributed to specific directors as directed in the communication. If addressed generally to the board of directors, communications may be distributed to specific members of the board of directors as appropriate, depending on the topic of the communication. For example, if a communication relates to accounting, internal controls or auditing matters, unless otherwise specified, the communication will be forwarded to the chair of the Audit Committee. From time to time, the board of directors may change the process by which stockholders and others may communicate with the board of directors or its members. Please refer to our website for any change in this process.

Corporate Governance

General

In furtherance of our board of directors goals of providing effective governance of our business and affairs for the long-term benefit of our stockholders and promoting a culture and reputation of the highest ethics, integrity and reliability, our board of directors has adopted the following corporate governance measures:

- Corporate Governance Guidelines
- Charters for our Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee
- Code of Conduct
- Whistleblower Policy

Each of these documents is available, free of charge, in print to any stockholder who requests it and in the Governance section of the Our Company page on our website at *www.versopaper.com.* The information on our website is not a part of this joint proxy and information statement/prospectus.

Corporate Governance Guidelines

The Corporate Governance Guidelines set forth the framework within which the board of directors conducts its business. The Corporate Governance Guidelines are intended to assist our board of directors in the exercise of its responsibilities and to serve the interests of Verso and our stockholders. The Corporate Governance Guidelines set forth guiding principles on matters such as

- size of the board of directors;

director independence;

meetings of non-management directors;

director qualifications;

matters potentially affecting directors service on our board of directors, such as serving as directors or audit committee members of other public companies and the impact on management directors of changes in their employment with us;

director responsibilities;

director compensation;

director access to executive management and independent advisors;

meetings of the board of directors and its committees, including matters such as meeting frequency and attendance; and

board of directors participation in the development of management leadership.

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Code of Conduct

Our Code of Conduct is a code of ethics that applies to all of our directors, officers and employees, including our Chief Executive Officer and Chief Financial Officer. The Code of Conduct addresses topics such as

- ethical business conduct;
- compliance with legal requirements;
- confidentiality of our business information;
- use of our property;
- avoidance of conflicts of interest;
- conduct of our accounting operations, preparation of financial reports, and making of public disclosures; and
- reporting of any violation of law or the Code of Conduct, unethical behavior, improper or questionable accounting or auditing, or inaccuracy in our financial reports or other public disclosures.

Our employees are encouraged to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Conduct. Any such report may be made anonymously. Amendments to the Code of Conduct, and any waivers from the Code of Conduct granted to directors or executive officers, will be made available through our website.

Whistleblower Policy

The Audit Committee has adopted a Whistleblower Policy that governs the receipt, retention and treatment of complaints received by us regarding accounting, internal controls, auditing matters and questionable financial practices. The Whistleblower Policy is designed to protect the confidential, anonymous submission by our employees of any concerns that they may have regarding questionable accounting or auditing matters. The Whistleblower Policy permits the reporting of those concerns by various means, including email, letter, telephone or a confidential hotline managed by an independent third-party vendor. Complaints will be reviewed under the Audit Committee s direction, with oversight by our General Counsel, Internal Audit Manager, or such other persons as the Audit Committee or the General Counsel determines to be appropriate.

Policy Relating to Related-Person Transactions

Our board of directors policy, as set forth in the Audit Committee s charter, is that all transactions with related persons, as contemplated in Item 404(a) of the SEC s Regulation S-K, are subject to review and approval by our Audit Committee, regardless of the dollar amount of the transaction. Since January 1, 2013, no transaction between us and any related person has been reviewed or approved.

Transactions with Related Persons

We have not conducted any reportable transaction with any related person since January 1, 2013.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves, or in the past has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers who serve on our board of directors or the Compensation Committee. No person who served as a member of our Compensation Committee during 2013 was, at any time in 2013, also a current or former officer or employee of Verso. Each member of our Compensation Committee is a partner or associate at Apollo Global Management, LLC, and we have engaged in transactions in which Apollo and various of its affiliates are related persons. For more information, please refer to Transactions with Related Persons in this joint proxy and information statement/prospectus.

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Board of Directors Role in Risk Oversight

Companies face a variety of risks, including credit risk, liquidity risk and operational risk. Our board of directors believes that an effective risk management system will timely identify the material risks that we face, communicate necessary information with respect to material risks to our senior executives and, as appropriate, to the board of directors or its relevant committee, implement appropriate and responsive risk management strategies, and integrate risk management into our decision-making.

Our management has primary responsibility for risk management, including monitoring, identifying and addressing the risks facing Verso and bringing such risks that may be material to the attention of our board of directors or its appropriate committee. Our board of directors also encourages management to promote a corporate culture that incorporates risk management into our corporate strategy and operations.

Our board of directors is generally responsible for risk oversight. It has full access to our management so that it can maintain open and regular communication that allows it to perform its oversight function and that facilitates identifying, analyzing and addressing risks. Our board of directors and its committees also serve a risk-control function by providing, through oversight of our management, checks and balances on our management s actions.

Each committee of our board of directors has a high-level monitoring role with regard to risks associated with the matters that such committee oversees pursuant to its charter. As appropriate, a committee may identify specific risks to examine in detail, so that it may better evaluate and address those risks.

The Audit Committee is charged with responsibility for specific areas of risk under its charter, including the integrity of our financial statements, our system of internal controls, the performance of our internal audit department, the independence of our independent accountants, and our process for complying with financial, legal and regulatory requirements.

The Compensation Committee monitors risks associated with our compensation philosophy, objectives, plans, arrangements and agreements. The Compensation Committee s role with regard to risk management in these areas is not specifically delineated in its charter or any policy. Rather, the Compensation Committee is attuned to the risks inherent in compensation matters, especially financial incentives, and it considers these risks (including whether incentives encourage excessive risk-taking) as it determines appropriate in making decisions concerning compensation matters.

The Corporate Governance and Nominating Committee has responsibility for several areas that entail potential risk to Verso, including corporate governance, oversight of the board of directors and its effective functioning, and director qualifications. In performing its duties in these areas, the Corporate Governance and Nominating Committee addresses the potential risks that would be associated with poor corporate governance, ineffective board functioning, or unqualified directors.

Each committee of the board of directors has the discretion and flexibility, within the guidelines specified in its charter, to determine the best means to carry out its oversight responsibilities concerning risk. If a committee determines it to be appropriate, the committee, or a representative designated by the committee, will discuss risk-related issues with our management, other internal personnel and third parties, and, if needed, will engage experts and consultants to assist with any review, analysis or investigation related to a particular area of risk. If a committee determines that it is appropriate to review and evaluate an identified risk, the committee will report its findings and recommendations to the board of directors. Our board of directors ultimately is responsible for the adoption of any such recommendations.

The role that our board of directors and its committees plays in risk oversight does not have an impact on the leadership structure of our board of directors. However, we believe that having different individuals serve as our Chairman of the Board and our Chief Executive Officer facilitates risk oversight by providing the board of directors with leadership that is independent from management.

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AUDIT COMMITTEE REPORT

Management is responsible for Verso s internal controls and financial reporting process, including our internal control over financial reporting, and for preparing our consolidated financial statements. Deloitte & Touche LLP, an independent registered public accounting firm, is responsible for performing independent audits of our consolidated financial statements and report on internal control in accordance with the standards of the Public Company Accounting Oversight Board and for expressing an opinion on the conformity of our audited consolidated financial statements to accounting principles generally accepted in the United States of America. In this context, the responsibility of the Audit Committee is to oversee our accounting and financial reporting processes and the independent audits of our consolidated financial statements over financial reporting.

In the performance of its oversight function, the Audit Committee reviewed and discussed with management and Deloitte & Touche LLP our audited consolidated financial statements as of and for the year ended December 31, 2013. The Audit Committee also discussed with Deloitte & Touche LLP the matters required to be discussed by *Auditing Standard* No. 16, *Communications with Audit Committees*, issued by the Public Company Accounting Oversight Board.

The Audit Committee received the written disclosures and the letter from Deloitte & Touche LLP required by Independence Standards Board (ISB) Standard No. 1*, Independence Discussions with Audit Committees*, as amended. ISB Standard No. 1 requires our independent registered public accounting firm to disclose in writing to the Audit Committee all relationships between them and us that, in their judgment, reasonably may be thought to bear on independence and to discuss their independence with the Audit Committee. The Audit Committee discussed with Deloitte & Touche LLP its independence and considered in advance whether the provision of any non-audit services by Deloitte & Touche LLP is compatible with maintaining its independence. The Audit Committee also received and reviewed a report by Deloitte & Touche LLP outlining communications required by NYSE listing standards (1) reviewing the firm s internal quality control procedures; (2) describing any material issue raised by (a) the most recent internal quality control review of the firm, (b) peer review of the firm, or (c) any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues; and (3) assessing Deloitte & Touche LLP s independence, including all relationships between Deloitte & Touche LLP and us.

Based on the reviews and discussions of the Audit Committee described above, and in reliance on the unqualified opinion of Deloitte & Touche LLP dated March 5, 2014, regarding our audited consolidated financial statements as of and for the year ended December 31, 2013, and subject to the limitations on the responsibilities of the Audit Committee noted above and in the Audit Committee s charter, the Audit Committee recommended to the board of directors, and the board of directors approved, that such audited and consolidated financial statements be included in our annual report on Form 10-K for the year ended December 31, 2013, that was filed with the SEC.

The foregoing report is provided by the members of the Audit Committee of the board of directors.

Michael E. Ducey (Chair)

Thomas Gutierrez

David W. Oskin

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AUDIT AND NON-AUDIT SERVICES AND FEES OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Pursuant to the Audit Committee s charter, to help ensure the independence of our independent registered public accounting firm, all auditing services, internal control-related services and permitted non-audit services (including the terms thereof) to be performed for us by our independent registered public accounting firm must be pre-approved by the Audit Committee, subject to the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may delegate to a subcommittee of its members the authority to grant the required approvals, provided that any exercise of such authority by the subcommittee is presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee approved and retained Deloitte & Touche LLP to audit our consolidated financial statements for 2014 and provide other auditing and audit-related services in 2014. The Audit Committee reviewed all services provided by Deloitte & Touche LLP in 2013 and concluded that the services provided were compatible with maintaining its independence in the conduct of its auditing functions.

The following table sets forth the aggregate fees billed by Deloitte & Touche LLP for audit and audit-related services provided to us and our subsidiaries in 2013 and 2012.

Fees	**2013**	**2012**
Audit Fees	$ 1,215,000	$ 1,372,000
Audit-Related Fees	186,000	140,000
Total	$ 1,401,000	$ 1,512,000

Audit Fees

Audit fees are the fees that Deloitte & Touche LLP billed us with respect to 2013 and 2012 for auditing our annual financial statements and reviewing our interim financial statements included in our annual and quarterly reports.

Audit-Related Fees

Audit-related fees are the fees that Deloitte & Touche LLP billed us with respect to 2013 and 2012 for services related to their audit or review of our financial statements, including compliance attestation and other procedures performed in both years in connection with debt issuances by certain of our subsidiaries.

Tax Fees

Deloitte & Touche LLP did not bill us any fees for tax services in 2013 or 2012.

All Other Fees

Deloitte & Touche LLP did not bill us any fees for services in 2013 or 2012 not included in the above table.

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COMPENSATION COMMITTEE REPORT

The members of the Compensation Committee have reviewed and discussed with Verso s management the Compensation Discussion and Analysis set forth below. Based on such review and their discussions with management and such other matters as the Compensation Committee has deemed relevant and appropriate, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this joint proxy and information statement/prospectus.

The foregoing report is provided by the members of the Compensation Committee of the board of directors.

Scott M. Kleinman (Chair)

Reed B. Rayman

David B. Sambur

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COMPENSATION DISCUSSION AND ANALYSIS

Summary

Our compensation philosophy is that compensation should serve to attract and retain talented employees and encourage job performance by them that enhances our operational and financial performance and stockholder value. Accordingly, we design our compensation programs for our executive officers, including our Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers, or collectively our named executive officers, with the overall objectives of encouraging them to be committed to us, strive to achieve outstanding operational and financial performance by us, and create value for our stockholders. To effect this compensation philosophy, we have designed our compensation programs for executive officers along these guidelines:

Annual base salaries should be competitive with the marketplace average and create a measure of financial security.

Compensation should consist of a combination of variable annual and long-term incentive compensation that stresses the achievement of short-term and long-term performance objectives and provides the opportunity to earn more than the marketplace average for performance that exceeds targeted levels.

Compensation should permit outstanding individual achievements to be recognized and rewarded.

Incentive compensation opportunities should be targeted at levels that are competitive with those of our peer group companies.

Compensation should take into account internal pay equity that appropriately reflects the respective positions held by our executive officers.

Long-term compensation should include an equity component.

Our compensation philosophy and guidelines drive the specific elements of compensation that we provide to our executive officers, including the named executive officers, as well as our decisions concerning the mix of elements that comprise each person s compensation package. The following table lists the elements of compensation that we provide to our executive officers and indicates the specific objectives that each element of compensation is intended to achieve. How we design these elements of compensation to fit within our compensation philosophy and guidelines is discussed in more detail in Compensation Discussion and Analysis Elements of Executive Compensation.

Element of Compensation	Type of Compensation	Primary Objectives
Base Salary	Fixed cash payment	Attract and retain executive talent

2013 Verso Incentive Plan	Annual, performance-based cash incentive award	Encourage achievement of objectives that enhance operational and financial performance and stockholder value Attract and retain executive talent
2012 Bonus Plan	Annual or long-term, performance-based cash incentive award	Encourage achievement of objectives that enhance operational and financial performance and stockholder value Attract and retain executive talent
Discretionary Bonus	Cash bonus	Recognize and reward superior job performance

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Element of Compensation	Type of Compensation	Primary Objectives
Amended and Restated 2012 Executive Long-Term Incentive Program	Long-term cash retention award	Retain and motivate executive talent
Amended and Restated 2008 Incentive Award Plan	Long-term, performance-based or service-based equity incentive awards consisting of stock options and restricted stock	Encourage achievement of objectives that enhance operational and financial performance and stockholder value
		Align interests of our executive officers with those of our stockholders
		Attract and retain executive talent
Retirement Benefits:		Attract and retain executive talent
Retirement Savings Plan	Tax-qualified, 401(k) defined contribution plan	
Supplemental Salary Retirement Program	Tax-qualified defined contribution program implemented under Retirement Savings Plan	
Deferred Compensation Plan	Nonqualified defined contribution plan	
Executive Retirement Program	Nonqualified defined contribution program implemented under Deferred Compensation Plan	
Insurance and Fringe Benefits:		Attract and retain executive talent
Group medical, dental, life and other insurance plans	Insurance coverage for employees and eligible dependents	
Executive financial counseling policy	Payment of some costs of personal investment, estate planning, tax and other financial services	
Severance Benefits:		Attract and retain executive talent
Severance policy	Termination allowance payable in cash upon certain terminations of employment	
Employment agreement with chief executive officer	Benefits provided upon termination of employment in certain cases	
CNC agreements with other executive officers	Benefits provided upon termination of employment in certain cases	

We strive to set for each of our executive officers, including the named executive officers, an overall compensation package consisting of a base salary, incentive compensation and other benefits at competitive levels that allow us to retain our incumbent executive officers and attract new executive talent. Accordingly, for 2013 we attempted to set salaries, incentive compensation and other benefits for our executive officers that were generally in line with the salaries, incentive compensation and other benefits that we determined our peer group

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offers to executives based on the information set forth in the Compensation Surveys described in Compensation Discussion and Analysis Use of Peer Group Data.

We did not change our executive compensation structure in 2013 significantly from the structure existing in 2012. However, we continued an ongoing process of reviewing and, as we determine to be appropriate, modifying various components of our executive compensation to better align the compensation that we provide for our executives with the compensation that other similar companies provide for their executives, which we have determined by reference to the information set forth in the Compensation Surveys. The compensation modifications that we have made to date are described in Compensation Discussion and Analysis Elements of Executive Compensation.

At our 2011 Annual Meeting of Stockholders, our stockholders approved, on a non-binding, advisory basis, the compensation of the named executive officers as described in our 2011 Proxy Statement. The directors serving on the Compensation Committee are associated with Verso Paper Management LP, our largest stockholder. Their decisions concerning executive compensation take into account the interests of our stockholders and the potential impact of compensation decisions on the value of Verso to our stockholders, but without specifically basing their decisions on the advisory stockholder approval of our 2010 executive compensation. At our 2014 Annual Meeting of Stockholders, our stockholders once again will vote, on a nonbinding, advisory basis, on a proposal to approve the compensation of the named executive officers as described in this joint proxy and information statement/prospectus.

Incentive Compensation

In 2013, we provided the following types of incentive compensation to our executive officers, including the named executive officers:

- 2013 Verso Incentive Plan annual, performance-based incentive award opportunity designed to encourage the achievement of performance objectives capable of enhancing our operational and financial performance and stockholder value; and

- Amended and Restated 2008 Incentive Award Plan long-term equity incentive awards, consisting of restricted stock and stock options, which correlate a significant portion of our executive officers longterm compensation directly to the value of our stock.

In awarding incentive compensation for 2013 to our executive officers, we took into account their ownership of equity in us that was purchased or awarded in prior years. We discuss the incentive compensation that we awarded to our named executive officers in or for 2013 in Compensation Discussion and Analysis Elements of Executive Compensation Verso Incentive Plan and Amended and Restated 2008 Incentive Award Plan. The incentive compensation awarded and payable to our named executive officers for 2013 is set forth in Executive Compensation Summary Compensation Table and Grants of Plan-Based Awards.

For 2013, our named executive officers received incentive compensation consisting of performance-based cash bonuses and equity incentive awards that accounted for approximately 50% of our chief executive officer s total direct compensation and approximately 28% of our other named executive officers total direct compensation. As used in this joint proxy and information statement/prospectus, an executive officer s total direct compensation means all of his compensation reported in the Summary Compensation table in Executive Compensation except for the compensation reported in the All Other Compensation column of the table.

We have not adopted a policy that would require, in the event of a restatement of our financial statements, any of our executive officers to reimburse us for any incentive compensation previously received by them. However, any awards granted under our 2012 Bonus Plan and our Amended and Restated 2008 Incentive Award Plan may be made subject to the provisions of any claw-back policy implemented by us.

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Role of Compensation Committee and Management

The Compensation Committee has the primary authority and responsibility for determining our compensation philosophy and guidelines and designing our compensation programs for our executive officers, including the named executive officers. The Compensation Committee reviews and considers annually the performance of our Chief Executive Officer individually and our executive officers as a group. Based on that annual review and such other information as it deems relevant, and in line with our compensation philosophy and guidelines, the Compensation Committee determines the compensation for our Chief Executive Officer and recommends the compensation for all of our other executive officers for approval by our board of directors. Our Chief Executive Officer assists the Compensation Committee with establishing the compensation of our other executive officers by providing his performance evaluations and compensation recommendations to the Compensation Committee. Our executive officers participate in annual performance reviews with the Chief Executive Officer in which their job performance and contributions during the year are evaluated.

Use of Peer Group Data

We periodically review our compensation practices with reference to surveys conducted by compensation consulting firms. This data is integral to our decision-making regarding the appropriate levels of executive compensation, but we do not benchmark the components of our executive compensation against a specific group of companies or set compensation levels at designated percentiles of peer group compensation. Instead, we use survey data to provide reference points in establishing our compensation programs and to evaluate whether our compensation is at levels that will allow us to attract, retain and motivate our management. We determine, as part of that evaluation, the percentiles into which our compensation elements fall compared to the compensation information in the survey data, but we do not require that our compensation fall within certain percentiles, nor is the survey data determinative of the types or levels of compensation that we provide.

For our decisions with respect to 2013 executive compensation, we collected and reviewed compensation information from the following sources, which are referred to collectively as the Compensation Surveys :

- 2012 and 2013 compensation surveys that were commissioned by the Forest Products Industry Compensation Association, or the 2012 FPICA Survey and the 2013 FPICA Survey, respectively, and were conducted by Pearl Meyer Partners, which compiled compensation information from survey responses submitted by companies in the forest and paper products industry; and

- a 2012-2013 compensation survey conducted by Mercer LLC, or the Mercer Survey, which compiled compensation information from survey responses submitted by companies in multiple industries, including the forest and paper products industry.

We reviewed the information that we obtained from the Compensation Surveys to determine how our executive compensation structure, including the types and levels of executive compensation, compared with those of the respondents to the Compensation Surveys. For purposes of our analysis, we categorized the survey respondents into various groups by size and industry, and we evaluated the compensation information in terms of overall compensation levels, the percentage mix of compensation components (including the balance between cash and equity compensation), and the distribution of compensation among the five most highly compensated executives as compared to each other. We also reviewed the compensation information in the 2012 FPICA Survey and the 2013 FPICA Survey to determine year-over-year trends in peer group compensation in the forest and paper products industry. In establishing the compensation of our executive officers, we structured the level and mix of compensation of each person based on his position and duties, with a view toward creating a compensation package that was competitive (especially as compared to the compensation provided by companies in our industry or similar in size to us) with the level and mix of compensation that the Compensation Surveys indicated was typically received by persons holding similar positions and/or having similar duties.

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Set forth below is a list of the peer group members that participated in the 2013 FPICA Survey. The list does not include many manufacturing and other companies outside the forest and paper products industry that participated in the Mercer Survey.

Boise Cascade, LLC	Nippon Paper Industries
Boise Inc.	Norbord Inc.
Buckeye Technologies Inc.	Norbord Industries, Inc.
Caraustar Industries, Inc.	Packaging Corporation of America
Cascade Tissues Group	Potlatch Corporation
Clearwater Paper Corporation	Plumb Creek Timber Company, Inc.
Deltic Timber Corporation	Resolute Forest Products Inc.
Domtar Corporation	Resource Management Service
Evergreen Packaging Inc.	Rock-Tenn Company
Graphic Packaging International, Inc.	Roseburg Forest Products Co.
Green Diamond Resource	Rayonier, Inc.
Hancock Forest Management Inc.	Sappi Fine Paper North America
Hood Industries, Inc.	SCA Americas, Inc.
Interfor Pacific, Inc.	Simpson Investment Company
International Paper Company	Stimson Lumber Company
KapStone Paper and Packaging Corporation	Swanson Group, Inc.
Longview Fibre Company	SP Fiber Technologies
Louisiana-Pacific Corporation	Timber Products Company
MeadWestvaco Corporation	UPM-Kymmene, Inc.
Mendocino Forest Products Company, LLC	West Fraser Timber Co. Ltd.
NewPage Corporation	The Westervelt Company

Elements of Executive Compensation

In this section, we provide detailed information about the elements of compensation for our executive officers, including the named executive officers. See Compensation Discussion and Analysis Summary for a list and summary of these compensation elements.

Base Salary

We determine the base salaries of our executive officers based on their positions and responsibilities. In doing so, we take into account the base salary ranges for comparable positions and positions with similar responsibilities as reported in the Compensation Surveys. We intend the base salaries of our executive officers to be competitive with the market average for base salaries within our peer group in order to allow us to effectively attract and retain talented executive officers.

Typically, no later than April of each year, we review and make appropriate adjustments in the base salaries of our executive officers. Effective as of April 1, 2013, we increased the base salaries of our named executive officers as follows: Mr. Paterson from $625,000 to $643,750; Mr. Fellows from $369,513 to $380,598; Mr. Mundy from $351,457 to $362,000; Mr. Weinhold from $336,362 to $346,453; and Mr. Kesser from $290,721 to $299,442. In determining the amounts by which to increase the base salaries of our named executive officers, we evaluated each person s position and functional responsibilities, considered the person s performance and contributions in 2012, reviewed the person s base salary in comparison to the base salaries of similar positions with similar functional responsibilities as shown in the Compensation Surveys, compared the person s base salary to those of our other executive officers for internal equity purposes, and considered Verso s financial position and our resources available for compensation purposes. We took these factors into account in

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developing 2013 base salaries that we believe are appropriate for our named executive officers and are competitive for executive talent.

2013 Verso Incentive Plan

The 2013 Verso Incentive Plan, or 2013 VIP, provides for our executives and other key employees to receive an annual incentive award opportunity based on our operational and financial performance in 2013. The 2013 VIP entails the quantitative measurement of our actual performance against a series of operational and financial performance objectives established at the beginning of 2013. It also involves a qualitative assessment of the contributions of each person and his or her department or functional group to the achievement of our performance objectives. The 2013 VIP is designed to motivate the participants toward higher achievement that leads to outstanding business results for us. The 2013 VIP, which is a sub-plan of our 2012 Bonus Plan as it relates to our executive officers, is administered by the Compensation Committee.

In March 2013, the Compensation Committee approved and adopted the 2013 VIP. The 2013 VIP sets forth our performance objectives for 2013, the relative weighting of the performance objectives against each other, the threshold, target and maximum achievement levels of our performance objectives, and the funding associated with achieving the performance objectives at the various achievement levels. In establishing the performance objectives, their relative weighting, and their achievement levels, the Compensation Committee considered information provided by management concerning our operational and financial goals for 2013, with the purpose of reflecting those goals in the 2013 VIP. In establishing the funding levels, the Compensation Committee considered the other incentive compensation provided to our executive officers and senior managers, with the aim of establishing total incentive compensation that was competitive but not excessive. Taking these matters into consideration, the Compensation Committee approved the elements of the 2013 VIP as shown in the following table.

Performance Objective	Relative Weighting	Potential Achievement Levels		Funding Level
Adjusted EBITDA(1)	22.5%	Threshold:	$113 million	70%
		Target:	$151 million	100%
		Maximum:	$181 million	200%
Total Sales Volume(2)	5.0%	Threshold:	1,632,000 tons	70%
		Target:	1,674,000 tons	100%
		Maximum:	1,717,000 tons	200%
Subtotal Ops(3)	12.5%	Threshold:	$34 million	70%
		Target:	$40 million	100%
		Maximum:	$47 million	200%
Cash Flow(4)	5.0%	Threshold:	-$13 million	70%
		Target:	-$7 million	100%
		Maximum:	$1 million	200%
Credit as Percentage of Adjusted Gross Sales(5)	5.0%	Threshold:	0.4%	70%
		Target:	0.3%	100%
		Maximum:	0.2%	200%

(1)

Adjusted EBITDA is our earnings before interest, taxes, depreciation and amortization, adjusted to exclude unusual items and other pro forma adjustments permitted in calculating covenant compliance in the indentures governing our debt securities.

(2) Total Sales Volume is the total volume, measured in tons, of the products that we sold in 2013.

(3) Subtotal Ops is the net year-over-year change, measured in dollars, of improvements (i.e., increases in productivity and decreases in costs) in various areas of our operations that we identified for improvement in 2013.

(4) Cash Flow is the difference between our cash balances at December 31, 2012, and December 31, 2013.

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(5) Credits as Percentage of Adjusted Gross Sales is the total dollar amount of the credits that we gave to customers for product quality issues in 2013 as a percentage of the total dollar amount of our sales in 2013.

Under the 2013 VIP, the total amount of incentive awards for all participants, or the incentive pool, is determined initially by adding together the dollar amounts attributable to each participant s target-level incentive award. A participant s target-level incentive award is the dollar equivalent of a specified percentage of the participant s base salary. The total dollar amount resulting from this exercise represents the amount of the incentive pool at the target achievement level of performance, which also is referred to as the target-level incentive pool. If the incentive pool were to be funded at the threshold achievement level, the amount of the incentive pool would be equal to 70% of the target-level incentive pool. If, on the other hand, the incentive pool were to be funded at the maximum achievement level, the amount of the incentive pool would be equal to 200% of the target-level incentive pool. For 2013, the threshold, target and maximum funding levels of the incentive pool were approximately $6.0 million, $8.6 million and $17.2 million, respectively.

After determining the target-level incentive pool, the next step in determining the funding of the incentive pool is to consider the levels of achievement of Verso s performance objectives. The extent to which group/ individual performance objectives are achieved does not affect the funding of the incentive pool; instead, insofar as incentive pool funding is concerned, the aggregate achievement level of the group/individual performance objectives is deemed to vary symmetrically with the aggregate achievement level of Verso s performance objectives. After year-end, we calculate the achievement level and factor in the relative weighting of each of our performance objectives. By way of illustration, if we had achieved the Adjusted EBITDA performance objective at the threshold level of achievement, then 70% of 22.5%, or a net of 15.75%, of the target-level incentive pool would have been funded. For any performance objective that is achieved at a level between the threshold and target achievement levels or between the target and maximum achievement levels, we use linear interpolation to determine the appropriate incentive pool funding percentage attributable to such performance objective. This methodology is used to determine the incentive pool funding percentage attributable to the achievement of each of our performance objectives, and the results are added together. Next, by virtue of the 50% weighting of both Verso s performance objectives and the group/individual performance objectives, the total incentive pool funding percentage is determined by multiplying by two the cumulative funding percentage attributable to the achievement of Verso s performance objectives. Then, the actual amount of the incentive pool is determined by multiplying the total incentive pool funding percentage by the amount of the target-level incentive pool. Finally, the Compensation Committee may exercise its discretion to increase or decrease the amount of the incentive pool to take into account extraordinary or unforeseen events and circumstances that affected our operational and financial performance during the year.

In February 2014, the Compensation Committee, applying the methodology set forth in the 2013 VIP, funded the incentive pool at approximately $8.4 million, representing a funding percentage of approximately 82% of the target-level incentive pool. The Compensation Committee determined the funding of the incentive pool based on the following actual levels of achievement of Verso s performance objectives as set forth in the 2013 VIP:

Performance Objective	Relative Weighting	Actual Achievement Levels	Funding Level
Adjusted EBITDA	22.5%	$130 million	83%
Total Sales Volume	5.0%	1,690,877 tons	137%
Subtotal Ops	12.5%	$36.3 million	84%
Cash Flow	5.0%	-$53 million	
Credit as Percentage of Adjusted Gross Sales	5.0%	0.31%	97%

82%

The amount of a participant s incentive award under the 2013 VIP is determined by reference to his or her target-level incentive award percentage. A participant s target-level incentive award percentage is the percentage

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of his or her base salary that the participant would receive as an incentive award under the 2013 VIP in the event that the incentive pool were to be funded at the target level of 100%. The target-level incentive award percentages range from 15% to 100% of a participant s base salary at the end of the year, depending on the participant s employment grade level with us. The target-level incentive award percentages of our named executive officers are 100% of base salary for Mr. Paterson, 80% of base salary for Mr. Fellows, and 75% of base salary for Messrs. Mundy, Weinhold and Kesser. The target-level incentive award percentages reflect our assessment of a participant s ability, considering his or her position with us, to affect our operational and financial performance. They also take into account the other compensation to which a participant is entitled, the market average compensation for his or her position, and, in the case of Mr. Paterson, the relevant provisions of his employment agreement with us.

The amount of a participant s incentive award under the 2013 VIP can be affected by the level of achievement of his or her group/individual performance objectives. A participant s group/individual performance objectives, which are established at the beginning of the year in consultation with his or her supervisor, are intended to be linked to and supportive of the achievement of our performance objectives. The requirement to develop group/individual performance objectives applies to all participants in the 2013 VIP other than our chief executive officer. Accordingly, our named executive officers other than Mr. Paterson developed their group/individual performance objectives in early 2013, and Mr. Paterson reviewed and assessed their level of achievement of such objectives in early 2014. While the Compensation Committee has the discretion to make adjustments to a participant s incentive award to take into account extraordinary or unforeseen events and circumstances, Mr. Paterson did not recommend, and the Compensation Committee did not make, any adjustments in the 2013 VIP incentive awards payable to our named executive officers. With respect to Mr. Paterson, his 2013 VIP incentive award was based solely on the level of achievement of Verso s performance objectives.

In summary, the incentive pool for the 2013 VIP was funded at approximately $8.4 million, representing a funding percentage of approximately 82% of the target-level incentive pool, and each of our named executive officers received 2013 VIP incentive awards equal to 82% of their respective target-level incentive awards. See the Executive Compensation Non-Equity Incentive Plan Compensation column of the Summary Compensation table in Executive Compensation for more information about the 2013 VIP incentive awards paid to our named executive officers.

2012 Bonus Plan

The 2012 Bonus Plan was authorized, approved and adopted by our board of directors on March 6, 2012, and was approved by our stockholders at our 2012 Annual Meeting of Stockholders on May 23, 2012. The 2012 Bonus Plan is designed to allow us to provide incentives for superior work by our executives, including the named executive officers, to motivate them toward higher achievement and business results, to tie their goals and interests with ours, and to enable us to attract and retain highly qualified executives. The 2012 Bonus Plan generally allows us to make bonus payments to our executives upon the attainment of performance objectives that are established by the Compensation Committee and are related to operational, financial or other metrics applicable to us. To this end, we established the 2013 VIP as a sub-plan under the 2012 Bonus Plan to provide our executives and other key employees with an annual incentive award opportunity based on our operational and financial performance in 2013. See Compensation Discussion and Analysis Elements of Executive Compensation 2013 Verso Incentive Plan. The 2012 Bonus Plan provides that the Compensation Committee may require that any bonuses paid under the 2012 Bonus Plan be subject to the provisions of any claw-back policy implemented by us.

Discretionary Bonus

The Compensation Committee has the discretion to award bonuses to our executive officers, including the named executive officers, in recognition of their superior job performance and for other reasons that are not

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specifically provided for in the 2012 Bonus Plan and our other incentive plans and programs. On February 28, 2014, we paid a cash bonus to Mr. Mundy to recognize his superior job performance in 2013. The bonus was awarded at the discretion of the Compensation Committee and was not made pursuant to the 2012 Bonus Plan or any other incentive plan or program. See the Bonus column of the Summary Compensation table in Executive Compensation for more information about the discretionary bonus paid to Mr. Mundy.

Amended and Restated 2012 Executive Long-Term Incentive Program

The Amended and Restated 2012 Executive Long-Term Incentive Program, or LTIP, was adopted by the Compensation Committee on December 7, 2012. The LTIP was designed to retain our highly qualified executives, including the named executive officers, to provide an incentive for their continued superior work, and to motivate them toward even higher achievement and business results. Under the LTIP, each of our executives, other than Mr. Paterson, was eligible to receive a long-term cash retention award equal to the base salary paid or payable to the participant in 2012 and 2013. A participant s LTIP award was subject to vesting as follows: 50% of the award, referred to as the 2012 Tranche, would vest on December 31, 2012, if the participant was employed by us continuously during all of 2012; and 50% of the award, referred to as the 2013 Tranche, would vest on December 31, 2013, if the participant was employed by us continuously throughout 2013. The vested portions of a participant s LTIP award were paid as follows: 70% of the 2012 Tranche was paid on December 31, 2012; and the remaining 30% of the 2012 Tranche, plus 100% of the 2013 Tranche, were paid on January 31, 2014. See the Bonus column of the Summary Compensation table in Executive Compensation for more information about the LTIP awards of our named executive officers. In addition, see Executive Compensation Potential Payments upon Termination of Employment or Change in Control for information about the provisions of the LTIP dealing with such circumstances.

Amended and Restated 2008 Incentive Award Plan

The Amended and Restated 2008 Incentive Award Plan, or the Incentive Award Plan, allows us to grant long-term equity incentive awards to our employees, consultants and directors. We have utilized the Incentive Award Plan to grant restricted stock and stock options to our executives and senior managers, including the named executive officers, restricted stock to our non-employee directors, and stock options to certain of our non-employee directors. The awards granted under the Incentive Award Plan may vest upon the passage of time or upon the attainment of performance goals based on objective performance criteria chosen from among those set forth in the Incentive Award Plan. The Incentive Award Plan provides that its administrator may require that any awards granted under the Incentive Award Plan be subject to the provisions of any claw-back policy implemented by us. The Incentive Award Plan is administered by the Compensation Committee or, in the case of awards granted to our non-employee directors, the board of directors.

We believe that providing our executive officers with long-term incentive compensation, whether cash-based or equity-based, serves to link their long-term compensation to our long-term financial performance and thereby encourages them to work toward achieving operational and financial performance by us that enhances value for our stockholders. We generally believe that equity-based incentive compensation, as opposed to the cash-based variety, better encourages our executive officers to consider their decisions from the perspective of our stockholders. For this reason, we consider it important to include equity-based compensation in the compensation packages of our executive officers.

In alignment with this compensation philosophy, in March 2013, we granted to our named executive officers long-term equity incentive awards consisting of restricted stock and stock options, which together accounted for a total of 266,081 shares of our common stock. In establishing the mix of restricted stock and stock options to be granted, the Compensation Committee balanced its goal of creating a strong incentive for the award recipient (restricted stock) against the benefit to us of offsetting some of the cost of the awards (stock options, which result in payment of the exercise price to us). Based on its analysis, the Compensation Committee determined that the appropriate mix of shares of common stock covered by the equity incentive awards was approximately 40%

restricted stock and 60% stock options. In determining the total numbers of shares of common stock to be covered by the equity incentive awards, the Compensation Committee considered each named executive officer s position and responsibilities and the kind and amount of his other employment compensation. The fair value of the equity incentive awards granted in 2013 accounted for approximately 8% of our chief executive officer s total direct compensation and approximately 5% of our other named executive officers total direct compensation. See Executive Compensation Grants of Plan-Based Awards for more information concerning the equity incentive awards granted to our named executive officers under the Incentive Award Plan.

Retirement Benefits

We provide retirement benefits to our eligible employees, including the named executive officers, under the retirement plans and programs listed below as a means of attracting and retaining qualified employees.

- Retirement Savings Plan, a tax-qualified, 401(k) defined contribution plan;
- Supplemental Salary Retirement Program, a tax-qualified defined contribution program implemented under the Retirement Savings Plan;
- Deferred Compensation Plan, a nonqualified defined contribution plan; and
- Executive Retirement Program, a nonqualified defined contribution program implemented under the Deferred Compensation Plan.

We attempt to ensure that these retirement benefits are competitive with those provided by comparable companies as shown in the Compensation Surveys. Our contributions for 2013 on behalf of our named executive officers under the Retirement Savings Plan, the SSRP, the Deferred Compensation Plan, and the ERP are set forth in the Summary Compensation table in Executive Compensation.

Retirement Savings Plan. The Retirement Savings Plan is a tax-qualified, 401(k) defined contribution plan which in 2013 permitted eligible employees to defer the receipt of up to the lesser of 85% or $17,500 of their employment compensation on a pre-tax basis, or if an employee is age 50 or over, to defer up to $5,500 in additional compensation up to a limit of $23,000. Employees also may defer amounts of their employment compensation in excess of these limits on an after-tax basis. The employee deferrals of employment compensation are subject to certain limits imposed by the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. In addition, we make matching contributions for employees who defer a portion of their employment compensation under the Retirement Savings Plan. We match 70% of the first 4%, and 60% of the second 4%, of the employees deferrals. The employee deferrals under the Retirement Savings Plan are immediately and fully vested and nonforfeitable. For employees hired by us before January 1, 2009, our matching contributions under the Retirement Savings Plan are fully vested and nonforfeitable. For employees hired by us on or after January 1, 2009, our matching contributions under the Retirement Savings Plan are subject to three-year cliff vesting measured from the date on which an employee s employment with us commences, such that after the employee has been continuously employed by us for three years, all of our past and future matching contributions become fully vested and nonforfeitable.

Supplemental Salary Retirement Program. The Supplemental Salary Retirement Program, or SSRP, is a tax-qualified defined contribution program implemented under the Retirement Savings Plan. Under the SSRP, we make an annual contribution to each eligible employee s account under the Retirement Savings Plan. The SSRP contribution is equal to either 2.75% or 5% of an employee s eligible compensation, which consists of the employee s salary, bonus and cash incentive compensation paid during the immediately preceding year. The SSRP contribution percentage varies depending on the employee s cumulative years of service with us and our predecessors. For all of our employees, the SSRP contributions are subject to three-year cliff vesting measured from the date on which an employee s employment with us commences, such that after the employee has been continuously employed by us for three years, all of our past and future contributions become fully vested and nonforfeitable.

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Deferred Compensation Plan. The Deferred Compensation Plan is a nonqualified defined contribution plan that permits eligible employees to defer the receipt of up to 85% of their base salary and up to 100% of their incentive compensation, by contributing such amounts to their accounts under the plan. The Deferred Compensation Plan also permits us to make matching contributions and discretionary contributions to employees accounts under the plan. We match 70% of the first 4%, and 60% of the second 4%, of the employees deferrals under the Deferred Compensation Plan, subject to certain restrictions and limitations, including the requirement that the employee must not qualify for our matching contributions under the Retirement Savings Plan. Until they are distributed from the Deferred Compensation Plan, the employees deferrals, our contributions, and any earnings on the invested funds are held in a rabbi trust funded by us.

Executive Retirement Program. The Executive Retirement Program, or ERP, is a nonqualified defined contribution program implemented under the Deferred Compensation Plan for the benefit of our executives and selected senior managers. Under the ERP, we may make an annual discretionary contribution to each eligible employee s account under the Deferred Compensation Plan. Our ERP contribution is equal to between 4% and 10% of an employee s eligible compensation, depending on the employee s employment pay grade with us. An employee s eligible compensation consists of the employee s base salary and target-level incentive award under the Verso Incentive Plan, in each case determined as of January 1 of the year for which our ERP contribution is made.

Insurance and Fringe Benefits

We provide group medical, dental, life and other insurance coverage for all of our eligible employees, including our named executive officers. In addition, under our executive financial counseling policy, we pay the costs of personal investment, estate planning, tax and other financial counseling services, subject to an annual cap of $6,500 or $9,500 (depending on the executive s position with us), for our executive officers, including our named executive officers. We believe that these benefits serve as a means of attracting and retaining qualified personnel, and we attempt to ensure that they are competitive with those provided by comparable companies.

Severance Benefits

Severance Policy. We have adopted and implemented a severance policy for the benefit of our salaried employees, including the named executive officers, and specific groups of hourly employees whose employment with us is terminated under certain circumstances. The severance policy applies in the event that we terminate the employee s employment without cause (as defined in the policy), we eliminate the employee s position, or we take certain other specified job-related actions that effectively result in an involuntary end to the employment relationship. The principal benefit under the severance policy is a termination allowance payable in cash to the terminated employee, which is based on the employee s years of applicable service with us and his or her annual base salary or wages in effect immediately prior to the termination of employment. The termination allowance is equal to two weeks of eligible pay for each full or partial year of applicable service, subject to a minimum of four weeks and a maximum of 52 weeks of eligible pay. We also have the discretion under the severance policy to provide a terminated employee with other benefits, including prorated and/or reduced amounts of incentive awards under our incentive plans and programs, subsidized medical and dental insurance coverage for a specified period after the termination of employment, and outplacement services appropriate for the employee s position with us. We believe that the benefits provided under the severance policy support our compensation objective of attracting and retaining qualified employees and are competitive with similar severance benefits provided by comparable companies.

Employment Agreement with Chief Executive Officer. Our employment agreement with Mr. Paterson requires us to provide him with certain severance benefits if his employment is terminated under certain circumstances, including a termination by us without cause, by him for good reason, or due to his death or disability. The severance benefits to be provided to Mr. Paterson are intended to be in line with the types and amounts of severance benefits provided by comparable companies to their chief executive officers. See

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Executive Compensation Potential Payments upon Termination of Employment or Change in Control Employment Agreement with Chief Executive Officer and Estimated Payments in Connection with Termination of Employment or Change in Control for more information about the severance benefits provided under Mr. Paterson s employment agreement.

CNC Agreements with Other Executive Officers. Our confidentiality and non-competition agreements, or CNC agreements, with each of our executive officers, other than our chief executive officer, require us to provide them with certain severance benefits upon the termination of their employment by either party and for any reason. The benefits to be provided under the CNC agreements are in consideration for, and are contingent upon, the compliance by the executive officers with their confidentiality and non-competition obligations under the CNC agreements. See Executive Compensation Potential Payments upon Termination of Employment or Change in Control CNC Agreements with Other Executive Officers and Estimated Payments in Connection with Termination of Employment or Change in Control for more information about the severance benefits provided under the CNC agreements. As we have done in the past, we continue to evaluate the severance benefits provided under the CNC agreements in an effort to ensure that they are competitive with those provided by comparable companies to their executive officers.

Tax and Accounting Treatment of Compensation

We believe that it is in our best interests to satisfy the requirements for tax deductibility of the compensation that we provide, including the requirements of Section 162(m) of the Internal Revenue Code. However, we also believe that it is important to maintain the flexibility to provide compensation that is not tax-deductible in order to allow us to consider other factors in determining what compensation is appropriate for our management. We have structured our compensation plans and programs in a manner intended to meet the requirements of Section 162(m), but we may from time to time provide compensation that is not tax-deductible by us.

Section 409A of the Internal Revenue Code imposes significant tax and interest penalties on any executive officer who defers compensation under a plan that does not meet the requirements of Section 409A. We have structured our compensation plans and programs and individual agreements with our executive officers in a manner intended to comply with the requirements of Section 409A.

Section 280G of the Internal Revenue Code disallows a company s tax deduction for certain payments to employees called excess parachute payments, and Section 4999 of the Internal Revenue Code imposes a nondeductible excise tax on any person who receives an excess parachute payment. Excess parachute payments are payments that exceed a threshold set forth in Section 280G and that are made in the context of a change in control. If we were to make an excess parachute payment, we would not be able to take a tax deduction for the payment, and the recipient of the payment would owe the excise tax imposed by Section 4999. Our chief executive officer s employment agreement and our other named executive officers CNC agreements include provisions that reduce payments as necessary to avoid categorization as excess parachute payments.

We have adopted the fair value recognition provisions of FASB ASC Topic 718, *Compensation Stock Compensation*. Under the fair value recognition provisions, we recognize stock-based compensation based on the fair value at the grant date net of an estimated forfeiture rate, and we recognize compensation expense for only those shares expected to vest over the requisite service period of the award.

Risk Considerations

We use compensation, in part, to motivate and reward our executive officers and other employees for achieving performance objectives that help us achieve our overall business goals. We realize that by rewarding our executives and other employees with compensation for achieving goals, we could cause them to take actions that achieve the goals but expose us to undue risk. However, we believe that the risks that could result from our compensation plans, programs, policies and practices, including those described in this Compensation

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Discussion and Analysis, are unlikely to have a material adverse effect on us, primarily because our compensation structure

- contains elements that effectively link incentive compensation to operational and financial objectives that enhance our value to stockholders;
- includes a mix of compensation elements for our executive officers, who are best positioned to have an impact on our operational and financial performance, that is appropriately balanced between short-term and long-term incentives, such that their compensation does not encourage them to take short-term risks at the expense of long-term results;
- provides the Compensation Committee with the discretion to decrease or eliminate cash incentive awards triggered by the achievement of short-term performance objectives under our annual incentive plan, thereby giving the Compensation Committee the ability to reduce or withhold an incentive award if it determines that inappropriate risks were taken to earn it; and
- includes a significant portion of equity compensation, which provides our executive officers with an incentive to achieve results that enhance stockholder value and discourages them from excessive risk-taking that could reduce stockholder value.

Frequency of Advisory Votes on Executive Compensation

In 2011, our stockholders approved, on a non-binding advisory basis, holding an advisory stockholder vote on the compensation of our named executive officers once every three years. The initial advisory vote on executive compensation was held at our 2011 Annual Meeting of Stockholders. The next advisory vote on executive compensation will be held at our 2014 Annual Meeting of Stockholders.

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EXECUTIVE COMPENSATION

Summary Compensation Table

The following table presents information regarding the compensation of our named executive officers for their services during 2013, 2012 and 2011.

Non-Equity Incentive Plan Compensation

						Non-Equity Incentive Plan Compensation			
ame and Principal Position	Year	Salary[(2)]	Restricted Bonus[(3)]	Stock[(4)]	Stock Options[(5)]	2013 Verso Incentive Plan	2009 Long-Term Cash Award Program	All Other Compensa-tion[(6)]	Total
avid J. Paterson[(1)]	2013	$ 639,062	$	$ 45,150	$ 60,450	$ 527,875	$	$ 198,186	$ 1,470,723
resident and Chief	2012	398,237	230,000		773,500	274,653		56,075	1,732,465
xecutive Officer									
yle J. Fellows	2013	377,827	377,827	23,785	25,575	249,672		124,921	1,179,607
enior Vice President of	2012	366,821	455,505	22,126	241,450	206,927		148,903	1,441,732
Manufacturing and Energy	2011	356,563		87,468	92,071	246,820	123,424	154,905	1,061,251
obert P. Mundy	2013	359,364	384,364	21,524	22,329	222,630		119,682	1,129,893
enior Vice President	2012	348,897	427,975	20,022	217,549	184,515		136,540	1,335,498
nd Chief Financial Officer	2011	333,465		79,154	80,386	220,087	114,492	144,792	972,376
ichael A. Weinhold	2013	343,930	343,930	21,511	22,332	213,068		111,036	1,055,807
enior Vice President of	2012	333,912	359,140	20,010	217,551	176,590		131,090	1,238,293
ales, Marketing and	2011	324,574		79,106	80,394	210,634	119,770	107,565	922,043
roduct Development									
eter H. Kesser	2013	297,262	297,262	20,975	20,925	184,157		84,799	905,380
enior Vice President,	2012	288,262	288,263	16,260	184,425	152,628		77,048	1,006,886
eneral Counsel and Secretary	2011	278,189		64,281	62,775	157,017	94,280	63,494	720,036

(1) Mr. Paterson was elected and began service as our President and Chief Executive Officer on May 14, 2012.

(2) Effective as of April 1, 2013, we increased the base salaries of our named executive officers as follows: Mr. Paterson from $625,000 to $643,750; Mr. Fellows from $369,513 to $380,598; Mr. Mundy from $351,457 to $362,000; Mr. Weinhold from $336,362 to $346,453; and Mr. Kesser from $290,721 to $299,442.

(3) On December 31, 2013, the 2013 Tranches under the LTIP vested, entitling our named executive officers, other than Mr. Paterson, to the following LTIP payments: Mr. Fellows $377,827; Mr. Mundy $359,364; Mr. Weinhold $343,930; and Mr. Kesser $297,262. In addition, on February 28, 2014, we paid a discretionary bonus of $25,000 to Mr. Mundy for his superior job performance in 2013.

(4) On March 6, 2013, we granted the following shares of restricted stock to our named executive officers: Mr. Paterson 35,000 shares; Mr. Fellows 18,438 shares; Mr. Mundy 16,685 shares; Mr. Weinhold 16,675 shares; and

Mr. Kesser 16,260 shares. The fair value of the restricted stock on the grant date, computed in accordance with FASB ASC Topic 718, was $1.29 per share, which was the closing sale price per share of common stock on the NYSE on such date.

(5) On March 6, 2013, we granted the following stock options, at an exercise price of $1.29 per share, to our named executive officers: Mr. Paterson 65,000 shares; Mr. Fellows 27,500 shares; Mr. Mundy 24,010 shares; Mr. Weinhold 24,013 shares; and Mr. Kesser 22,500 shares. The fair value of the stock options on the grant date, computed in accordance with FASB ASC Topic 718, was $0.93 per share. Our method of valuing stock options, including our assumptions, is set forth in Note 12 to the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, which we filed with the SEC on March 6, 2014.

(6) The other compensation paid to or for the benefit of our named executive officers for 2013 consists of

(a) our matching contributions under the Retirement Savings Plan as follows: Mr. Paterson $13,260; Mr. Fellows $13,260; Mr. Mundy $13,260; Mr. Weinhold $11,431; and Mr. Kesser $13,260;

(b) our contributions under the SSRP as follows: Mr. Paterson $25,127; Mr. Fellows $33,672; Mr. Mundy $31,148; Mr. Weinhold $27,287; and Mr. Kesser $12,372;

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(c) our matching contributions under the Deferred Compensation Plan as follows: Mr. Paterson $27,815; Mr. Fellows $6,597; Mr. Mundy $15,641; Mr. Weinhold $14,969; and Mr. Kesser $9,083;
(d) our contributions under the ERP as follows: Mr. Paterson $125,000; Mr. Fellows $66,512; Mr. Mundy $49,204; Mr. Weinhold $47,091; and Mr. Kesser $40,701;
(e) premiums (grossed up to cover taxes in the amounts shown in parentheses) paid on life and long-term disability insurance coverage as follows: Mr. Paterson $5,446 ($1,538); Mr. Fellows $3,220 ($910); Mr. Mundy $3,064 ($865); Mr. Weinhold $2,930 ($828); and Mr. Kesser $2,533 ($716); and
(f) payments under our executive financial counseling policy as follows: Mr. Paterson $0; Mr. Fellows $750; Mr. Mundy $6,500; Mr. Weinhold $6,500; and Mr. Kesser $6,134.

Compensation of Named Executive Officers

The Summary Compensation table quantifies the value of the different forms of compensation received by our named executive officers in and for 2013, 2012 and 2011. The elements of executive compensation consist primarily of base salary, annual and long-term cash incentive awards, and long-term equity incentive awards. The named executive officers also received other compensation as set forth in the All Other Compensation column of the Summary Compensation table.

The Summary Compensation table should be read in conjunction with the tables and narratives below. A description of the material terms of Mr. Paterson s employment agreement follows this paragraph. The Grants of Plan-Based Awards table sets forth information for 2013 regarding the potential cash incentive awards payable to our named executive officers under the 2013 VIP and the grants of restricted stock and stock options to our named executive officers under the Incentive Award Plan. The Outstanding Equity Incentive Awards at Fiscal Year-End table provides information about the unvested shares of restricted stock and the unexercised stock options held by our named executive officers as of December 31, 2013. The Stock Option Exercises and Restricted Stock Vested table sets forth information regarding the number and value of the shares of restricted stock granted to our named executive officers that vested in 2013. The Nonqualified Deferred Compensation table provides information about the participation by our named executive officers in 2013 in defined contribution plans and programs that provide for the deferral of compensation on a basis that is not tax-qualified. The discussion in Potential Payments upon Termination of Employment or Change in Control explains the potential severance benefits to which our named executive officers may be entitled upon a termination of their employment or a change in control of Verso.

Employment Agreement with Chief Executive Officer

We entered into an employment agreement with Mr. Paterson effective as of May 14, 2012. The initial term of the agreement is three years, which will automatically renew for successive one-year periods unless he or we provide notice of non-renewal. The principal components of Mr. Paterson s compensation under the agreement are as follows:

- a base salary currently set at $643,750, subject to further increase at the discretion of our board of directors;

- an incentive award payable under our annual, performance-based incentive plan, with a target-level award amount equal to 100% of his base salary and a maximum award amount equal to 200% of his base salary;

- a stock option granted on May 14, 2012, entitling him to purchase 650,000 shares of our common stock at an exercise price of $1.66 per share, the fair market value per share on the grant date, which vests in equal installments over three years and is exercisable, to the extent vested, for seven years after the grant date;

a conditional right to be granted a stock option entitling him to purchase an additional 200,000 shares of our common stock at an exercise price equal to the fair market value per share on the grant date,

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upon the consummation of any merger, acquisition or other business combination that is material to our business;

the right to participate in our employee benefit plans, programs and arrangements; and

severance benefits if his employment is terminated under certain circumstances, including a termination by us without cause, by him for good reason, or due to his death or disability.

The provisions of Mr. Paterson s employment agreement that relate to severance benefits payable upon the termination of his employment or a change in control of Verso are described in more detail in Executive Compensation Potential Payments upon Termination of Employment or Change in Control.

Grants of Plan-Based Awards

The following table sets forth information for 2013 regarding the potential cash incentive awards payable to our named executive officers under the 2013 VIP and the actual grants of equity incentive awards, consisting of restricted stock and stock options, made to our named executive officers under the Incentive Award Plan.

Name	Grant Date	Potential Awards Under Non-Equity Incentive Plan(1) Threshold	Target	Maximum	Shares of Restricted Stock	Shares Underlying Stock Options	Exercise Price of Stock Options	Grant Date Fair Value of Restricted Stock and Options(2)
David J. Paterson								
Cash incentive awards	N/A	$ 450,625	$ 643,750	$ 1,287500				
Restricted stock	03-06-2013				35,000			$ 45,150
Stock options	03-06-2013					65,000	$ 1.29	60,450
Lyle J. Fellows								
Cash incentive awards	N/A	213,135	304,478	608,957				
Restricted stock	03-06-2013				18,438			23,785
Stock options	03-06-2013					27,500	1.29	25,575
Robert P. Mundy								
Cash incentive awards	N/A	190,050	271,500	543,000				
	03-06-2013				16,685			21,524
	03-06-2013					24,010	1.29	22,329

Restricted stock								
Stock options								
Michael A. Weinhold								
Cash incentive awards	N/A	181,888	259,840	519,679				
Restricted stock	03-06-2013				16,675			21,511
Stock options	03-06-2013					24,013	1.29	22,332
Peter H. Kesser								
Cash incentive awards	N/A	157,207	224,582	449,163				
Restricted stock	03-06-2013				16,260			20,975
Stock options	03-06-2013					22,500	1.29	20,925

(1) The amounts are the potential cash incentive awards payable to our named executive officers under the 2013 VIP. The actual amounts paid to the named executive officers under the 2013 VIP are reported in the 2013 Verso Incentive Plan column of the Summary Compensation table.

(2) The amounts are the fair values, computed in accordance with FASB ASC Topic 718, of the restricted stock and stock options on the date that they were granted to our named executive officers. Our methods of valuing the equity incentive awards are described in footnotes 4 and 5 to the Summary Compensation table.

Description of Plan-Based Awards

The material terms of the annual, performance-based cash incentive awards granted to our named executive officers under the 2013 VIP are described in Compensation Discussion and Analysis Elements of Executive Compensation 2013 Verso Incentive Plan. The material terms of the long-term cash retention awards provided to certain of our named executive officers under the LTIP are described in Compensation Discussion and

Analysis Elements of Executive Compensation Amended and Restated 2012 Executive Long-Term Incentive Program. The material terms of the long-term equity incentive awards, consisting of restricted stock and stock options, granted to our named executive officers under the Incentive Award Plan are described in Compensation Discussion and Analysis Elements of Executive Compensation Amended and Restated 2008 Incentive Award Plan.

Outstanding Equity Incentive Awards at Fiscal Year-End

The following table provides information about the unvested shares of restricted stock and the unexercised stock options held by our named executive officers as of December 31, 2013.

		Restricted Stock(1)		Stock Options(1)			
				Shares Underlying Unexercised Stock Options			
Name	Grant Date	Unvested Shares of Restricted Stock	Market Value of Unvested Shares of Restricted Stock(2)	Exercisable	Unexercisable	Stock Option Exercise Price	Stock Option Expiration Date
David J. Paterson	03-06-2013	35,000	$ 22,050		65,000	$ 1.29	03-06-2020
	05-14-2012			216,666	433,334	1.66	05-14-2019
Lyle J. Fellows	03-06-2013	18,438	$ 11,616		27,500	$ 1.29	03-06-2020
	07-23-2012			66,000	132,000	1.47	07-23-2019
	03-06-2012	12,292	7,744	9,166	18,334	1.20	03-06-2019
	03-02-2011	4,918	3,098	14,666	7,334	5.93	03-02-2018
	03-26-2010			16,667		3.01	03-26-2017
	09-21-2009			40,000		3.69	09-21-2016
Robert P. Mundy	03-06-2013	16,685	$ 10,512		24,010	$ 1.29	03-06-2020
	07-23-2012			59,666	119,334	1.47	07-23-2019
	03-06-2012	11,124	7,008	8,003	16,007	1.20	03-06-2019
	03-02-2011	4,450	2,804	12,804	6,404	5.93	03-02-2018
	03-26-2010			12,222		3.01	03-26-2017
	09-21-2009			37,000		3.69	09-21-2016
Michael A. Weinhold	03-06-2013	16,675	$ 10,505		24,013	$ 1.29	03-06-2020
	07-23-2012			59,666	119,334	1.47	07-23-2019
	03-06-2012	11,117	7,004	8,004	16,009	1.20	03-06-2019
	03-02-2011	4,448	2,802	12,806	6,404	5.93	03-02-2018
	03-26-2010			12,222		3.01	03-26-2017
	09-21-2009			38,000		3.69	09-21-2016
Peter H. Kesser	03-06-2013	16,260	$ 10,244		22,500	$ 1.29	03-06-2020
	07-23-2012			51,000	102,000	1.47	07-23-2019
	03-06-2012	9,034	5,691	6,250	12,500	1.20	03-06-2019
	03-02-2011	3,614	2,277	10,000	5,000	5.93	03-02-2018
	03-26-2010			8,333		3.01	03-26-2017
	09-21-2009			33,000		3.69	09-21-2016

(1) We have granted long-term equity incentive awards, consisting of restricted stock and stock options, to our named executive officers under the Incentive Award Plan. The restricted stock and stock options vest in three equal, annual installments starting one year after their grant dates.

(2) The market value of the unvested shares of restricted stock is computed based on the \$0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

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Stock Option Exercises and Restricted Stock Vested

None of our named executive officers exercised any stock options in 2013. The following table sets forth information regarding the number and value of the shares of restricted stock granted to our named executive officers that vested in 2013.

	Restricted Stock	
Name	Shares that Vested in 2013	Value Realized on Vesting*
David J. Paterson		$
Lyle J. Fellows	14,767	17,758
Robert P. Mundy	12,726	15,267
Michael A. Weinhold	12,720	15,260
Peter H. Kesser	9,981	11,953

* The value of the shares of restricted stock that vested in 2013 is computed based on the closing sale price per share of our common stock on the NYSE on the applicable vesting dates.

Nonqualified Deferred Compensation

The following table provides information about the participation by our named executive officers in 2013 in defined contribution plans and programs that provide for the deferral of compensation on a basis that is not tax-qualified. The information presented relates to our named executive officers participation in the Deferred Compensation Plan, the ERP and, to an extent, the SSRP, the material terms of which are described in Compensation Discussion and Analysis Elements of Executive Compensation Retirement Benefits.

Name	Executive Contributions	Employer Contributions(1)	Aggregate Earnings or (Loss)(2)	Aggregate Withdrawals and Distributions	Aggregate Balance as of December 31, 2013
David J. Paterson	$ 42,792	$ 170,930	$ 31,527	$	$ 301,779
Lyle J. Fellows	10,149	94,031	48,037	142,721	339,468
Robert P. Mundy	24,063	83,243	109,731	147,964	433,663
Michael A. Weinhold	23,030	76,597	96,163	116,355	372,796
Peter H. Kesser	13,974	55,143	73,429		340,617

(1) Our contributions for 2013 are reported as compensation in the All Other Compensation column of the Summary Compensation table and consist of the following:
 (a) We made the following matching contributions under the Deferred Compensation Plan to the accounts of our named executive officers thereunder: Mr. Paterson $27,815; Mr. Fellows $6,597; Mr. Mundy $15,641; Mr. Weinhold $14,969; and Mr. Kesser $9,083.
 (b) We made the following contributions under the ERP to the accounts of our named executive officers under the Deferred Compensation Plan: Mr. Paterson $125,000; Mr. Fellows $66,512; Mr. Mundy $49,204; Mr. Weinhold $47,091; and Mr. Kesser $40,701.

(c) To comply with contribution limits applicable to the Retirement Savings Plan, we made the following contributions under the SSRP to the accounts of our named executive officers under the Deferred Compensation Plan: Mr. Paterson $18,115; Mr. Fellows $20,922; Mr. Mundy $18,398; Mr. Weinhold $14,537; and Mr. Kesser $5,359.

(2) Earnings on deferred compensation are not reported as compensation in the Summary Compensation table, because they are not at above-market rates.

Potential Payments upon Termination of Employment or Change in Control

The following narrative provides information about our named executive officers potential benefits upon the termination of their employment or a change in control of Verso under our plans, programs, policies and agreements that were in effect in 2013.

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Severance Policy

We have adopted and implemented a severance policy for the benefit of our salaried employees, including the named executive officers, and specific groups of hourly employees whose employment with us is terminated under certain circumstances. The severance policy applies when an eligible employee s employment is terminated under the following circumstances:

- we terminate the employee s employment without cause as defined in the policy;
- we eliminate the employee s position;
- we relocate the employee s principal place of work to a site that is 50 or more miles farther from the employee s residence than his or her current principal place of work and, as of the relocation date, the employee has not accepted such relocation;
- we close the facility that is the employee s principal place of work and, of the closing date, we have not offered the employee a suitable position at another facility; or
- we sell the facility that is the employee s principal place of work (or the entity that owns such facility) and, as of the sale date, the purchaser has not offered the employee a suitable position at such facility.

The principal benefit under the severance policy is a termination allowance payable in cash to the terminated employee, which is computed on the basis of the employee s years of applicable service with us and his or her base salary or annual wages in effect immediately prior to the termination of employment. The termination allowance is equal to two weeks of eligible pay for each full or partial year of applicable service, subject to a minimum of four weeks and a maximum of 52 weeks of eligible pay. We also have the discretion under the severance policy to provide a terminated employee with other benefits, including prorated and/or reduced amounts of incentive awards under our incentive plans and programs, subsidized medical and dental insurance coverage for a specified period after the termination of employment, and outplacement services appropriate for the employee s position with us.

Employment Agreement with Chief Executive Officer

We have an employment agreement with David J. Paterson, our President and Chief Executive Officer. The agreement provides that Mr. Paterson s employment may be terminated by us for or without cause (as defined in the agreement), by Mr. Paterson s resignation for or without good reason (as defined in the agreement), and due to his death or disability.

Under the agreement, if Mr. Paterson s employment is terminated for any reason, we are required to provide him (or his estate) with the following benefits:

- any unpaid base salary;

- any unpaid annual bonus for any calendar year completed before the termination date;
- any unpaid reimbursable business expense;
- a payment in lieu of any accrued but unused vacation; and
- any amount arising from his participation in, and any benefit provided under, our employee benefit plans, programs and arrangements.

If we terminate Mr. Paterson s employment without cause or if he resigns for good reason, we also are required to provide him with the following benefits, subject to Mr. Paterson s execution of our customary waiver and release of claims and to his compliance with certain post-employment covenants:

- 1.5 times his base salary, payable in 18 equal monthly installments after the termination date;
- 1.5 times his annual bonus, if any, paid or payable with respect to the calendar year immediately preceding the calendar year in which the termination date occurred, payable in 18 equal monthly installments after the termination date;

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- a prorated portion of his annual bonus for the calendar year in which the termination date occurred; and
- continued coverage for him and his eligible dependents under our employee health and welfare plans for 18 months after the termination date.

If Mr. Paterson s employment terminates due to his death, we also are required to provide the following benefits to his estate:

- a lump-sum payment of his base salary; and
- a prorated portion of his annual bonus for the calendar year in which the termination date occurred.

If we terminate Mr. Paterson s employment due to his disability, we also are required to provide him with a prorated portion of his annual bonus for the calendar year in which the termination date occurred.

CNC Agreements with Other Executive Officers

We have confidentiality and non-competition agreements, or CNC agreements, with each of our executive officers other than our chief executive officer. The CNC agreements, which have substantially identical terms, require each executive officer to comply with a perpetual confidentiality covenant as well as non-competition and non-solicitation/non-hire covenants extending for 12 months after the termination of his employment for any reason.

Under each CNC agreement, if the executive officer s employment is terminated by either party and for any reason, we are required to provide him (or his estate) with the following benefits, subject to the executive officer s execution of our customary waiver and release of claims and to his compliance with his obligations under the CNC agreement:

- any unpaid base salary;
- a payment in lieu of any accrued but unused vacation;
- any unpaid reimbursable business expense;
- any amount arising from his participation in, and any benefit provided under, our employee benefit plans, programs and arrangements;
- any unpaid incentive award under our annual, performance-based incentive plan for any calendar year completed on or before the termination date;

a prorated portion of his incentive award under our annual, performance-based incentive plan for the calendar year in which the termination date occurred;

a payment equal to 180% (for Mr. Fellows) or 175% (for Messrs. Mundy, Weinhold and Kesser) of his base salary, representing the sum of his base salary and his target-level incentive award under our annual, performance-based incentive plan, payable in 12 equal monthly installments;

subsidized medical and dental insurance coverage for him and his eligible dependents for up to two years after the termination date, grossed up to cover applicable income taxes;

reimbursement of the cost of converting his group life insurance coverage to an individual policy and the premiums on the individual policy for up to two years after the termination date, grossed up to cover applicable income taxes; and

a contribution to his account under the Deferred Compensation Plan in an amount equal to the projected value of certain lost retirement benefits consisting of our contributions under the Retirement Savings Plan, SSRP, Deferred Compensation Plan, and ERP that we would have made if he had remained actively employed with us for two years after the termination date.

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2013 Verso Incentive Plan

The 2013 VIP, our annual, performance-based incentive plan, allowed us the discretion to pay a prorated portion of a participant s incentive award in the event that the participant s employment terminated during the plan year because of his or her death, disability or retirement. In such event, the participant would be entitled to receive a prorated incentive award only if it is approved by the Administration Committee constituted under the 2013 VIP.

Amended and Restated 2012 Executive Long-Term Incentive Program

Under the LTIP, our long-term executive retention program, if a participant s employment terminated on or before December 31, 2013, by reason of his death, disability, termination without cause, or resignation for good reason, then any vested but unpaid portion of the participant s LTIP award would be paid and any unvested portion of his LTIP award would vest and be paid. If a participant s employment terminated on or before December 31, 2013, for any other reason, he would not be entitled to receive any unpaid portion of his LTIP award. In addition, if a participant s employment terminated after December 31, 2013, for any reason other than cause, he would be entitled to receive any vested but unpaid portion of his LTIP award.

Vacation Policy

We have a vacation policy that, among other things, provides for a payment in lieu of any accrued but unused vacation upon the termination of an eligible employee s employment under certain circumstances. Under the policy, we will provide vacation pay to a terminated employee if the termination of employment is (a) by the employee (referred to as a *voluntary* termination) and the employee gives us at least two weeks of prior notice, (b) by us (referred to as an *involuntary* termination) and occurs after at least six months of employment, or (c) due to the employee s retirement, death or disability. Under such circumstances, a terminated employee is entitled to receive a payment equal to the daily equivalent of his or her base salary multiplied by the number of accrued but unused vacation days during the calendar year in which the termination date occurred. In addition, if the termination of employment is due to the employee s retirement or death, we will provide special vacation pay to the employee or his or her estate in an amount equal to 4-12% of the employee s year-to-date base salary, with the specific percentage being determined based on the number of weeks of vacation to which the employee was entitled under the policy.

Amended and Restated 2008 Incentive Award Plan

We have granted equity incentive awards consisting of restricted stock and stock options to our named executive officers under the Incentive Award Plan. The Incentive Award Plan, together with the grant notices and award agreements thereunder, contain provisions addressing the effects on the equity incentive awards of the termination of an executive officer s employment with us and a change in control of Verso.

Termination of Employment. As a general rule, upon the termination of an executive officer s employment, any unvested portion of the restricted stock and stock options will cease vesting and be forfeited. However, (a) if the executive officer s employment is terminated by us without cause before or on the consummation of a change in control of Verso, or due to his death or disability, then a prorated percentage of any unvested portion of the restricted stock and stock options will vest based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date; and (b) if the executive officer s employment is terminated within six months after the consummation of a change in control of Verso either by us without cause or by him by reason of an involuntary termination (a concept similar to good reason), then any unvested portion of the restricted stock and stock options will vest in full. In addition, as a general rule, any vested portion of the executive officer s stock options may be exercised for three months after the termination of his employment. However, the exercise period will expire (a) one year after the termination date if his employment is terminated due to his death or disability, or (b) at the end of the original seven-year exercise period if his employment is terminated by reason of his retirement.

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Change in Control of Verso. In the event of a change in control of Verso, unless otherwise provided by the administrator of the Incentive Award Plan in accordance with its terms, we will require that the executive officer s restricted stock and stock options either be (a) assumed by the successor or survivor corporation or its parent or subsidiary or (b) substituted for by similar awards covering the stock of the successor or survivor corporation or its parent or subsidiary, with appropriate adjustments made to the awards.

Special Provisions for Initial Stock Option Granted to David J. Paterson. In the event of a termination of employment or change in control of Verso, the treatment of the initial stock option for 650,000 shares of common stock granted to Mr. Paterson upon the commencement of his employment with us on May 14, 2012, differs from the treatment of the restricted stock and stock options subsequently granted to him and the restricted stock and stock options granted to our other named executive officers.

As a general rule, upon the termination of Mr. Paterson s employment, any unvested portion of his initial stock option will cease vesting and be forfeited. However, if Mr. Paterson s employment is terminated before the consummation of a change in control of Verso either by us without cause, by him for good reason, or due to his death or disability, then a prorated percentage of any unvested portion of the stock option will vest based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. In addition, as a general rule, any vested portion of Mr. Paterson s stock option may be exercised for three months after the termination of his employment. However, the exercise period will expire (a) on the termination date if his employment is terminated by us for cause, (b) six months after the termination date if his employment is terminated by us without cause, by him for good reason, or by reason of our non-extension of the term of his employment agreement, (c) one year after the termination date if his employment is terminated due to his death or disability, or (d) at the end of the original seven-year exercise period if his employment is terminated by reason of his retirement.

In the event of a change in control of Verso, any unvested portion of Mr. Paterson s initial stock option will vest in full immediately before the occurrence of the change in control.

Deferral of Payment of Nonqualified Deferred Compensation due to Section 409A

Any compensation or benefit payable to a named executive officer under his employment agreement (in the case of Mr. Paterson) or CNC agreement (in the case of Messrs. Fellows, Mundy, Weinhold and Kesser), or under any policy, plan or program in which the named executive officer participates, that constitutes nonqualified deferred compensation as contemplated in Section 409A of the Internal Revenue Code (and not qualifying for any exception) will be delayed for a six-month period following the termination of the executive officer s employment if he is deemed to be a specified employee within the meaning of Section 409A.

Estimated Payments in Connection with Termination of Employment or Change in Control

The first four tables in this section set forth the estimated amounts of the payments and benefits to which each of our named executive officers would have become entitled if his employment had terminated under the indicated circumstances on December 31, 2013. The fifth table in this section sets forth the estimated intrinsic value that Mr. Paterson would have received in the event of a change in control of Verso on December 31, 2013, and the estimated intrinsic values that our named executive officers would have received in the event of the termination of their employment under certain circumstances on December 31, 2013, in connection with a change in control of Verso. Due to a number of factors that affect the nature and amount of the payments and benefits provided upon these events, including the time during the year of any such event, the amount of any such payment or benefit actually provided may be different from that shown in the tables.

Termination Without Cause or Resignation for Good Reason

Name	Salary(1)	Bonus(2)	Incentive Awards(3)	Termination Allowance(4)	Retirement and Insurance Benefits(5)	Accelerated Vesting of Equity Incentive Awards(6)	Total
David J. Paterson	$ 965,625	$	$ 939,854	$ 49,519	$ 86,823	$ 5,512	$ 2,047,333
Lyle J. Fellows	685,076	487,873	249,672	380,598	467,512	8,131	2,278,862
Robert P. Mundy	633,501	464,034	222,630	362,000	410,604	7,357	2,100,126
Michael A. Weinhold	606,292	444,104	213,068	266,502	386,728	7,353	1,924,047
Peter H. Kesser	524,024	383,741	184,157	92,136	319,108	6,402	1,509,568

(1) The amounts are determined by reference to the base salaries of the named executive officers as follows: Mr. Paterson 1.5 times his base salary; Mr. Fellows 180% of his base salary; and Messrs. Mundy, Weinhold and Kesser 175% of their respective base salaries.

(2) The amounts are the sum of 30% of the 2012 Tranche and 100% of the 2013 Tranche under the LTIP payable to the named executive officers other than Mr. Paterson.

(3) The amounts are determined by reference to the incentive awards paid and/or payable to the named executive officers under Verso s annual, performance-based incentive plans as follows: Mr. Paterson 1.5 times his 2012 VIP award, plus his 2013 VIP award; and Messrs. Fellows, Mundy, Weinhold and Kesser their respective 2013 VIP awards.

(4) The amount of the termination allowance is equal to two weeks of base salary for each full or partial year of applicable service, subject to a minimum of four weeks and a maximum of 52 weeks of base salary. The named executive officers full and partial years of applicable service as of December 31, 2013, were as follows: Mr. Paterson 2 years; Mr. Fellows 33 years; Mr. Mundy 31 years; Mr. Weinhold 20 years; and Mr. Kesser 8 years.

(5) For Mr. Paterson, the amount is the sum of our SSRP contribution for 2013, the cost of continued medical and dental insurance coverage for him and his eligible dependents, and the cost of outplacement services. For each of Messrs. Fellows, Mundy, Weinhold and Kesser, the amount is the sum of our SSRP contribution for 2013, his lost retirement benefits, the cost of continued medical and dental insurance coverage for him and his eligible dependents (grossed up to cover income taxes), the cost of life insurance conversion and coverage (grossed up to cover income taxes), and the cost of outplacement services.

(6) The amounts are the intrinsic value to the named executive officers resulting from the accelerated vesting of a prorated percentage of any unvested portion of their equity incentive awards based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. The accelerated vesting of the equity incentive awards arises when, among other things, a named executive officer s employment is terminated by us without cause and, in the case of the initial stock option granted to Mr. Paterson, by his resignation for good reason. The intrinsic value is computed based on the $0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

Termination due to Death

Name	Salary(1)	Bonus(2)	Incentive Awards(3)	Termination Allowance	Retirement and Insurance Benefits(4)	Accelerated Vesting of Equity Incentive Awards(5)	Total
David J. Paterson	$ 643,750	$	$ 527,875	$	$ 1,377,502	$ 5,512	$ 2,554,639
Lyle J. Fellows	685,076	487,873	249,672		1,154,319	8,131	2,585,071
Robert P. Mundy	633,501	464,034	222,630		1,080,188	7,357	2,407,710
Michael A. Weinhold	606,292	444,104	213,068		1,026,644	7,353	2,297,461
Peter H. Kesser	524,024	383,741	184,157		842,830	6,402	1,941,154

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(1) The amounts are determined by reference to the base salaries of the named executive officers as follows: Mr. Paterson 100% of his base salary; Mr. Fellows 180% of his base salary; and Messrs. Mundy, Weinhold and Kesser 175% of their respective base salaries.
(2) The amounts are the sum of 30% of the 2012 Tranche and 100% of the 2013 Tranche under the LTIP payable to the named executive officers other than Mr. Paterson.
(3) The amounts are the incentive awards payable to the named executive officers under the 2013 VIP.
(4) For Mr. Paterson, the amount is the sum of our SSRP contribution for 2013, his special vacation pay, and his life insurance proceeds. For each of Messrs. Fellows, Mundy, Weinhold and Kesser, the amount is the sum of our SSRP contribution for 2013, his special vacation pay, his life insurance proceeds, his lost retirement benefits, and the cost of continued medical and dental insurance coverage for his eligible dependents (grossed up to cover income taxes).
(5) The amounts are the intrinsic value to the named executive officers resulting from the accelerated vesting of a prorated percentage of any unvested portion of their equity incentive awards based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. The accelerated vesting of the equity incentive awards arises when, among other things, a named executive officer s employment is terminated upon his death. The intrinsic value is computed based on the $0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

Termination due to Disability

Name	**Salary(1)**	**Bonus(2)**	**Incentive Awards(3)**	**Termination Allowance**	**Retirement and Insurance Benefits(4)**	**Accelerated Vesting of Equity Incentive Awards(5)**	**Total**
David J. Paterson	$	$	$ 527,875	$	$ 505,127	$ 5,512	$ 1,038,514
Lyle J. Fellows	685,076	487,873	249,672		912,512	8,131	2,343,264
Robert P. Mundy	633,501	464,034	222,630		855,604	7,357	2,183,126
Michael A. Weinhold	606,292	444,104	213,068		831,728	7,353	2,102,545
Peter H. Kesser	524,024	383,741	184,157		764,108	6,402	1,862,432

(1) The amounts are determined by reference to the base salaries of the named executive officers as follows: Mr. Paterson none; Mr. Fellows 180% of his base salary; and Messrs. Mundy, Weinhold and Kesser 175% of their respective base salaries.
(2) The amounts are the sum of 30% of the 2012 Tranche and 100% of the 2013 Tranche under the LTIP payable to the named executive officers other than Mr. Paterson.
(3) The amounts are the incentive awards payable to the named executive officers under the 2013 VIP.
(4) For Mr. Paterson, the amount is the sum of our SSRP contribution for 2013 and his disability benefits. For each of Messrs. Fellows, Mundy, Weinhold and Kesser, the amount is the sum of our SSRP contribution for 2013, his disability benefits, his lost retirement benefits, the cost of continued medical and dental insurance coverage for him and his eligible dependents (grossed up to cover income taxes), and the cost of life insurance conversion and coverage (grossed up to cover income taxes).

(5) The amounts are the intrinsic value to the named executive officers resulting from the accelerated vesting of a prorated percentage of any unvested portion of their equity incentive awards based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. The accelerated vesting of the equity incentive awards arises when, among other things, a named executive officer s employment is terminated upon his disability. The intrinsic value is computed based on the \$0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

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Termination due to Any Other Reason

Name	Salary(1)	Bonus	Incentive Awards(2)	Termination Allowance	Retirement and Insurance Benefits(3)	Accelerated Vesting of Equity Incentive Awards	Total
David J. Paterson	$	$	$ 527,875	$	$ 25,127	$	$ 53,002
Lyle J. Fellows	685,076		249,672		432,512		1,367,260
Robert P. Mundy	633,501		222,630		375,604		1,231,735
Michael A. Weinhold	606,292		213,068		351,728		1,171,088
Peter H. Kesser	524,024		184,157		284,108		992,289

(1) The amounts are determined by reference to the base salaries of the named executive officers as follows: Mr. Paterson none; Mr. Fellows 180% of his base salary; and Messrs. Mundy, Weinhold and Kesser 175% of their respective base salaries.

(2) The amounts are the incentive awards payable to the named executive officers under the 2013 VIP.

(3) For Mr. Paterson, the amount is our SSRP contribution for 2013. For each of Messrs. Fellows, Mundy, Weinhold and Kesser, the amount is the sum of our SSRP contribution for 2013, his lost retirement benefits, the cost of continued medical and dental insurance coverage for him and his eligible dependents (grossed up to cover income taxes), and the cost of life insurance conversion and coverage (grossed up to cover income taxes). In addition, if Mr. Fellows or Mr. Mundy had retired on December 31, 2013, he would have been entitled to receive special vacation pay under our vacation policy in the amount of $45,672 or $43,440, respectively, which is not reflected in the table.

Change in Control

Our named executive officers, with one exception, will not receive any benefit solely upon the occurrence of a change in control of Verso. The single exception is that upon a change in control the unvested portion of Mr. Paterson s initial stock option for 650,000 shares of common stock that we granted to him upon the commencement of his employment on May 14, 2012, will vest immediately.

If, in addition to a change in control of Verso, a named executive officer s employment with us is terminated under certain circumstances, the vesting of any unvested portion of the equity incentive awards that we have granted to him may be affected. If the executive officer s employment is terminated by us without cause upon the consummation of the change in control, then a prorated percentage of any unvested portion of his equity incentive awards will vest based on the number of completed quarters that have elapsed from the grant date or the most recent vesting date, as applicable, through the termination date. If the executive officer s employment is terminated within six months after the consummation of the change in control either by us without cause or by him by reason of an involuntary termination (a concept similar to good reason), then any unvested portion of his equity incentive awards will vest in full.

The following table sets forth the intrinsic values arising from the accelerated vesting of our named executive officers equity incentive awards in the event of (a) a change in control of Verso occurring on December 31, 2013, (b) the termination of their employment under the circumstances described above on December 31, 2013, following a change in control of Verso that occurred within the prior six months, and (c) the termination of their employment under the circumstances described above and a change in control of Verso both occurring on December 31, 2013. The intrinsic value is computed based on the $0.63 closing sale price per share of our common stock on the NYSE on December 31, 2013.

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Accelerated Vesting of Equity Incentive Awards

	Accelerated Vesting of Equity Incentive Awards		
		Termination of Employment Under Certain Circumstances On December 31, 2013, with Change in Control of Verso	
	Change in Control of Verso		
Name	On December 31, 2013	Within Prior Six Months	On December 31, 2013
David J. Paterson	$	$ 2,050	$ 5,512
Lyle J. Fellows		22,458	8,131
Robert P. Mundy		20,323	7,357
Michael A. Weinhold		20,311	7,353
Peter H. Kesser		18,212	6,402

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DIRECTOR COMPENSATION

Elements of Director Compensation

We pay the following annual cash compensation to our non-employee directors:

- $55,000 to each director for serving on the board of directors;
- $5,000 to the Chair of our Audit Committee;
- $5,000 to the Chair of our Compensation Committee;
- $2,000 to each director for each board of directors meeting attended in person or by telephone; and
- $1,000 to each committee member for each committee meeting attended in person or by telephone.

We also grant to each non-employee director an annual restricted stock award with a fair market value of $20,000 on the grant date and which vests in three equal annual installments. In addition, we reimburse each non-employee director for his reasonable, out-of-pocket expenses incurred to attend meetings of the board of directors and its committees.

The compensation paid and provided to Mr. Paterson, who also is our President and Chief Executive Officer, is described in Executive Compensation. He is not entitled to receive any additional compensation for his service as a director of Verso.

2013 Director Compensation

The following table shows the compensation that we paid and provided to our non-employee directors for their services in 2013.

Name	Cash Fees	Restricted Stock[1]	Total
Michael E. Ducey	$ 76,000	$ 20,000	$ 96,000
Thomas Gutierrez	67,000	20,000	87,000
Scott M. Kleinman	72,000	20,000	92,000
David W. Oskin	71,000	20,000	91,000
Eric L. Press	63,000	20,000	83,000
L.H. Puckett, Jr.	67,000	20,000	87,000
David B. Sambur	67,000	20,000	87,000
Jordan C. Zaken[2]	63,000	20,000	83,000

(1) On March 6, 2013, we granted to each non-employee director an equity incentive award of 15,503 shares of restricted stock, which had an aggregate value of approximately $20,000 based on the $1.29 closing sale price per share of our common stock on the NYSE on the grant date.

(2) On March 19, 2014, Mr. Zaken resigned as a director of Verso and a member of the Compensation Committee of our board of directors. On the same date, the board of directors filled the resulting vacancies by electing Reed B. Rayman to serve as a director of Verso and a member of the Compensation Committee.

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Outstanding Equity Incentive Awards at Fiscal Year-End

The following table provides information about the equity incentive awards held by our non-employee directors as of December 31, 2013.

Name	Restricted Stock	Stock Options	Partnership Units[1]
Michael E. Ducey	32,169		
Thomas Gutierrez	32,169	15,200	
Scott M. Kleinman	32,169		23,190
David W. Oskin	32,169		
Eric L. Press	32,169	15,200	
L.H. Puckett, Jr.	32,169		
David B. Sambur	32,169		23,187
Jordan C. Zaken[2]	32,169		23,190

(1) The units represent limited partner interests in Verso Paper Management LP, our largest stockholder, and may be exchanged for an equal number of shares of our common stock owned by Verso Paper Management LP.

(2) On March 19, 2014, Mr. Zaken resigned as a director of Verso and a member of the Compensation Committee of our board of directors. On the same date, the board of directors filled the resulting vacancies by electing Reed B. Rayman to serve as a director of Verso and a member of the Compensation Committee.

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COMPARATIVE PER SHARE DATA

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

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

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

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

You should read the information below together with the historical consolidated financial statements and related notes of each of Verso and NewPage and with the information under the heading Unaudited Pro Forma Condensed Combined Financial Information beginning on page 100.

	NewPage Common Stock		Verso Common Stock	
	Historical	Pro Forma Equivalent	Historical	Pro Forma Combined
Net Income (Loss) Per Share				
Basic				
Three Months Ended March 31, 2014	$ (10.01)	$ (3.14)	$ (1.70)	$ (1.59)
Year Ended December 31, 2013	$ (0.27)	$ (4.35)	$ (2.09)	$ (2.20)
Diluted				
Three Months Ended March 31, 2014	$ (10.01)	$ (3.14)	$ (1.70)	$ (1.59)
Year Ended December 31, 2013	$ (0.27)	$ (4.35)	$ (2.09)	$ (2.20)
Book Value Per Share				
March 31, 2014	$ 101.52	$ (10.95)	$ (9.51)	$ (5.55)

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

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MARKET PRICE AND DIVIDEND INFORMATION

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

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

The closing sale price of Verso common stock as of July 1, 2014 was $2.20 per share.

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

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VERSO SPECIAL MEETING

Joint Proxy and Information Statement/Prospectus

This joint proxy and information statement/prospectus is being furnished to Verso stockholders in connection with the solicitation of proxies by the Verso board of directors in connection with the special meeting of Verso stockholders.

This joint proxy and information statement/prospectus and the enclosed proxy card are first being sent to Verso stockholders on or about July 11, 2014.

Date, Time and Place of the Verso Special Meeting

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

Purpose of the Verso Special Meeting

At the Verso special meeting, holders of Verso common stock as of the record date will be asked to consider and vote on the following proposals:

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

Record Date, Quorum and Voting

Only holders of record of Verso common stock at the close of business on July 2, 2014, which is the record date, will be entitled to notice of and to vote at the Verso special meeting with regard to Proposals 1 4 described above. On the record date, there were shares of Verso common stock outstanding and entitled to vote at the Verso special meeting, held by approximately holders of record. Each share of Verso common stock issued and outstanding on the record date is entitled to one vote on each proposal to be voted upon at the Verso special meeting.

The quorum requirement for holding the Verso special meeting and transacting business at the Verso special meeting is the presence, in person or by proxy, of a majority of the issued and outstanding shares of Verso common stock as of the record date entitled to vote at the Verso special meeting. The shares may be present in person or represented by proxy at the Verso special meeting.

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If your proxy card is properly executed and received by Verso in time to be voted at the Verso special meeting, the shares of Verso common stock represented by your proxy (including those given electronically via the Internet or by telephone) will be voted in accordance with the instructions that you mark on your proxy card. Executed but unvoted proxies will be voted in accordance with the recommendations of the Verso board of directors.

Vote Required

Proposal 1 Issuance of (a) Shares of Verso Common Stock as Part of Merger Consideration pursuant to Merger Agreement and (b) Verso Warrants and Shares of Verso Common Stock Issuable upon Mandatory Conversion of such Verso Warrants pursuant to Second Lien Notes Exchange Offer and Subordinated Notes Exchange Offer. The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and entitled to vote at the Verso special meeting is required to approve the issuance of (a) shares of Verso common stock to the NewPage stockholders as part of the Merger Consideration pursuant to the Merger Agreement (see The Merger Agreement Transaction Consideration for more details) and (b) Verso Warrants to the holders of Old Second Lien Notes participating in the Second Lien Notes Exchange Offer, Verso Warrants to the holders of Old Subordinated Notes participating in the Subordinated Notes Exchange Offer, and shares of Verso common stock issuable upon the conversion of such Verso Warrants immediately prior to the consummation of the Merger and the issuance of shares of Verso common stock as part of the Merger Consideration (see Description of Other Indebtedness Exchange Offer Transactions for more details). Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal.

Proposal 2 Approval of Verso s Amended and Restated 2008 Incentive Award Plan. The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and entitled to vote at the Verso special meeting is required to approve Verso s Amended and Restated 2008 Incentive Award Plan. Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal.

Proposal 3 Approval and Adoption of Amendment of Verso s Amended and Restated Certificate of Incorporation to Change Corporate Name to Verso Corporation Effective Upon Consummation of Merger. The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and entitled to vote at the Verso special meeting is required to approve and adopt the amendment of Verso s Amended and Restated Certificate of Incorporation to change its corporate name to Verso Corporation effective upon the consummation of the Merger. Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal.

Proposal 4 Approval of Adjournment of Verso Special Meeting. The affirmative vote of the holders of a majority of the shares of Verso common stock present in person or represented by proxy and entitled to vote at the Verso special meeting is required to approve any adjournment of the Verso special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve Proposal 1 at the time of the Verso special meeting. Brokers, banks and other nominees do not have discretionary authority to vote on this proposal. The failure to submit a proxy card or to vote electronically via the Internet, by telephone or in person at the special meeting of Verso stockholders or a broker non-vote will have no effect on this proposal. Abstentions from voting by any Verso stockholder will have the same effect as a vote against this proposal. In accordance with the Verso

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Bylaws, a vote to approve the proposal to adjourn the Verso special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the Verso special meeting to approve Proposal 1 may be taken in the absence of a quorum.

Recommendation of Verso Board of Directors

The Verso board of directors unanimously recommends that the Verso stockholders vote **FOR** each of Proposals 1-4.

Verso stockholders should carefully read this joint proxy and information statement/prospectus in its entirety for more detailed information concerning the Merger Agreement and the Merger. In particular, Verso stockholders are directed to the section titled The Merger Agreement and to the Merger Agreement itself, which is attached as Annex A hereto.

Voting Electronically or by Telephone

If your shares of Verso common stock are registered directly in your name with Verso s transfer agent, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent to you directly by Verso. As a stockholder of record, you have the right to grant your voting proxy directly to the persons named as proxies, David J. Paterson, Peter H. Kesser and Charles D. Hamlett, or to vote in person at the Verso special meeting. A proxy card has been enclosed for you to use. You may also vote on electronically via the Internet or by telephone.

If your shares of Verso common stock are held by a broker, bank or other nominee, you are considered the beneficial owner of the shares held in street name and these proxy materials are being forwarded to you by your broker, bank or other nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares and are also invited to attend the Verso special meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Verso special meeting. Your broker, bank or other nominee has enclosed a voting instruction card for you to use in directing your broker, bank or other nominee as to how to vote your shares. You may also vote electronically via the Internet or by telephone.

You can ensure your shares of Verso common stock are represented at the Verso special meeting by promptly submitting your proxy electronically via the Internet or by telephone or marking, signing, dating and returning the appropriate proxy card in the envelope provided. Each valid proxy received in time will be voted at the Verso special meeting according to the choice specified, if any. A proxy may be revoked at any time before the proxy is voted, as outlined below.

Revocability of Proxies

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

Inspector of Election

A representative of Verso s Law Department will tabulate the vote and act as the inspector of election at the Verso special meeting.

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Attending the Verso Special Meeting

You are entitled to attend the Verso special meeting only if you are a stockholder of record of Verso or you hold your shares of Verso beneficially in the name of a broker, bank or other nominee as of the record date, or you hold a valid proxy for the Verso special meeting.

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

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

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

Voting Procedures

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

Whether you vote your proxy electronically via the Internet, by telephone, by mail or in person, Verso will treat your proxy the same way. The individuals appointed as proxies will be David J. Paterson, Peter H. Kesser and Charles D. Hamlett. The shares of Verso common stock represented by valid proxies that are received in time for the Verso special meeting will be voted as specified in such proxies. Valid proxies include all properly executed, written paper proxy cards received pursuant to this solicitation that are not later revoked. Executed proxies submitted without direction pursuant to this solicitation will be voted FOR each of Proposals 1-4.

Proxy Solicitations

Verso is soliciting proxies for the Verso special meeting from Verso stockholders. Verso will reimburse brokers, banks, institutions and others holding common stock of Verso as nominees for their expenses in sending proxy solicitation material to the beneficial owners of such common stock of Verso and obtaining their proxies.

Stockholders should not send stock certificates or other evidence of shares in book-entry form with their proxies. A letter of transmittal and instructions for the surrender of Verso stock certificates will be mailed to Verso stockholders shortly after the completion of the Merger, if approved and completed.

If you need assistance in completing your proxy card or have questions regarding the Verso special meeting, please contact Peter H. Kesser at peter.kesser@versopaper.com (e-mail) or call (901) 369-4105.

Householding

Some brokers, banks and other nominees may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of this joint proxy and information statement/prospectus may have been sent to multiple stockholders in your household. Verso will promptly deliver a separate copy of either or both documents to you if you write or call Peter H. Kesser at peter.kesser@versopaper.com (e-mail) or call (901) 369-4105.

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NEWPAGE STOCKHOLDERS

Security Ownership of Management and Certain Beneficial Owners

The following table sets forth information with respect to the beneficial ownership of NewPage as of June 30, 2014 by:

- each person who is known by us to beneficially own 5% or more of the NewPage common stock;
- each member of the board of directors of NewPage;
- each of the Executives; and
- all directors and executive officers of NewPage.

Beneficial ownership is determined in accordance with the rules of the SEC and includes stock options that could be exercised within 60 days. To our knowledge, each of the holders listed below has sole voting and investment power as to the NewPage common stock owned unless otherwise noted.

	Number of Shares Beneficially Owned (1)(9)									
Balance at December 31, 2015	$	36,598	$ 4	62,112	$ 6	$ (1,710)	$ 352	$ (14,032)	$ 14,300	$ (1,080)

See accompanying notes to consolidated financial statements

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Planet Fitness, Inc. and subsidiaries

Notes to Consolidated financial statements

(Amounts in thousands, except share and per share amounts)

(1) Business organization

Planet Fitness, Inc. (the Company), through its subsidiaries, is a franchisor and operator of fitness centers, with approximately 7.3 million members and 1,124 owned and franchised locations (referred to as stores) in 47 states, the District of Columbia, Puerto Rico, Dominican Republic and Canada as of December 31, 2015.

The Company serves as the reporting entity for its various subsidiaries that operate three distinct lines of business:

- Licensing and selling franchises under the Planet Fitness trade name;
- Owning and operating fitness centers under the Planet Fitness trade name; and
- Selling fitness-related equipment to franchisee-owned stores.

In 2012 investment funds affiliated with TSG Consumer Partners, LLC (TSG), purchased interests in Pla-Fit Holdings.

The Company was formed as a Delaware corporation on March 16, 2015 for the purpose of facilitating an initial public offering (the IPO) and related transactions in order to carry on the business of Pla-Fit Holdings, LLC and its subsidiaries (Pla-Fit Holdings). As of August 5, 2015, in connection with the recapitalization transactions discussed below, the Company became the sole managing member and holder of 100% of the voting power and 37.1% of the economic interest of Pla-Fit Holdings. Pla-Fit Holdings owns 100% of Planet Intermediate, LLC which has no operations but is the 100% owner of Planet Fitness Holdings, LLC, a franchisor and operator of fitness centers. With respect to the Company, Pla-Fit Holdings and Planet Intermediate, LLC, each entity owns nothing other than the respective entity below it in the corporate structure and each entity has no other material operations.

Initial Public Offering

On August 11, 2015, the Company completed an IPO pursuant to which the Company and selling stockholders sold an aggregate of 15,525,000 shares of Class A common stock at a public offering price of $16.00 per share. The Company received $156,946 in proceeds from its sale of 10,491,055 shares of Class A common stock, net of underwriting discounts and commissions, which were used to purchase an equal number of limited liability company units (Holdings Units) from existing holders (Continuing LLC Owners) of interests in Pla-Fit Holdings, at a purchase price per unit equal to the IPO price per share of Class A common stock, net of underwriting discounts and commissions.

Recapitalization Transactions

In connection with the IPO, the Company and Pla-Fit Holdings completed a series of recapitalization transactions on August 5, 2015 which are described below (also see Note 12):

- Pla-Fit Holdings amended and restated the limited liability company agreement to, among other things, (i) provide for a new single class of limited liability company units, Holdings Units, (ii) exchange all membership interests of the then-existing holders of Pla-Fit Holdings membership interests for Holdings Units and (iii) appoint the Company as the sole managing member of Pla-Fit Holdings.
- The Company issued 72,602,810 shares of Class B common stock with voting rights but no economic rights to Pla-Fit Holdings existing owners on a one-to-one basis for each Holdings Unit owned.

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Planet Fitness, Inc. and subsidiaries

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The Company merged with Planet Fitness Holdings L.P., a predecessor entity to the Company that held indirect interests in Pla-Fit Holdings, for which the Company issued 26,106,930 shares of Class A common stock to the holders of interests in Planet Fitness Holdings L.P. (the Direct TSG Investors).

Subsequent to the IPO and the related recapitalization transactions, the Company is a holding company whose principal asset is a controlling equity interest in Pla-Fit Holdings. As the sole managing member of Pla-Fit Holdings, the Company operates and controls all of the business and affairs of Pla-Fit Holdings, and through Pla-Fit Holdings, conducts its business. As a result, the Company consolidates Pla-Fit Holdings financial results and reports a non-controlling interest related to the portion of Holdings Units not owned by the Company. As of December 31, 2015, the Company held 100% of the voting interest, and approximately 37.1% of the economic interest in Pla-Fit Holdings. As future exchanges of Holdings Units occur, the economic interest in Pla-Fit Holdings held by Planet Fitness, Inc. will increase.

The recapitalization transactions are considered transactions between entities under common control. As a result, the financial statements for periods prior to the IPO and the recapitalization transactions are the financial statements of Pla-Fit Holdings as the predecessor to the Company for accounting and reporting purposes. Unless otherwise specified, the Company refers to both Planet Fitness, Inc. and Pla-Fit Holdings throughout the remainder of these notes.

(2) Summary of significant accounting policies

(a) Basis of presentation and consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). All significant intercompany balances and transactions have been eliminated in consolidation.

As discussed in Note 1, as a result of the recapitalization transactions, Planet Fitness, Inc. consolidates Pla-Fit Holdings and Pla-Fit Holdings is considered to be the predecessor to Planet Fitness, Inc. for accounting and reporting purposes. The Company also consolidates entities in which it has a controlling financial interest, the usual condition of which is ownership of a majority voting interest. The Company also considers for consolidation certain interests where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity (VIE), is required to be consolidated by its primary beneficiary. The primary beneficiary of a VIE is considered to possess the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the rights to receive benefits from the VIE that are significant to it. The principal entities in which the Company possesses a variable interest include franchise entities and certain other entities. The Company is not deemed to be the primary beneficiary for Planet Fitness franchise entities. Therefore, these entities are not consolidated.

The results of the Company have been consolidated with Matthew Michael Realty LLC (MMR) and PF Melville LLC (PF Melville) based on the determination that the Company is the primary beneficiary with respect to these VIEs. These entities are real estate holding companies that derive a majority of their financial support from the Company through lease agreements for corporate stores. See Note 3 for further information related to the Company s VIEs.

Planet Fitness, Inc. and subsidiaries

Notes to Consolidated financial statements

(Amounts in thousands, except share and per share amounts)

(b) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant areas where estimates and judgments are relied upon by management in the preparation of the consolidated financial statements include revenue recognition, valuation of assets and liabilities in connection with acquisitions, valuation of equity-based compensation awards, the evaluation of the recoverability of goodwill and long-lived assets, including intangible assets, income taxes, including deferred tax assets and liabilities and reserves for unrecognized tax benefits, and the liability for the Company s tax benefit arrangements.

(c) Concentrations

Cash and cash equivalents are financial instruments, which potentially subject the Company to a concentration of credit risk. The Company invests its excess cash in several major financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company maintains balances in excess of these limits, but does not believe that such deposits with its banks are subject to any unusual risk.

The credit risk associated with trade receivables is mitigated due to the large number of customers, generally our franchisees, and their broad dispersion over many different geographic areas. We do not have any concentrations with respect to our revenues.

The Company purchases equipment, both for corporate-owned stores and for sales to franchisee-owned stores, from two primary vendors. For the year ended December 31, 2015 purchases from these two vendors comprised 79% and 18%, respectively, for the year ended December 31, 2014 purchases from these two vendors comprised 66% and 25%, respectively, and for the year ended December 31, 2013 purchases from these two vendors comprised 66% and 27%, respectively, of total equipment purchases.

The Company, including Planet Fitness NAF, LLC (NAF) uses one primary vendor for advertising services. Purchases from this vendor totaled 49%, 61%, and 68% of total advertising purchases for the years ended December 31, 2015, 2014 and 2013, respectively (see Note 5 for further discussion of NAF).

(d) Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. Cash held within the NAF is recorded as a restricted asset (see Note 5).

(e) Revenue recognition

Franchise revenue

The following revenues are generated as a result of transactions with or related to the Company s franchisees.

Area development fees

Franchisees contractually enter into area development agreements (ADAs) to secure the exclusive right to open franchise stores within a defined geographical area. ADAs establish the timing and number of stores to be

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Planet Fitness, Inc. and subsidiaries

Notes to Consolidated financial statements

(Amounts in thousands, except share and per share amounts)

developed within the defined geographical area. Pursuant to an ADA, a franchisee is generally required to pay an initial nonrefundable development fee for a minimum number of stores to be developed, as outlined in the respective ADA. ADA fees collected in advance are deferred until the Company provides substantially all required obligations pursuant to the ADA. As the efforts and total cost relating to initial services are affected significantly by the number of stores opened in an area, the respective ADA is treated as a divisible contract. As each new site is accepted under an ADA, a franchisee signs a franchise operating agreement for the respective franchise location. As each store opened under an ADA typically has performance obligations associated with it, the Company recognizes ADA revenue as each individual franchise location is developed in proportion to the total number of stores to be developed under the ADA. These obligations are typically completed once the store is opened or the franchisee executes the individual property lease. As of December 31, 2015 and 2014, the deferred revenue for ADAs was $10,471 and $8,215, respectively. ADAs generally have an initial term equal to the number of years over which the franchisee is required to open franchise stores, which is typically 5 to 10 years. There is no right of refund for an executed ADA. Upon default, as defined in the agreement, the Company may reacquire the rights pursuant to an ADA, and all remaining deferred revenue is recognized at that time.

Franchise fees and performance fees

For stores opened without an ADA, the Company generally charges an initial upfront nonrefundable franchise fee. Nonrefundable franchise fees are typically deferred until the franchisee executes a lease and receives initial training for the location, which is the point at which the Company has determined it has provided all of its material obligations required to recognize revenue. As of December 31, 2015 and 2014, the Company has recorded deferred franchise fees of $473 and $205, respectively, relating to stores to be opened in future years. These amounts are included in deferred revenue as of December 31, 2015 and 2014.

The individual franchise agreements typically have a 10-year initial term, but provide the franchisee with an opportunity to enter into successive renewals subject to certain conditions.

Franchise agreements entered into prior to 2010 may include performance fees, which are fees earned by the Company upon each franchise store reaching a predetermined amount of total monthly membership billings. Performance fees are recognized when the related performance thresholds have been met.

Royalties

Royalties, which represent recurring fees paid by franchisees based on the franchisee-owned stores monthly membership billings, are recognized on a monthly basis over the term of the franchise agreement. As specified under certain franchise agreements, the Company recognizes additional royalty fees as the franchisee-owned stores attain contractual monthly membership billing threshold amounts. Beginning in 2010, for all new franchise agreements entered into, the Company began charging a fixed royalty percentage based upon gross membership billings.

Other fees

Online member join fees are paid to the Company by franchisees for processing new membership transactions when a new member signs up for a membership to a franchisee-owned store through the Company s website.

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Billing transaction fees are paid to the Company for the processing of franchisee membership dues and annual fees through the Company s third-party hosted point-of-sale system.

Placement

The Company is generally responsible for assembly and placement of equipment it sells to franchisee-owned stores. Placements revenue is recognized upon completion and acceptance of the services at the franchise location.

Commission income

The Company recognizes commission income from its franchisees use of preferred vendor arrangements. Commissions are recognized when amounts have been earned and collectability from the vendor is reasonably assured.

Corporate-owned stores revenue

The following revenues are generated from stores owned and operated by the Company.

Membership dues revenue

Customers are offered multiple membership choices varying in length. Membership dues are earned and recognized over the membership term on a straight-line basis.

Enrollment fee revenue

Enrollment fees are charged to new members at the commencement of their membership. The Company recognizes enrollment fees ratably over the estimated duration of the membership life, which is generally two years.

Annual membership fee revenue

Annual membership fees are annual fees charged to members in addition to and in order to maintain low monthly membership dues. The Company recognizes annual membership fees ratably over the 12-month membership period.

Retail sales

The Company sells Planet Fitness branded apparel, food, beverages, and other accessories. The revenue for these items is recognized at the point of sale.

Equipment revenue

The Company sells and delivers equipment purchased from third-party equipment manufacturers to U.S. based franchisee-owned stores. Equipment revenue is recognized upon the equipment being delivered to and assembled at each store and accepted by the franchisee. Franchisees are charged for all freight costs incurred for the delivery of equipment. Freight revenue is recorded within equipment revenue and freight costs are recorded within cost of revenue. The Company recognizes revenue on a gross basis in these transactions as management has determined the Company to be the principal in these transactions. Management determined

Planet Fitness, Inc. and subsidiaries

Notes to Consolidated financial statements

(Amounts in thousands, except share and per share amounts)

the Company to be the principal because the Company is the primary obligor in these transactions, the Company has latitude in establishing prices for the equipment sales to franchisees, the Company has supplier selection discretion and is involved in determination of product specifications, and the Company bears all credit risk associated with obligations to the equipment manufacturers.

Equipment deposits are recognized as a liability on the accompanying consolidated balance sheets until delivery, assembly (if required), and acceptance by the franchisee. As of December 31, 2015 and 2014, equipment deposits were $5,587 and $6,675, respectively.

Sales tax

All revenue amounts are recorded net of applicable sales tax.

(f) Deferred revenue

Deferred revenue represents cash received from franchisees for ADAs and franchise fees for which revenue recognition criteria has not yet been met and cash received from members for enrollment fees, membership dues and annual fees for the portion not yet earned based on the membership period.

(g) Cost of revenue

Cost of revenue consists of direct costs associated with equipment sales, including freight costs, direct costs related to the maintenance and support of the Company s proprietary system-wide point-of-sale system, and the cost of retail merchandise sold in corporate-owned stores. Costs related to the point-of-sale system were $1,236, $3,385, and $1,107 for the years ended December 31, 2015, 2014 and 2013 respectively. Costs related to retail merchandise were immaterial in all periods presented. Rebates from equipment vendors where the Company has recognized the related equipment revenue and costs are recorded as a reduction to the cost of revenue.

(h) Store operations

Store operations consists of the direct costs related to operating corporate-owned stores, including our store management and staff, rent expense, utilities, supplies, maintenance, and local advertising.

(i) Selling, general and administrative

Selling, general and administrative expenses consist of costs associated with administrative and franchisee support functions related to our existing business as well as growth and development activities. These costs primarily consist of payroll, IT related, marketing, legal and accounting expenses. These expenses include costs related to placement services of $3,452, $2,743, and $2,245, for the years ended December 31, 2015, 2014 and 2013, respectively.

(j) Accounts and notes receivable

Accounts receivable is primarily comprised of amounts owed to the Company resulting from equipment, placement, and commission revenue. Notes receivable arise primarily from financing activities with franchisees. The Company evaluates its accounts and notes receivable on an ongoing basis and may establish an allowance for doubtful accounts based on collections and current credit conditions. Accounts are written off as

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(Amounts in thousands, except share and per share amounts)

uncollectible when it is determined that further collection efforts will be unsuccessful. Notes receivable are generally secured by all property, assets, and rights owned by the franchisee. Historically, the Company has not had a significant amount of write-offs.

(k) Leases and asset retirement obligations

The Company recognizes rent expense related to leased office and operating space on a straight-line basis over the term of the lease. The difference between rent expense and rent paid, if any, as a result of escalation provisions and lease incentives, such as tenant improvements provided by lessors, and is recorded as deferred rent in the Company s consolidated balance sheets.

In accordance with ASC Topic 410, *Asset Retirement and Environmental Obligations*, the Company establishes assets and liabilities for the present value of estimated future costs to return certain leased facilities to their original condition. Such assets are depreciated on a straight-line basis over the lease period into operating expense, and the recorded liabilities are accreted to the future value of the estimated restoration costs.

(l) Property and equipment

Property and equipment is recorded at cost and depreciated using the straight-line method over its related estimated useful life. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related asset, whichever is shorter. Upon sale or retirement, the asset cost and related accumulated depreciation are removed from the respective accounts, and any related gain or loss is reflected in the consolidated statements of operations. Ordinary maintenance and repair costs are expensed as incurred. The estimated useful lives of the Company s fixed assets by class of asset are as follows:

	Years
Buildings and building improvements	20 40
Computers and equipment	3
Furniture and fixtures	5
Leasehold improvements	Useful life or term of lease whichever is shorter
Fitness equipment	5 7
Vehicles	5

(m) Advertising expenses

The Company expenses advertising costs as incurred. Advertising expenses, net of amounts reimbursed by franchisees, are included within selling, general and administrative expenses and totaled $9,349, $7,272, and $5,731 for the years ended December 31, 2015, 2014 and 2013, respectively. See Note 5 for discussion of the national advertising fund.

(n) Goodwill, long-lived assets, and other intangible assets

Goodwill and other intangible assets that arise from acquisitions are recorded in accordance with ASC Topic 350, *Intangibles Goodwill and Other*. In accordance with this guidance, specifically identified intangible assets must be recorded as a separate asset from goodwill if either of the following two criteria is

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met: (1) the intangible asset acquired arises from contractual or other legal rights; or (2) the intangible asset is separable. Intangibles are typically trade and brand names, customer relationships, noncompete agreements, reacquired franchise rights, and favorable or unfavorable leases. Transactions are evaluated to determine whether any gain or loss on reacquired franchise rights, based on their fair value, should be recognized separately from identified intangibles. Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination.

Goodwill and indefinite-lived intangible assets are not amortized, but are reviewed annually for impairment or more frequently if impairment indicators arise. Separable intangible assets that are not deemed to have an indefinite life are amortized over their estimated useful lives on either a straight-line or accelerated basis as deemed appropriate, and are reviewed for impairment when events or circumstances suggest that the assets may not be recoverable.

The Company performs its annual test for impairment of goodwill and indefinite lived intangible assets on December 31 of each year. For goodwill, the first step of the impairment test is to determine whether the carrying amount of a reporting unit exceeds the fair value of the reporting unit. If the carrying amount of the reporting unit exceeds the reporting unit s fair value, the Company would be required to perform a second step of the impairment test as this is an indication that the reporting unit s goodwill may be impaired. The second step compares the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. Any impairment loss would be recognized in an amount equal to the excess of the carrying value of the goodwill over the implied fair value of the goodwill. The Company is also permitted to make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If the Company concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it need not perform the two-step impairment test.

For indefinite lived intangible assets, the impairment assessment consists of comparing the carrying value of the asset to its estimated fair value. To the extent that the carrying value exceeds the fair value of the asset, an impairment is recorded to reduce the carrying value to its fair value. The Company is also permitted to make a qualitative assessment of whether it is more likely than not an indefinite lived intangible asset s fair value is less than its carrying value prior to applying the quantitative assessment. If based on the Company s qualitative assessment it is not more likely than not that the carrying value of the asset is less than its fair value, then a quantitative assessment is not required.

The Company determined that no impairment charges were required during any periods presented.

The Company applies the provisions of ASC Topic 360, *Property, Plant and Equipment*, which requires that long-lived assets, including amortizable intangible assets, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for impairment, then assets are required to be grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the undiscounted future net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets

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to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no events or changes in circumstances that required the Company to test for impairment during any of the periods presented.

(o) Income taxes

The Company accounts for income taxes using the asset and liability method. Deferred income taxes are recognized for the expected future tax consequences attributable to temporary differences between the carrying amount of the existing tax assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied in the years in which temporary differences are expected to be recovered or settled. The principal items giving rise to temporary differences are the use of accelerated depreciation and certain basis differences resulting from acquisitions and the recapitalization transactions. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

As a result of the recapitalization transactions, Planet Fitness, Inc. became the sole managing member of Pla-Fit Holdings, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Pla-Fit Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by Pla-Fit Holdings is passed through to and included in the taxable income or loss of its members, including Planet Fitness, Inc. following the recapitalization transactions, on a pro rata basis. Planet Fitness, Inc. is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income of Pla-Fit Holdings following the recapitalization transactions. The Company is also subject to taxes in foreign jurisdictions.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs (see Note 16).

During 2013 the Company changed its position with respect to taxes due on interest and dividends to the state of New Hampshire that had previously been paid by the members. This resulted in the Company making tax payments in 2013 totaling $4,392 for periods prior to November 7, 2012. This amount is included within other income (expense) for the year ended December 31, 2013 and is fully offset by amounts received from the members as reimbursement for the taxes paid, also recorded within other income (expense) for the year ended December 31, 2013. This position is not available for periods subsequent to November 7, 2012 and therefore taxes on interest and dividends due and payable in the periods after 2012 are paid by the members of Pla-Fit Holdings.

(p) Tax benefit arrangements

The Company s acquisition of Holdings Units in connection with the IPO and future and certain past exchanges of Holdings Units for shares of the Company s Class A common stock (or cash at the option of the Company) are expected to produce and have produced favorable tax attributes. In connection with the IPO, the Company entered into two tax receivable agreements. Under the first of those agreements, the Company generally is required to pay to the Continuing LLC Owners 85% of the applicable tax savings, if any, in U.S. federal and state income tax that the Company is deemed to realize as a result of certain tax attributes of their Holdings Units

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sold to the Company (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of Class A common stock and (ii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest). Under the second tax receivable agreement, the Company generally is required to pay to the Direct TSG Investors 85% of the amount of tax savings, if any, that the Company is deemed to realize as a result of the tax attributes of the Holdings Units held in respect of the Direct TSG Investors interest in the Company, which resulted from the Direct TSG Investors purchase of interests in Pla-Fit Holdings in 2012, and certain other tax benefits. Under both agreements, the Company generally retains the benefit of the remaining 15% of the applicable tax savings. Also, pursuant to the exchange agreement, to the extent an exchange results in Pla-Fit Holdings, LLC incurring a current tax liability relating to the New Hampshire business profits tax, the Continuing LLC Owners have agreed that they will contribute to Pla-Fit Holdings, LLC an amount sufficient to pay such tax liability (up to 3.5% of the value received upon exchange). If and when the Company subsequently realizes a related tax benefit, Pla-Fit Holdings, LLC will distribute the amount of any such tax benefit to the relevant Continuing LLC Owner in respect of its contribution.

Based on current projections, the Company anticipates having sufficient taxable income to utilize these tax attributes and receive corresponding tax deductions in future periods. Accordingly, at the completion of the Reorganization Transactions and the IPO, the Company has recorded an initial liability of $142.0 million payable to the Direct TSG Investors and the Continuing LLC Owners under the tax benefit obligations, representing approximately 85% of the calculated tax savings based on the original basis adjustments the Company anticipates being able to utilize in future years. Changes in the projected liability resulting from these tax benefit arrangements may occur based on changes in anticipated future taxable income, changes in applicable tax rates or other changes in tax attributes that may occur and impact the expected future tax benefits to be received by the Company. Changes in the projected liability under these tax benefit arrangements will be recorded as a component of other income (expense) each period. The projection of future taxable income involves significant judgment. Actual taxable income may differ from estimates, which could significantly impact the liability under the tax benefit arrangements and the Company s consolidated results of operations.

(q) Fair value

ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The table below presents information about the Company s assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2015 and December 31, 2014:

	Total fair value at December 31, 2015	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate caps	$ 1,147	$	$ 1,147	$

	Total fair value at December 31, 2014	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate caps	$ 1,711	$	$ 1,711	$

(r) Financial instruments

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term nature of these instruments. The carrying value of debt also approximates fair value as it is variable rate debt. The Company has determined that the determination of fair value of amounts due from related parties under long-term arrangements is impracticable given the related-party nature of these agreements.

(s) Derivative instruments and hedging activities

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. For derivatives designated in hedging relationships, changes in the fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in accumulated other comprehensive income, to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings.

The Company only enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged transaction, the nature of the risk being hedged, how the hedging instrument s effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness. The Company also formally assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in cash flows of hedged transactions. For derivative instruments that are designated and qualify as part of a cash flow hedging relationship, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

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The Company discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the cash flow hedge is de-designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge.

In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in earnings. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately in earnings gains and losses that were accumulated in other comprehensive income related to the hedging relationship. See Note 10 for further information.

(t) Equity-based compensation

The Company has an equity-based compensation plan under which it receives services from employees as consideration for equity instruments of the Company. The compensation expense is determined based on the fair value of the award as of the grant date. Compensation expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. See Note 14 for further information.

(u) Guarantees

The Company, as a guarantor, is required to recognize, at inception of the guaranty, a liability for the fair value of the obligation undertaken in issuing the guarantee. See Notes 3 and 17 for further discussion of such obligations guaranteed.

(v) Contingencies

The Company records estimated future losses related to contingencies when such amounts are probable and estimable. The Company includes estimated legal fees related to such contingencies as part of the accrual for estimated future losses.

(w) Reclassifications

Certain amounts have been reclassified to conform to current year presentation, including deferred financing costs, which were previously classified in other assets, net and are now classified as a direct reduction of long-term debt, see Note 2(w).

(x) Recent accounting pronouncements

The FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* in April 2015. This guidance requires reporting entities to present debt issuance costs as a direct deduction from the carrying amount of the related debt liability. The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. A reporting entity must apply this guidance retrospectively to all prior periods presented in the financial statements. The Company has retrospectively adopted this guidance as of December 31, 2015 and accordingly has reclassified $7,294 of deferred financing costs from other assets to long-term debt on its consolidated balance sheet as of December 31, 2014.

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The FASB issued ASU No. 2015-02, *Income Statement Consolidation,* in February 2015. This guidance affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the guidance 1) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, 2) eliminates the presumption that a general partner should consolidate a limited partnership, 3) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and 4) provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers,* in September 2014. This guidance requires that an entity recognize revenue to depict the transfer of a promised good or service to its customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for such transfer. This guidance also specifies accounting for certain costs incurred by an entity to obtain or fulfill a contract with a customer and provides for enhancements to revenue specific disclosures intended to allow users of the financial statements to clearly understand the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity s contracts with its customers. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 for public companies. The Company is currently evaluating the impact, if any, the adoption of this guidance will have on its consolidated financial statements.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*. This guidance requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The guidance is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This guidance simplifies the presentation of deferred income taxes by requiring that deferred tax liabilities and assets all be classified as noncurrent in a classified statement of financial position. The guidance is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. The Company has adopted this guidance as of December 31, 2015, with no impact to the previously reported amounts.

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(3) Variable interest entities

The carrying values of VIEs included in the consolidated financial statements as of December 31, 2015 and December 31, 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
PF Melville	$ 3,728	$	$ 3,479	$
MMR	2,953		2,750	
Total	$ 6,681	$	$ 6,229	$

The Company also has variable interests in certain franchisees mainly through the guarantee of certain debt and lease agreements as well as financing provided by the Company and by certain related parties to franchisees. The Company s maximum obligation, as a result of its guarantees of leases and debt, is approximately $1,871 and $2,896 as of December 31, 2015 and 2014, respectively.

The amount of the Company s maximum obligation represents a loss that the Company could incur from the variability in credit exposure without consideration of possible recoveries through insurance or other means. In addition, the amount bears no relation to the ultimate settlement anticipated to be incurred from the Company s involvement with these entities, which is estimated at $0.

(4) Acquisition

On March 31, 2014, the Company purchased certain assets from one of its franchisees, including eight franchisee-owned stores in New York, for consideration of $42,931, including a cash payment of $39,931 and a $3,000 discount to be applied to future equipment purchases. The $3,000 equipment discount was initially recorded as deferred revenue by the Company and is being recognized as equipment sales are made by the Company to the franchisee. In addition, as a result of the transaction, the Company incurred a loss on unfavorable reacquired franchise rights of $1,293, which has been reflected in other operating costs in the statement of operations. The loss incurred reduced the net purchase price to $41,638. The Company financed the purchase through borrowings under its credit facility. The purchase consideration was allocated as follows:

	Amount
Fixed assets	$ 7,634
Reacquired franchise rights	8,950
Membership relationships	5,882
Favorable leases, net	700
Other assets	35
Goodwill	19,771
Liabilities assumed, including deferred revenues	(1,334)
	$ 41,638

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(5) National advertising fund

On July 26, 2011, the Company established Planet Fitness NAF, LLC (NAF) for the creation and development of marketing, advertising, and related programs and materials for all Planet Fitness stores located in the United States and Puerto Rico. On behalf of the NAF, the Company collects 2% of gross monthly membership billings from franchisees, in accordance with the provisions of the franchise agreements. The Company also contributes 2% of monthly membership billings from stores owned by the Company to the NAF. The use of amounts received by NAF is restricted to advertising, product development, public relations, merchandising, and administrative expenses and programs to increase sales and further enhance the public reputation of the Planet Fitness brand. The Company consolidates and reports all assets and liabilities held by the NAF within the consolidated financial statements. Amounts received or receivable by NAF are reported as restricted assets and restricted liabilities within current assets and current liabilities on the consolidated balance sheets. The Company provides administrative services to NAF and charges NAF a fee for providing those services. These services include accounting services, information technology, data processing, product development, legal and administrative support, and other operating expenses, which amounted $1,340, $1,010 and $865 for the years ended December 31, 2015, 2014 and 2013, respectively. The fees paid to the Company by NAF are included in the consolidated statements of operations as a reduction in general and administrative expense, where the expense incurred by the Company was initially recorded.

(6) Notes Receivable

Prior to December 31, 2015, the Company had various notes receivable from franchisees to facilitate ongoing business. Notes receivable consisted of unpaid principal and accrued interest. There were two notes receivable as of December 31, 2014, with maturity dates ranging from July 1, 2015 to February 1, 2018, however, all notes receivable were settled in cash during 2015; as such, no amounts are outstanding as of December 31, 2015.

(7) Property and equipment

Property and equipment as of December 31, 2015 and 2014 consists of the following:

	December 31, 2015	December 31, 2014
Land	$ 910	$ 910
Equipment	27,391	22,137
Leasehold improvements	38,288	27,361
Buildings and improvements	5,107	5,119
Furniture & fixtures	3,030	2,309
Other	2,947	2,096
Construction in progress	1,991	5,375
	79,664	65,307
Accumulated Depreciation	(23,525)	(15,728)
Total	$ 56,139	$ 49,579

The Company recorded depreciation expense of $11,088, $9,138, and $6,171 for the years ended December 31, 2015, 2014 and 2013, respectively.

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(8) Goodwill and intangible assets

A summary of goodwill and intangible assets at December 31, 2015 and 2014 is as follows:

December 31, 2015	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying Amount
Customer relationships	11.1	$ 171,782	$ (57,741)	$ 114,041
Noncompete agreements	5.0	14,500	(9,127)	5,373
Favorable leases	7.5	2,935	(1,256)	1,679
Order backlog	0.4	3,400	(3,400)	
Reacquired franchise rights	5.8	8,950	(2,724)	6,226
		201,567	(74,248)	127,319
Indefinite-lived intangible:				
Trade and brand names	N/A	146,300		146,300
Total intangible assets		$ 347,867	$ (74,248)	$ 273,619
Goodwill		$ 176,981	$	$ 176,981

December 31, 2014	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying Amount
Customer relationships	11.1	$ 171,782	$ (41,130)	$ 130,652
Noncompete agreements	5.0	14,500	(6,229)	8,271
Favorable leases	7.5	2,935	(779)	2,156
Order backlog	0.4	3,400	(3,400)	
Reacquired franchise rights	5.8	8,950	(1,167)	7,783
		201,567	(52,705)	148,862
Indefinite-lived intangible:				
Trade and brand names	N/A	146,300		146,300
Total intangible assets		$ 347,867	$ (52,705)	$ 295,162

Goodwill	$ 176,981	$	$ 176,981

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The changes in the carrying amount of goodwill are as follows:

	Franchise	Corporate-owned stores	Equipment	Total
As of December 31, 2013	$ 16,938	$ 47,606	$ 92,666	$ 157,210
Acquisition of franchises		19,771		19,771
As of December 31, 2014	16,938	67,377	92,666	176,981
Additions				
As of December 31, 2015	$ 16,938	$ 67,377	$ 92,666	$ 176,981

The Company determined that no impairment charges were required during any periods presented.

Amortization expense related to the intangible assets totaled $21,543, $23,698, and $22,883 for the years ended December 31, 2015, 2014, and 2013, respectively. Included within these total amortization expense amounts are $473, $495, and $246 related to amortization of favorable and unfavorable leases for the years ended December 31, 2015, 2014, and 2013, respectively. Amortization of favorable and unfavorable leases is recorded within store operations as a component of rent expense in the consolidated statements of operations. The anticipated annual amortization expense to be recognized in future years as of December 31, 2015 is as follows:

	Amount
2016	$ 19,756
2017	18,215
2018	14,583
2019	14,215
2020	12,517
Thereafter	48,033
Total	$ 127,319

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(9) Long-term debt

Long-term debt as of December 31, 2015 and 2014 consists of the following:

	December 31, 2015	December 31, 2014
Term loan B requires quarterly installments plus interest through the term of the loan, maturing March 31, 2021. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the borrower (4.75% at December 31, 2015 and 2014)	$ 492,275	$ 387,075
Revolving credit line, requires interest only payments through the term of the loan, maturing March 31, 2019. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the borrower (4.25% at December 31, 2015 and 2014)		
Total debt, excluding deferred financing costs	492,275	387,075
Deferred financing costs, net of accumulated amortization	(7,396)	(7,294)
Total debt	484,879	379,781
Current portion of long-term debt and line of credit	5,100	3,900
Long-term debt, net of current portion	$ 479,779	$ 375,881

On March 31, 2014, the Company entered into a five-year $430,000 credit facility with a consortium of banks and lenders to refinance its existing indebtedness, as well as to provide funds for working capital, capital expenditures, acquisitions, a $173,900 dividend and general corporate purposes. The facility consisted of a $390,000 Term Loan and a $40,000 Revolving Credit Facility. On March 31, 2015, the Company amended this credit facility to increase the Term Loan to $510,000 to fund a cash dividend of $140,000. The unused portion of the Revolving Credit Facility as of December 31, 2015 was $40,000. The Term Loan calls for quarterly principal installment payments of $1,275 through March 2021.

The credit facility requires the Company to meet certain financial covenants, which the Company was in compliance with as of December 31, 2015. The facility is secured by all of the Company s assets, excluding the assets attributable to the consolidated VIEs (see Note 3).

Future annual principal payments of long-term debt as of December 31, 2015 are as follows:

	Amount
2016	$ 5,100
2017	5,100
2018	5,100
2019	5,100
2020	5,100

Thereafter	466,775
Total	$ 492,275

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(10) Derivative instruments and hedging activities

The Company utilizes interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on its variable-rate debt instruments. The Company does not enter into derivative instruments for any purpose other than cash flow hedging. The Company does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is an asset, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is a liability, the Company owes the counterparty and, therefore, the Company is not exposed to the counterparty s credit risk in those circumstances. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is higher than A1/A+ at the inception of the derivative transaction. The derivative instruments entered into by the Company do not contain credit-risk-related contingent features.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Company assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company monitors interest rate risk attributable to both the Company s outstanding or forecasted debt obligations as well as the Company s offsetting hedge positions.

During 2014, the Company utilized LIBOR-based interest rate swap agreements that were entered into to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. It was determined on March 31, 2014 that the hedge was ineffective and expense of $92 was reclassified from other comprehensive income to interest expense. The interest rate swaps were all terminated by September 2014. The Company recorded a loss of $248 within interest expense in the consolidated statement of operations for the year ending December 31, 2014 related to these terminated swap agreements.

In September 2014, the Company entered into a series of LIBOR based interest rate cap agreements in exchange for premium payments of $2,373 to effectively manage interest rate risk above a certain threshold and mitigate exposure to changes in interest rates under the term loan. The interest rate caps entered into in September 2014 were for a total notional amount of $194,000. The term of the interest rate caps began on September 30, 2014 and ends on September 29, 2017. In September 2015, the Company entered into two additional caps for premium payments of $880, which were effective September 30, 2015 and end on September 30, 2018. The interest rate cap agreements are designed to cap the LIBOR interest rate into a fixed interest rate if the LIBOR goes above the set cap amounts of 1.5%. As of December 31, 2015, the Company had interest rate cap agreements with notional amounts of $238,000 outstanding.

Changes in the fair value of interest rate swaps and caps designated as hedging instruments that effectively offset the variability of cash flows associated with variable-rate, long-term debt obligations are reported in accumulated other comprehensive income. These amounts subsequently are reclassified into interest expense as a yield adjustment of the hedged interest payments in the same period in which the related interest affects earnings.

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The interest rate cap balances of $1,147 and $1,711 were recorded within other assets in the consolidated balance sheets as of December 31, 2015 and 2014, respectively. These amounts have been measured at fair value and are considered to be a Level 2 fair value measurement. The Company recorded a reduction to the value of its interest rate caps of $1,388, net of tax of $28, within other comprehensive loss during the year ended December 31, 2015. The Company recorded a reduction to the interest rate cap of $662 within other comprehensive loss as of December 31, 2014.

As of December 31, 2015, the Company does not expect to reclassify any amounts included in accumulated other comprehensive income (loss) into earnings during the next 12 months. Transactions and events expected to occur over the next twelve months that will necessitate reclassifying these derivatives loss to earnings include the re-pricing of variable-rate debt.

(11) Deferred revenue

The summary set forth below represents the balances in deferred revenue as of December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
Prepaid membership fees	$ 5,134	$ 5,382
Enrollment fees	1,555	1,692
Equipment discount	2,968	2,689
Annual membership fees	6,132	5,696
Area development and franchise fees	10,944	8,420
Total deferred revenue	26,733	23,879
Long-term portion of deferred revenue	12,016	9,330
Current portion of deferred revenue	$ 14,717	$ 14,549

Equipment deposits received in advance of delivery, placement and customer acceptance as of December 31, 2015 and 2014 were $5,587 and $6,675, respectively and are expected to be recognized as revenue in the next twelve months.

(12) Related party transactions

Amounts due from stockholders/members as of December 31, 2015 and 2014 relate to reimbursements for certain taxes owed or paid by the Company.

	December 31, 2015	December 31, 2014
Accounts receivable related entities	$ 39	$ 11
Accounts receivable stockholders/members	4,901	1,130

	4,940	1,141
Due from related parties, current portion	4,940	1,141
Due from related parties, net of current portion	$	$

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Activity with entities considered to be related parties is summarized below.

	For the Year Ended December 31,		
	2015	**2014**	**2013**
Franchise revenue	$ 1,232	$ 733	$ 1,620
Equipment revenue	1,686	3,711	855
Total revenue from related parties	$ 2,918	$ 4,444	$ 2,475

The Company paid management fees to TSG totaling $1,899, $1,211, and $1,136 during the years ended December 31, 2015, 2014 and 2013, respectively. In connection with the IPO, the Company paid a $1,000 termination fee related to the termination of its management agreement with TSG, which is included in the management fees paid for the year ended December 31, 2015. As of December 31, 2015, the Company had $140,191 payable to related parties pursuant to tax benefit arrangements, see Note 16.

(13) Stockholder s equity

The recapitalization transactions

The Company refers to the Merger, Reclassification and entry into the Exchange agreement, each as described below, as the recapitalization transactions. The Merger was effected pursuant to a merger agreement by and among the Company and Planet Fitness Holdings, L.P. (a predecessor entity to the Company) and the recapitalization transactions were effected pursuant to a recapitalization agreement by and among the Company, Pla-Fit Holdings, the Continuing LLC Owners and Direct TSG Investors.

Merger

Prior to the Merger, the Direct TSG Investors held interests in Planet Fitness Holdings, L.P., a predecessor entity to the Company that held indirect interests in Pla-Fit Holdings. Planet Fitness Holdings, L.P. was formed in October 2014 and had no material assets, liabilities or operations, other than as a holding company owning indirect interests in Pla-Fit Holdings. The Direct TSG Investors consist of investment funds affiliated with TSG. Pursuant to a merger agreement dated June 22, 2015, upon the pricing of the IPO, Planet Fitness Holdings, L.P. merged with and into the Company, and the interests in Planet Fitness Holdings, L.P. held by the Direct TSG Investors were converted into 26,106,930 shares of Class A common stock of the Company. The Company refers to this as the Merger. All shares of Class A common stock have both voting and economic rights in Planet Fitness, Inc.

The Merger was effected on August 5, 2015, prior to the time our Class A common stock was registered under the Exchange Act and prior to the completion of the IPO.

Reclassification

The equity interests of Pla-Fit Holdings previously consisted of three different classes of limited liability company units (Class M, Class T and Class O). Prior to the completion of the IPO, the limited liability company agreement of Pla-Fit Holdings was amended and restated to, among other things, modify its capital structure to create a single new class of units, the Holdings Units. The Company refers to this capital structure modification as the Reclassification.

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The Direct TSG Investors indirect interest in Pla-Fit Holdings was held through Planet Fitness Holdings, L.P. As a result, following the Merger, in which Planet Fitness Holdings, L.P. merged with and into the Company, the Direct TSG Investors indirect interests in Pla-Fit Holdings are held through the Company. Therefore, the Holdings Units received in the Reclassification were allocated to: (1) the Continuing LLC Owners based on their existing interests in Pla-Fit Holdings; and (2) the Company to the extent of the Direct TSG Investors indirect interest in Pla-Fit Holdings. The number of Holdings Units allocated to the Company in the Reclassification was equal to the number of shares of Class A common stock that the Direct TSG Investors received in the Merger (on a one-for-one basis).

The Reclassification was effected on August 5, 2015, prior to the time our Class A common stock was registered under the Exchange Act and prior to the completion of the IPO.

Following the Merger and the Reclassification, the Company issued to Continuing LLC Owners 72,602,810 shares of Class B common stock, one share of Class B common stock for each Holdings Unit they held. The shares of Class B common stock have no rights to dividends or distributions, whether in cash or stock, but entitle the holder to one vote per share on matters presented to stockholders of the Company. The Continuing LLC Owners consist of investment funds affiliated with TSG and certain employees and directors.

Pursuant to the LLC agreement that went into effect at the time of the Reclassification (New LLC Agreement), the Company was designated as the sole managing member of Pla-Fit Holdings. Accordingly, the Company has the right to determine when distributions will be made by Pla-Fit Holdings to its members and the amount of any such distributions (subject to the requirements with respect to the tax distributions described below). If the Company authorizes a distribution by Pla-Fit Holdings, the distribution will be made to the members of Pla-Fit Holdings, including the Company, pro rata in accordance with the percentages of their respective Holdings Units.

The holders of Holdings Units will incur U.S. federal, state and local income taxes on their allocable share of any taxable income of Pla-Fit Holdings (as calculated pursuant to the New LLC Agreement). Net profits and net losses of Pla-Fit Holdings will generally be allocated to its members pursuant to the New LLC Agreement pro rata in accordance with the percentages of their respective Holdings Units. The New LLC Agreement provides for cash distributions to the holders of Holdings Units for purposes of funding their tax obligations in respect of the income of Pla-Fit Holdings that is allocated to them, to the extent other distributions from Pla-Fit Holdings for the relevant year have been insufficient to cover such liability. Generally, these tax distributions are computed based on the estimated taxable income of Pla-Fit Holdings allocable to the holders of Holdings Units multiplied by an assumed, combined tax rate equal to the maximum rate applicable to an individual or corporation resident in San Francisco, California (taking into account the non-deductibility of certain expenses and the character of the Company s income).

Exchange agreement

Following the Merger and the Reclassification, the Company and the Continuing LLC Owners entered into an exchange agreement under which the Continuing LLC Owners (or certain permitted transferees thereof) have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, along with a corresponding number of shares of Class B common stock, for shares of Class A common stock (or cash at the option of the Company) on a one-for-one basis, subject to customary conversion rate

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adjustments for stock splits, stock dividends, reclassifications and similar transactions. As a Continuing LLC Owner exchanges Holdings Units, along with a corresponding number of shares of Class B common stock, for shares of Class A common stock, the number of Holdings Units held by the Company will increase by a corresponding amount as it acquires the exchanged Holdings Units and cancels a corresponding number of shares of Class B common stock.

Offering transactions

In connection with the completion of the IPO on August 11, 2015, in order to facilitate the disposition of equity interests in Pla-Fit Holdings held by Continuing LLC Owners affiliated with TSG, the Company used the net proceeds received to purchase issued and outstanding Holdings Units from these Continuing LLC Owners that they received in the Reclassification. In connection with the IPO, the Company purchased 10,491,055 issued and outstanding Holdings Units from these Continuing LLC Owners for an aggregate of $156,946. This is in addition to the 26,106,930 Holdings Units that the Company acquired in the Reclassification on a one-for-one basis in relation to the number of shares of Class A common stock issued to the Direct TSG Investors in the Merger. Accordingly, following the IPO, the Company holds 36,597,985 Holdings Units, which is equal to the number of shares of Class A common stock that were issued to the Direct TSG Investors and investors in the IPO. The Direct TSG Investors, who did not receive Holdings Units in the Reclassification but received shares of Class A common stock in the Merger, sold 5,033,945 shares of Class A common stock in the IPO as selling stockholders. All expenses of the IPO, other than underwriter discounts and commissions, were borne by Pla-Fit Holdings or reimbursed by Pla-Fit Holdings to the Company and amounted to $7,697 for the year ended December 31, 2015. These amounts were recorded in selling, general, and administrative expense in the accompanying statements of operations and could not be capitalized and offset against the proceeds from the offering because the Company did not retain any of the proceeds from the IPO.

As a result of the recapitalization transactions and the offering transactions, upon completion of the IPO:

- the investors in the IPO collectively owned 15,525,000 shares of our Class A common, representing 15.7% of the voting power in the Company and, through the Company, 15.7% of the economic interest in Pla-Fit Holdings;
- the Direct TSG Investors own 21,072,985 shares of our Class A common stock, representing 21.4% of the voting power in the Company and, through the Company, 21.4% of the economic interest in Pla-Fit Holdings; and
- the Continuing LLC Owners collectively hold 62,111,755 Holdings Units, representing 62.9% of the economic interest in Pla-Fit Holdings and 62,111,755 shares of our Class B common stock, representing 62.9% of the voting power in the Company.

(14) Equity-based compensation

2013 Equity Incentive Plan

In 2013, the Company s Board of Directors adopted the 2013 Equity Incentive Plan (the 2013 Plan). Under the 2013 Plan, the Company has granted awards in the form of Class M Units to employees and directors of the Company and its subsidiaries. The Class M Units receive distributions (other than tax distributions) only upon a liquidity event, as defined, that exceeds a threshold equivalent to the fair value of the Company, as determined by the Company s Board of Directors, at the grant date. Eighty percent of the awards vest over five years of

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continuous employment or service while the other twenty percent only vest in the event of an initial public offering of the Company s common stock or that of its parent or one of its subsidiaries, subject to the holder of the Class M Units remaining employed or providing services on the date of such initial public offering. All awards include a repurchase option at the election of the Company for the vested portion upon termination of employment or service, and have a ten year contractual term. These awards are accounted for as equity at their fair value as of the grant date.

The fair value of each award was estimated on the date of grant using a Monte Carlo simulation model.

The weighted average assumptions for the grants are provided in the following table. Since the Company s shares were not publicly traded, expected volatility was estimated based on the average historical volatility of similar entities with publicly traded shares. The term was based on the estimated time to a liquidity event. The risk-free rate for the expected term of the M Unit was is based on the U.S. Treasury yield curve at the date of grant.

Valuation assumptions:

	Year ended December 31,	
	2014	**2013**
Expected term (years)	1.70	3.70
Expected volatility	36.8%	39.4%
Risk-free interest rate	0.4%	0.8%
Dividend yield		

During the year ended December 31, 2015, the Company modified the vesting terms of 10.737 outstanding Class M Units such that those units are fully vested and eligible to receive distributions following a liquidity event. In connection with the IPO and related recapitalization transactions as described in Note 1, all of the outstanding Class M Units were converted into Holdings Units and Class B common shares of Planet Fitness, Inc. in accordance with the terms of the awards. The Company s IPO constituted a qualifying event under the terms of the awards and as a result 4,238,338 Holdings Units and corresponding Class B Common shares were issued to the existing Class M Unit holders with a weighted-average grant date fair value of $1.52 per share. The Company recorded $4,731 of compensation expense in the year ended December 31, 2015 related to these awards. The amount of total unrecognized compensation cost related to all awards under this plan was $729 as of December 31, 2015, which is expected to be recognized over a weighted-average period of 2.4 years.

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A summary of Class M Unit activity is presented below:

	Class M Units	Holdings Units	Weighted average grant date fair value
Outstanding at January 1, 2013		$	
Units granted	431.577		
Outstanding at December 31, 2013	431.577		
Units granted	121.051		
Units forfeited	(47.368)		
Outstanding at December 31, 2014	505.260		
Units granted			
Units forfeited	(21.053)		
Units converted upon IPO	(484.207)	4,238,338	1.52
Outstanding at December 31, 2015		4,238,338	1.52
Vested or expected to vest at December 31, 2015		4,238,338	1.52

The weighted average grant-date fair value of the Class M Units vested during the years ended December 31, 2014 and 2013 was $10,047 and $10,656 per unit, respectively. During the years ended December 31, 2014 and 2013, 69.052 and 24.421 units vested, respectively, but were not yet exercisable due to the fact that exercisability was contingent on a liquidity event. No distributions were paid under these awards in 2013 or 2014 and no awards were forfeited in 2013.

2015 Omnibus Incentive Plan

Stock Options

In August 2015, the Company adopted the 2015 Omnibus Incentive Plan (the 2015 Plan) under which the Company may grant options and other equity-based awards to purchase up to 7,896,800 shares to employees, directors and officers. In connection with the IPO, the Company granted options to purchase up to 106,030 shares to certain employees with an exercise price of $16.00 per share. Options to purchase an additional 10,660 shares were granted during the year ended December 31, 2015, with an exercise price of $17.50 per share. All stock options awarded vest annually, on a tranche by tranche basis, over a period of four years.

The fair value of stock option awards granted during the year ended December 31, 2015 was determined on the grant date using the Black-Scholes valuation model based on the following weighted-average assumptions:

Expected term (years)(1)	6.25
Expected volatility(2)	35.4%
Risk-free interest rate(3)	1.82%
Dividend yield(4)	

(1) Expected term represents the estimated period of time until an award is exercised and was determined using the simplified method.

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(2) Expected volatility is based on the historical volatility of a selected peer group over a period equivalent to the expected term.
(3) The risk-free rate is an interpolation of yields on U.S. Treasury securities with maturities equivalent to the expected term.
(4) We have assumed a dividend yield of zero as we have no plans to declare dividends in the foreseeable future.

A summary of stock option activity for the year ended December 31, 2015:

	Stock Options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at beginning of period		$	
Granted	116,690	16.14	
Exercised			
Forfeited	(8,420)	16.00	
Outstanding at December 31, 2015	108,270	$ 16.15	9.6
Vested or expected to vest at December 31, 2015	104,769	$ 16.15	9.6

The weighted-average grant date fair value of stock options granted during the year ended December 31, 2015 was $6.14. During the year ended December 31, 2015, $131 was recorded to selling, general and administrative expense related to these stock options. As of December 31, 2015, there were 108,270 stock options outstanding none of which were exercisable. The aggregate intrinsic value of stock options outstanding as of December 31, 2015 was $0. As of December 31, 2015, total unrecognized compensation expense related to unvested stock options, including an estimate for pre-vesting forfeitures, was $514, which is expected to be recognized over a weighted-average period of 3.6 years.

Restricted stock units

During the year ended December 31, 2015, the Company granted 8,160 restricted Class A stock units (RSUs) to one member of its Board of Directors under the 2015 Plan. The RSUs granted vest in three equal annual installments beginning on first anniversary of the grant date, provided that the recipient continues to serve on the Board of Directors through the vesting dates.

The weighted-average grant date fair value of RSUs granted during the year ended December 31, 2015 was $18.38. During the year ended December 31, 2015, $26 was recorded to selling, general and administrative expense related to these RSUs. As of December 31, 2015, there were 8,160 RSUs outstanding none of which were exercisable. As of December 31, 2015, total unrecognized compensation expense related to unvested RSUs, including an estimate for pre-vesting forfeitures was $124, which is expected to be recognized over a weighted-average period of 2.7 years.

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(15) Earnings per share

Basic earnings per share of Class A common stock is computed by dividing net income attributable to Planet Fitness, Inc. for the period from August 6, 2015 through December 31, 2015, the period following the recapitalization transactions and IPO, by the weighted-average number of shares of Class A common stock outstanding during the same period. Diluted earnings per share of Class A common stock is computed by dividing net income attributable to Planet Fitness, Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities. There were no shares of Class A or Class B common stock outstanding prior to August 6, 2015, therefore no earnings per share information has been presented for any period prior to that date.

Shares of the Company s Class B common stock do not share in the earnings or losses attributable to Planet Fitness, Inc. and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented. Shares of the Company s Class B common stock are, however, considered potentially dilutive shares of Class A common stock because shares of Class B common stock, together with the related Holdings Units, are exchangeable into shares of Class A common stock on a one-for-one basis.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock:

Basic net income per share:		**August 6, 2015 through December 31, 2015**
Numerator		
Net income	$	23,454
Less: net income attributable to non-controlling interests		19,348
Net income attributable to Planet Fitness, Inc.	$	4,106
Denominator		
Weighted-average shares of Class A common stock outstanding basic		36,243,557
Earnings per share of Class A common stock basic	$	0.11

Class B common stock was evaluated under the if-converted method for potential dilutive effects and were determined to be anti-dilutive. Stock options in the amount of 108,270 and restricted stock units in the amount of 8,160 were evaluated under the treasury stock method for potential dilutive effects and were determined to be anti-dilutive.

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(16) Income taxes

Income before the provision for income taxes as shown in the accompanying consolidated statements of operations is as follows:

	Year Ended December 31,		
	2015	2014	2013
Domestic	$ 48,716	$ 39,534	$ 26,432
Foreign	(1,438)	(1,056)	
Total current tax expense	47,278	38,478	26,432

The provision (benefit) for income taxes consists of the following:

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	$ 686	$	$
State	2,188	1,078	2,063
Foreign	139	168	
Total current tax expense	3,013	1,246	2,063
Deferred:			
Federal	5,636		
State	935	217	(1,430)
Foreign	(436)	(280)	
Total deferred tax (benefit) expense	6,135	(63)	(1,430)
Provision for income taxes	$ 9,148	$ 1,183	$ 633

As a result of the recapitalization transactions, the Company became the sole managing member of Pla-Fit Holdings, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Pla-Fit Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by Pla-Fit Holdings is passed through to and included in the taxable income or loss of its members, including the Company following the recapitalization transactions, on a pro rata basis. Planet Fitness, Inc. is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income of Pla-Fit Holdings following the recapitalization transactions. The Company is also subject to taxes in foreign jurisdictions.

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A reconciliation of the U.S. statutory income tax rate to the Company s effective tax rate is as follows:

	Year Ended December 31, 2015
U.S. statutory tax rate	35.0%
State and local taxes, net of federal benefit	6.2%
Rate change on deferred tax asset from recapitalization	6.9%
Tax benefit arrangement liability adjustment	(2.1)%
Foreign tax rate differential	0.3%
Withholding taxes and other	0.2%
Income attributable to non-controlling interests	(27.1)%
Effective tax rate	19.4%

The Company incurs U.S. federal and state income taxes on its 37.1% share of income flowed through from Pla-Fit Holdings. Our effective tax rate on such income was approximately 39.4%. The provision for income taxes also reflects an effective state tax rate of 2.5% applied to non-controlling interests, representing the remaining 62.9% of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the accompanying consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years. Details of the Company s deferred tax assets and liabilities are summarized as follows:

	Year Ended December 31,	
	2015	2014
Deferred tax assets:		
Accrued expense and reserves	$ 353	$ 75
Deferred revenue	1,276	182
Goodwill and intangible assets	113,460	
Net operating loss	716	280
Other	2,841	85
Deferred tax assets	$ 118,646	$ 622
Deferred tax liabilities:		
Prepaid expenses	(674)	(94)
Goodwill and intangible assets		(717)

Property and equipment	(614)	(154)
Total deferred tax liabilities	$ (1,288)	$ (965)
Total deferred tax assets and liabilities	$ 117,358	$ (343)

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The Company has net operating loss carryforwards related to its Canada operations of approximately $716, which begin to expire in 2034. It is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

As of December 31, 2015 and 2014, the total liability related to uncertain tax positions is $300. The amount of unrecognized tax benefit, if recognized, would reduce income tax expense by $300. The Company does not expect the amount of unrecognized tax benefits to change materially in the next twelve months. The Company recognizes interest accrued and penalties, if applicable, related to unrecognized tax benefits in income tax expense. Interest and penalties for the year ended December 31, 2015 were not material.

Tax benefit arrangements

The Company s acquisition of Holdings Units in connection with the IPO and future and certain past exchanges of Holdings Units for shares of the Company s Class A common stock (or cash at the option of the Company) are expected to produce and have produced favorable tax attributes. In connection with the IPO, the Company entered into two tax receivable agreements. Under the first of those agreements, the Company generally is required to pay to the Continuing LLC Owners 85% of the applicable tax savings, if any, in U.S. federal and state income tax that the Company is deemed to realize as a result of certain tax attributes of their Holdings Units sold to the Company (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of Class A common stock and (ii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest). Under the second tax receivable agreement, the Company generally is required to pay to the Direct TSG Investors 85% of the amount of tax savings, if any, that the Company is deemed to realize as a result of the tax attributes of the Holdings Units held in respect of the Direct TSG Investors interest in the Company, which resulted from the Direct TSG Investors purchase of interests in Pla-Fit Holdings in 2012, and certain other tax benefits. Under both agreements, the Company generally retains the benefit of the remaining 15% of the applicable tax savings. Also, pursuant to the exchange agreement (see Note 13), to the extent an exchange results in Pla-Fit Holdings, LLC incurring a current tax liability relating to the New Hampshire business profits tax, the Continuing LLC Owners have agreed that they will contribute to Pla-Fit Holdings, LLC an amount sufficient to pay such tax liability (up to 3.5% of the value received upon exchange). If and when the Company subsequently realizes a related tax benefit, Pla-Fit Holdings, LLC will distribute the amount of any such tax benefit to the relevant Continuing LLC Owner in respect of its contribution. The Company recorded other income of $2,549 in the year ended December 31, 2015 reflecting a reduction in the tax benefit obligation attributable to a reduction in the expected related tax benefits. The tax benefit obligation was $140,191 as of December 31, 2015.

Projected future payments under the tax benefit arrangements are as follows:

	Amount
2016	$ 3,019
2017	7,125
2018	7,072
2019	7,125
2020	7,321
Thereafter	108,529
Total	$ 140,191

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(17) Commitments and contingencies

(a) Operating lease commitments

The Company rents equipment, office, and warehouse space at various locations in the United States and Canada under noncancelable operating leases. Rental expense was $18,186, $16,980, and $13,830 for the years ended December 31, 2015, 2014 and 2013, respectively. Approximate annual future commitments under noncancelable operating leases as of December 31, 2015 are as follows:

	Amount
2016	$ 13,272
2017	12,700
2018	11,738
2019	10,325
2020	9,245
Thereafter	44,802
Total	$ 102,082

(b) Legal matters

From time to time, and in the ordinary course of business, the Company is subject to various claims, charges, and litigation, such as employment-related claims and slip and fall cases. The Company is not currently aware of any legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company s financial position or result of operations.

(c) Purchase commitments

As of December 31, 2015, the Company had advertising purchase commitments of approximately $15,530, including commitments made by the NAF. In addition, the Company had open purchase orders of approximately $14,361 primarily related to equipment to be sold to franchisees.

(d) Guarantees

The Company has guaranteed certain leases and debt agreements of entities that were previously related through common ownership. These guarantees relate to leases for operating space, equipment, and other operating costs of franchises operated by the related entities. The Company s maximum obligation, as a result of its guarantees of leases and debt, is approximately $1,871 and $2,896 as of December 31, 2015 and 2014, respectively, and would only require payment upon default by the primary obligor. The Company has determined the fair value of these guarantees at inception is not material, and as of December 31, 2015 and 2014, no accrual has been recorded for the Company s potential obligation under its guaranty arrangement.

(e) Performance incentive plan

During 2013, the Company adopted the 2013 Performance Incentive Plan, which called for pre-determined bonuses to be paid to employees of the Company upon a future liquidity event of the Company, including an initial public offering that exceeds a predetermined threshold. In connection with the IPO, the Company paid bonuses and recorded expense of $1,688 related to this plan, which are included in selling, general and administrative expense in the accompanying statement of operations.

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(18) Retirement Plan

The Company maintains a 401(k) deferred tax savings plan (the Plan) for eligible employees. The Plan provides for the Company to make an employer matching contribution currently equal to 100% of employee deferrals up to a maximum of 4% of each eligible participating employees wages. Total employer matching contributions expensed in the consolidated statements of operations were approximately $384, $211, and $214 for the years ended December 31, 2015, 2014, and 2013, respectively.

(19) Segments

The Company has three reportable segments: (i) Franchise; (ii) Corporate-owned stores; and (iii) Equipment.

The Company s operations are organized and managed by type of products and services and segment information is reported accordingly. The Company s chief operating decision maker (the CODM) is its Chief Executive Officer. The CODM reviews financial performance and allocates resources by reportable segment. There have been no operating segments aggregated to arrive at the Company s reportable segments.

The Franchise segment includes operations related to the Company s franchising business in the United States, Puerto Rico, Canada, and Dominican Republic. The Corporate-owned stores segment includes operations with respect to all Corporate-owned stores throughout the United States and Canada. The Equipment segment includes the sale of equipment to franchisee-owned stores.

The accounting policies of the reportable segments are the same as those described in Note 2. The Company evaluates the performance of its segments and allocates resources to them based on revenue and earnings before interest, taxes, depreciation, and amortization, referred to as Segment EBITDA. Revenues for all operating segments include only transactions with unaffiliated customers and include no intersegment revenues.

The tables below summarize the financial information for the Company s reportable segments for the years ended December 31, 2015, 2014 and 2013. The Corporate and other column, as it relates to Segment EBITDA, primarily includes corporate overhead costs, such as payroll and related benefit costs and professional services which are not directly attributable to any individual segment.

	Year Ended December 31,		
	2015	**2014**	**2013**
Revenue			
Franchise segment revenue U.S.	$ 87,299	$ 71,806	$ 44,157
Franchise segment revenue International	786		
Franchise segment total	88,085	71,806	44,157
Corporate-owned stores segment U.S.	95,459	85,022	67,364
Corporate-owned stores segment International	2,931	19	
Corporate-owned stores segment total	98,390	85,041	67,364
Equipment segment U.S.	144,062	122,930	99,488

Equipment segment total	144,062	122,930	99,488
Total revenue	$ 330,537	$ 279,777	$ 211,009

Planet Fitness, Inc. and subsidiaries

Notes to Consolidated financial statements

(Amounts in thousands, except share and per share amounts)

Franchise segment revenue includes franchise revenue and commission income.

Franchise revenue includes revenue generated from placement services of $9,806, $8,450, and $6,315 for the years ended December 31, 2015, 2014 and 2013, respectively.

	Year Ended December 31,		
	2015	**2014**	**2013**
Segment EBITDA			
Franchise	$ 66,030	$ 53,109	$ 30,123
Corporate-owned stores	36,070	31,705	21,742
Equipment	31,936	26,447	19,791
Corporate and other	(30,051)	(18,642)	(7,504)
Total Segment EBITDA	$ 103,985	$ 92,619	$ 64,152

The following table reconciles total Segment EBITDA to income before taxes:

	Year Ended December 31,		
	2015	**2014**	**2013**
Total Segment EBITDA	$ 103,985	$ 92,619	$ 64,152
Less:			
Depreciation and amortization	32,158	32,341	28,808
Other expense	(275)	(1,261)	(694)
Income from operations	72,102	61,539	36,038
Interest expense, net	(24,549)	(21,800)	(8,912)
Other expense	(275)	(1,261)	(694)
Income before income taxes	$ 47,278	$ 38,478	$ 26,432

The following table summarizes the Company s assets by reportable segment:

	December 31,	December 31,

	2015	2014
Franchise	$ 206,997	$ 216,985
Corporate-owned stores	151,620	157,868
Equipment	208,168	220,367
Unallocated	132,392	6,762
Total consolidated assets	$ 699,177	$ 601,982

The table above includes $3,149 and $2,011 of long-lived assets located in the Company s international corporate-owned stores as of December 31, 2015 and 2014, respectively. Assets by segment as of December 31, 2014 has been adjusted to be consistent with the Company s current presentation of certain intercompany amounts by segment.

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Planet Fitness, Inc. and subsidiaries

Notes to Consolidated financial statements

(Amounts in thousands, except share and per share amounts)

The following table summarizes the Company s goodwill by reportable segment:

	December 31, 2015	December 31, 2014
Franchise	$ 16,938	$ 16,938
Corporate-owned stores	67,377	67,377
Equipment	92,666	92,666
Total consolidated goodwill	$ 176,981	$ 176,981

(20) Corporate-owned and franchisee-owned stores

The following table shows changes in our corporate-owned and franchisee-owned stores for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
	2015	2014	2013
Franchisee-owned stores:			
Stores operated at beginning of period	863	704	562
New stores opened	206	169	148
Stores debranded, sold or consolidated[(1)]	(3)	(10)	(6)
Stores operated at end of period	1,066	863	704
Corporate-owned stores:			
Stores operated at beginning of period	55	45	44
New stores opened	3	2	1
Stores acquired from franchisees		8	
Stores operated at end of period	58	55	45
Total stores:			
Stores operated at beginning of period	918	749	606
New stores opened	209	171	149
Stores debranded, sold or consolidated[(1)]	(3)	(2)	(6)
Stores operated at end of period	1,124	918	749

(1) The term debrand refers to a franchisee-owned store whose right to use the Planet Fitness brand and marks has been terminated due to non-compliance with brand standards in accordance with the franchise agreement. We retain the right to prevent debranded stores from continuing to operate as fitness centers. The term consolidated refers to the combination of a franchisee s store with another store located in close proximity with our prior approval. This often coincides with an enlargement, re-equipment and/or refurbishment of the remaining store.

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Planet Fitness, Inc. and subsidiaries

Notes to Consolidated financial statements

(Amounts in thousands, except share and per share amounts)

(21) Quarterly financial data (unaudited)

				For the quarter ended
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Total revenue	$ 76,923	$ 78,952	$ 68,817	$ 105,845
Income from operations	14,304	18,667	10,338	28,793
Net income	8,541	11,612	737	17,240

Earnings per share[(1)]:	August 6 through September 30, 2015	For the quarter ended December 31, 2015
Class A Basic	$ 0.05	$ 0.06
Class A Diluted	$ 0.04	$ 0.06

				For the quarter ended
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Total revenue	$ 57,594	$ 62,697	$ 63,467	$ 96,019
Income from operations	13,539	14,706	13,956	19,338
Net income	6,259	8,950	8,303	13,783

(1) Represents earnings per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the periods from August 6, 2015 through September 30, 2015 and the quarter ended December 31, 2015, the periods following the recapitalization transactions and IPO (see Note 15).

(22) Pro forma financial information (unaudited)

The unaudited pro forma financial information reflects the effects of the recapitalization transactions and the IPO on the allocation of pro forma net income between noncontrolling interests and Planet Fitness, Inc. for the year ended December 31, 2015. After the recapitalization transactions and the IPO, Planet Fitness Inc. held a 37.1% economic ownership in Pla-Fit Holdings, LLC, and as such, 62.9% of pro forma net income is attributable to the noncontrolling interests.

The unaudited pro forma financial information also reflects an adjustment to the provision for income taxes to reflect an effective tax rate of 39.4%, applied to the 37.1% portion of income before taxes, excluding income from variable interest entities, that represents the economic interest in Pla-Fit Holdings, LLC held by Planet Fitness Inc. upon completion of recapitalization transactions and the IPO. The unaudited pro forma financial information also reflects an effective tax rate of 2.5% applied to noncontrolling interests representing the remaining 62.9%

portion of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings, LLC. The sum of these amounts represents total pro forma provision for income taxes of $10,036 for the year ended December 31, 2015.

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Planet Fitness, Inc. and subsidiaries

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(Amounts in thousands, except share and per share amounts)

The unaudited pro forma net income per share has been prepared using pro forma net income, as set forth above, which reflects the pro forma effects on provision for income taxes and the allocation of pro forma net income between noncontrolling interests and Planet Fitness, Inc., resulting from the recapitalization transactions and the IPO divided by pro forma weighted average shares outstanding which includes Class A common stock of Planet Fitness, Inc. outstanding after the recapitalization transactions and the IPO.

		Year ended December 31, 2015
Pro forma net income attributable to Planet Fitness, Inc.	$	6,405
Pro forma weighted average shares of Class A common stock basic and diluted		36,598
Pro forma net income per share basic and diluted	$	0.17

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Planet Fitness, Inc. and subsidiaries

Condensed consolidated balance sheets

(Unaudited)

(Amounts in thousands, except per share amounts)

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 38,268	$ 31,430
Accounts receivable, net of allowance for bad debts of $637 and $629 at March 31, 2016 and December 31, 2015, respectively	10,446	19,079
Due from related parties	1,005	4,940
Inventory	1,476	4,557
Restricted assets national advertising fund	5,300	1,962
Other current assets	12,318	10,977
Total current assets	68,813	72,945
Property and equipment, net of accumulated depreciation of $25,197 as of March 31, 2016 and $23,525 as of December 31, 2015	54,302	56,139
Intangible assets, net	268,679	273,619
Goodwill	176,981	176,981
Deferred income taxes	115,523	117,358
Other assets, net	1,368	2,135
Total assets	$ 685,666	$ 699,177
Liabilities and stockholders equity (deficit)		
Current liabilities:		
Current maturities of long-term debt	$ 5,100	$ 5,100
Accounts payable	10,090	23,950
Accrued expenses	9,853	13,667
Equipment deposits	5,253	5,587
Deferred revenue, current	15,477	14,717
Payable to related parties pursuant to tax benefit arrangements, current	5,870	3,019
Other current liabilities	253	212
Total current liabilities	51,896	66,252
Long-term debt, net of current maturities	478,875	479,779
Deferred rent, net of current portion	4,665	4,554
Deferred revenue, net of current portion	10,277	12,016
Payable to related parties pursuant to tax benefit arrangements, net of current portion	132,208	137,172
Other liabilities	484	484
Total noncurrent liabilities	626,509	634,005
Commitments and contingencies (note 11)		
Stockholders equity (deficit):		

Class A common stock, $.0001 par value 300,000 shares authorized, 36,598 shares issued and outstanding as of March 31, 2016 and December 31, 2015	4	4
Class B common stock, $.0001 par value 100,000 shares authorized, 62,067 shares issued and outstanding as of March 31, 2016, and 62,112 shares issued and outstanding as of December 31, 2015	6	6
Accumulated other comprehensive loss	(2,387)	(1,710)
Additional paid in capital	577	352
Accumulated deficit	(11,805)	(14,032)
Total stockholders deficit attributable to Planet Fitness Inc.	(13,605)	(15,380)
Non-controlling interests	20,866	14,300
Total stockholders equity (deficit)	7,261	(1,080)
Total liabilities and stockholders equity (deficit)	$ 685,666	$ 699,177

See accompanying notes to condensed consolidated financial statements.

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Planet Fitness, Inc. and subsidiaries

Condensed consolidated statements of operations

(Unaudited)

(Amounts in thousands, except per share amounts)

	For the three months ended March 31, 2016	2015
Revenue:		
Franchise	$ 21,491	$ 16,967
Commission income	6,186	4,790
Corporate-owned stores	25,697	23,546
Equipment	29,969	31,619
Total revenue	83,343	76,922
Operating costs and expenses:		
Cost of revenue	23,639	25,946
Store operations	14,732	14,341
Selling, general and administrative	11,845	14,138
Depreciation and amortization	7,703	8,201
Other gain	(186)	(6)
Total operating costs and expenses	57,733	62,620
Income from operations	25,610	14,302
Other expense, net:		
Interest expense, net	(6,367)	(4,756)
Other income (expense)	393	(736)
Total other expense, net	(5,974)	(5,492)
Income before income taxes	19,636	8,810
Provision for income taxes	3,291	272
Net income	16,345	8,538
Less net income attributable to non-controlling interests	12,977	113
Net income attributable to Planet Fitness, Inc.	$ 3,368	$ 8,425
Net income per share of Class A common stock(1):		
Basic and diluted	$ 0.09	
Weighted-average shares of Class A common stock outstanding(1):		
Basic and diluted	36,598	
Pro forma financial information (note 15)		

Income before taxes	$ 8,810
Pro forma provision for income taxes	1,190
Pro forma net income	7,620
Pro forma net income attributable to noncontrolling interests	6,205
Pro forma net income attributable to Planet Fitness, Inc.	$ 1,415
Pro forma net income per share information (note 15)	
Pro forma net income per share of Class A common stock	
Basic and diluted	$ 0.04
Pro forma weighted average shares of Class A common stock outstanding (in thousands)	
Basic and diluted	36,598

(1) Represents earnings per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the period following the recapitalization transactions and IPO (see Note 9).

See accompanying notes to condensed consolidated financial statements.

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Planet Fitness, Inc. and subsidiaries

Condensed consolidated statements of comprehensive income (loss)

(Unaudited)

(Amounts in thousands)

	For the three months ended March 31,	
	2016	**2015**
Net income including non-controlling interests	$ 16,345	$ 8,538
Other comprehensive income (loss), net:		
Unrealized loss on interest rate caps, net of tax	(583)	(779)
Foreign currency translation adjustments	(93)	101
Total other comprehensive loss, net	(676)	(678)
Total comprehensive income including non-controlling interests	15,669	7,860
Less: total comprehensive income attributable to non-controlling interests	12,491	113
Total comprehensive income attributable to Planet Fitness, Inc.	$ 3,178	$ 7,747

See accompanying notes to condensed consolidated financial statements.

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Planet Fitness, Inc. and subsidiaries

Condensed consolidated statements of cash flows

(Unaudited)

(Amounts in thousands)

	For the three months ended March 31,	
	2016	**2015**
Cash flows from operating activities:		
Net income	$ 16,345	$ 8,538
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,703	8,201
Amortization of deferred financing costs	371	305
Amortization of favorable leases and asset retirement obligations	99	113
Amortization of interest rate caps	75	
Deferred tax expense	1,354	7
Provision for bad debts	7	11
Gain on disposal of property and equipment	(186)	(6)
Equity-based compensation	576	
Changes in operating assets and liabilities, excluding effects of acquisitions:		
Accounts receivable	8,864	9,792
Notes receivable and due from related parties	3,544	50
Inventory	3,081	1,001
Other assets and other current assets	(4,632)	422
Accounts payable and accrued expenses	(16,202)	(16,745)
Other liabilities and other current liabilities	30	15
Income taxes	(2,314)	290
Payable to related parties pursuant to tax benefit arrangements	(2,113)	
Equipment deposits	(334)	(230)
Deferred revenue	(1,091)	(717)
Deferred rent	85	992
Net cash provided by operating activities	15,262	12,039
Cash flows from investing activities:		
Additions to property and equipment	(865)	(5,326)
Proceeds from sale of property and equipment	20	6
Net cash used in investing activities	(845)	(5,320)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt		120,000
Principal payments on capital lease obligations	(12)	(140)
Repayment of long-term debt	(1,275)	(975)
Payment of deferred financing and other debt-related costs		(1,698)
Distributions to Continuing LLC Members	(6,411)	(139,688)
Net cash used in financing activities	(7,698)	(22,501)
Effects of exchange rate changes on cash and cash equivalents	119	23

Net increase (decrease) in cash and cash equivalents		6,838		(15,759)
Cash and cash equivalents, beginning of period		31,430		43,291
Cash and cash equivalents, end of period	$	38,268	$	27,532
Supplemental cash flow information:				
Net cash paid for income taxes	$	4,336	$	211
Cash paid for interest	$	5,815	$	4,614
Non-cash investing activities:				
Non-cash additions to property and equipment	$	170	$	384
Non-cash financing activities:				
Unsettled distributions to members	$		$	7,496

See accompanying notes to condensed consolidated financial statements.

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Planet Fitness, Inc. and subsidiaries

Notes to Condensed Consolidated financial statements

(Unaudited)

(Amounts in thousands, except share and per share amounts)

(1) Business organization

Planet Fitness, Inc. (the Company), through its subsidiaries, is a franchisor and operator of fitness centers, with more than 8.3 million members and 1,171 owned and franchised locations (referred to as stores) in 47 states, the District of Columbia, Puerto Rico, Canada and the Dominican Republic as of March 31, 2016.

The Company serves as the reporting entity for its various subsidiaries that operate three distinct lines of business:

- Licensing and selling franchises under the Planet Fitness trade name.
- Owning and operating fitness centers under the Planet Fitness trade name.
- Selling fitness-related equipment to franchisee-owned stores.

The Company was formed as a Delaware corporation on March 16, 2015 for the purpose of facilitating an initial public offering (the IPO) which was completed on August 11, 2015 and related transactions in order to carry on the business of Pla-Fit Holdings, LLC and its subsidiaries (Pla-Fit Holdings). As of August 5, 2015, in connection with the recapitalization transactions that occurred prior to the IPO, the Company became the sole managing member and holder of 100% of the voting power of Pla-Fit Holdings and 37.1% of the economic interest. Pla-Fit Holdings owns 100% of Planet Intermediate, LLC which has no operations but is the 100% owner of Planet Fitness Holdings, LLC, a franchisor and operator of fitness centers. With respect to the Company, Pla-Fit Holdings and Planet Intermediate, LLC, each entity owns nothing other than the respective entity below it in the corporate structure and each entity has no other material operations.

Subsequent to the IPO and the related recapitalization transactions, the Company is a holding company whose principal asset is a controlling equity interest in Pla-Fit Holdings. As the sole managing member of Pla-Fit Holdings, the Company operates and controls all of the business and affairs of Pla-Fit Holdings, and through Pla-Fit Holdings, conducts its business. As a result, the Company consolidates Pla-Fit Holdings financial results and reports a non-controlling interest related to the portion of limited liability company units of Pla-Fit Holdings, LLC (Holdings Units) not owned by the Company. As of March 31, 2016, the Company owned 100% of the voting interest, and 37.1% of the economic interest of Pla-Fit Holdings. As future exchanges of Holdings Units occur, the economic interest in Pla-Fit Holdings held by Planet Fitness, Inc. will increase.

The recapitalization transactions are considered transactions between entities under common control. As a result, the financial statements for periods prior to the IPO and the recapitalization transactions are the financial statements of Pla-Fit Holdings as the predecessor to the Company for accounting and reporting purposes. Unless otherwise specified, the Company refers to both Planet Fitness, Inc. and Pla-Fit Holdings throughout the remainder of these notes.

(2) Summary of significant accounting policies

(a) Basis of presentation and consolidation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange

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Planet Fitness, Inc. and subsidiaries

Notes to Condensed Consolidated financial statements

(Unaudited)

(Amounts in thousands, except share and per share amounts)

Commission (the SEC). Accordingly, these interim financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented have been reflected. All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements as of and for the three months ended March 31, 2016 are unaudited. The condensed consolidated balance sheet as of December 31, 2015 has been derived from the audited financial statements at that date but does not include all of the disclosures required by U.S. GAAP. These interim condensed consolidated financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2015 (the Annual Report) filed with the SEC on March 4, 2016. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

As discussed in Note 1, as a result of the recapitalization transactions, Planet Fitness, Inc. consolidates Pla-Fit Holdings and Pla-Fit Holdings is considered to be the predecessor to Planet Fitness, Inc. for accounting and reporting purposes. The Company also consolidates entities in which it has a controlling financial interest, the usual condition of which is ownership of a majority voting interest. The Company also considers for consolidation certain interests where the controlling financial interest may be achieved through arrangements that do not involve voting interests. Such an entity, known as a variable interest entity (VIE), is required to be consolidated by its primary beneficiary. The primary beneficiary of a VIE is considered to possess the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the rights to receive benefits from the VIE that are significant to it. The principal entities in which the Company possesses a variable interest include franchise entities and certain other entities. The Company is not deemed to be the primary beneficiary for Planet Fitness franchise entities. Therefore, these entities are not consolidated.

The results of the Company have been consolidated with Matthew Michael Realty LLC (MMR) and PF Melville LLC (PF Melville) based on the determination that the Company is the primary beneficiary with respect to these VIEs. These entities are real estate holding companies that derive a majority of their financial support from the Company through lease agreements for corporate stores. See Note 3 for further information related to the Company s VIEs.

(b) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant areas where estimates and judgments are relied upon by management in the preparation of the consolidated financial statements include revenue recognition, valuation of assets and liabilities in connection with acquisitions, valuation of equity-based compensation awards, the evaluation of the recoverability of goodwill and long-lived assets, including intangible assets, income taxes, including deferred tax assets and liabilities and reserves for unrecognized tax benefits, and the liability for the Company s tax benefit arrangements.

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Planet Fitness, Inc. and subsidiaries

Notes to Condensed Consolidated financial statements

(Unaudited)

(Amounts in thousands, except share and per share amounts)

(c) Fair Value

ASC 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The table below presents information about the Company s assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015:

	Total fair value at March 31, 2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate caps	$ 376	$	$ 376	$

	Total fair value at December 31, 2015	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate caps	$ 1,147	$	$ 1,147	$

(d) Recent accounting pronouncements

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers,* in September 2014. This guidance requires that an entity recognize revenue to depict the transfer of a promised good or service to its customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for such transfer. This guidance also specifies accounting for certain costs incurred by an entity to obtain or fulfill a contract with a customer and provides for enhancements to revenue specific disclosures intended to allow users of the financial statements to clearly understand the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity s contracts with its customers. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017 for public companies. In March 2016, the FASB issued ASU 2016-08, which further clarifies the implementation guidance on principal versus agent considerations contained in ASU 2014-09. This guidance is to be applied either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact, if any, the adoption of this guidance will have on its consolidated financial statements.

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Planet Fitness, Inc. and subsidiaries

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(Unaudited)

(Amounts in thousands, except share and per share amounts)

The FASB issued ASU No. 2015-02, *Income Statement Consolidation*, in February 2015. This guidance affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the guidance 1) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, 2) eliminates the presumption that a general partner should consolidate a limited partnership, 3) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and 4) provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company adopted ASU No. 2015-02 as of January 1, 2016, noting no material impact to the consolidated financial statements.

The FASB issued ASU No. 2015-05: *Intangibles Goodwill and Other Internal-Use Software: Customer s Accounting for Fees Paid in a Cloud Computing Arrangement*, in April 2015. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the update specifies that the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. The update further specifies that the customer should account for a cloud computing arrangement as a service contract if the arrangement does not include a software license. The guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company adopted ASU No. 2015-05 as of January 1, 2016 on a prospective basis, noting no material impact to the consolidated financial statements.

The FASB issued ASU No. 2016-02, *Leases*, in February 2016. This guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public companies. Early application of the amendments in this update is permitted for all entities. The Company is currently evaluating the effect that implementation of this guidance will have on its consolidated financial statements.

The FASB issued ASU No. 2016-09, *Stock Compensation*, in March 2016. This guidance is intended to simplify several aspects of the accounting for share-based payment award transactions. This guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within that year. The Company is currently evaluating the effect of the standard on its consolidated financial statements.

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Planet Fitness, Inc. and subsidiaries

Notes to Condensed Consolidated financial statements

(Unaudited)

(Amounts in thousands, except share and per share amounts)

(3) Variable interest entities

The carrying values of VIEs included in the consolidated financial statements as of March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016		December 31, 2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
PF Melville	$ 3,790	$	$ 3,728	$
MMR	3,025		2,953	
Total	$ 6,815	$	$ 6,681	$

The Company also has variable interests in certain franchisees mainly through the guarantee of certain debt and lease agreements as well as financing provided by the Company and by certain related parties to franchisees. The Company s maximum obligation, as a result of its guarantees of leases and debt, is approximately $1,730 and $1,871 as of March 31, 2016 and December 31, 2015, respectively.

The amount of the Company s maximum obligation represents a loss that the Company could incur from the variability in credit exposure without consideration of possible recoveries through insurance or other means. In addition, the amount bears no relation to the ultimate settlement anticipated to be incurred from the Company s involvement with these entities, which is estimated at $0.

(4) Goodwill and intangible assets

A summary of goodwill and intangible assets at March 31, 2016 and December 31, 2015 is as follows:

March 31, 2016	**Weighted average amortization period (years)**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying Amount**
Customer relationships	11.1	$ 171,782	(61,469)	$ 110,313
Noncompete agreements	5.0	14,500	(9,852)	4,648
Favorable leases	7.5	2,935	(1,354)	1,581
Order backlog	0.4	3,400	(3,400)	
Reacquired franchise rights	5.8	8,950	(3,113)	5,837
		201,567	(79,188)	122,379
Indefinite-lived intangible:				

Trade and brand names	N/A	146,300		146,300
Total intangible assets		$ 347,867	$ (79,188)	$ 268,679
Goodwill		$ 176,981	$	$ 176,981

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Planet Fitness, Inc. and subsidiaries

Notes to Condensed Consolidated financial statements

(Unaudited)

(Amounts in thousands, except share and per share amounts)

December 31, 2015	Weighted average amortization period (years)	Gross carrying amount	Accumulated amortization	Net carrying Amount
Customer relationships	11.1	$ 171,782	$ (57,741)	$ 114,041
Noncompete agreements	5.0	14,500	(9,127)	5,373
Favorable leases	7.5	2,935	(1,256)	1,679
Order backlog	0.4	3,400	(3,400)	
Reacquired franchise rights	5.8	8,950	(2,724)	6,226
		201,567	(74,248)	127,319
Indefinite-lived intangible:				
Trade and brand names	N/A	146,300		146,300
Total intangible assets		$ 347,867	$ (74,248)	$ 273,619
Goodwill		$ 176,981	$	$ 176,981

The Company determined that no impairment charges were required during any periods presented.

Amortization expense related to the intangible assets totaled $4,940 and $5,383 for the three months ended March 31, 2016 and 2015, respectively. Included within these total amortization expense amounts are $99 and $113 related to amortization of favorable and unfavorable leases for the three months ended March 31, 2016 and 2015, respectively. Amortization of favorable and unfavorable leases is recorded within store operations as a component of rent expense in the consolidated statements of operations. The anticipated annual amortization expense to be recognized in future years as of March 31, 2016 is as follows:

	Amount
Remainder of 2016	$ 14,816
2017	18,215
2018	14,583
2019	14,215
2020	12,517
Thereafter	48,033
Total	$ 122,379

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(5) Long-term debt

Long-term debt as of March 31, 2016 and December 31, 2015 consists of the following:

	March 31, 2016	December 31, 2015
Term loan B requires quarterly installments plus interest through the term of the loan, maturing March 31, 2021. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the borrower (4.50% at March 31, 2016 and 4.75% at December 31, 2015)	$ 491,000	$ 492,275
Revolving credit line, requires interest only payments through the term of the loan, maturing March 31, 2019. Outstanding borrowings bear interest at LIBOR or base rate (as defined) plus a margin at the election of the borrower (4.25% at March 31, 2016 and December 31, 2015)		
Total debt, excluding deferred financing costs	491,000	492,275
Deferred financing costs, net of accumulated amortization	(7,025)	(7,396)
Total debt	483,975	484,879
Current portion of long-term debt and line of credit	5,100	5,100
Long-term debt, net of current portion	$ 478,875	$ 479,779

Future annual principal payments of long-term debt as of March 31, 2016 are as follows:

	Amount
Remainder of 2016	$ 3,825
2017	5,100
2018	5,100
2019	5,100
2020	5,100
Thereafter	466,775
Total	$ 491,000

(6) Derivative instruments and hedging activities

The Company utilizes interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on its variable-rate debt instruments. The Company does not enter into derivative instruments for any purpose other than cash flow hedging. The Company does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is an asset, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is a liability,

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the Company owes the counterparty and, therefore, the Company is not exposed to the counterparty s credit risk in those circumstances. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is higher than A1/A+ at the inception of the derivative transaction. The derivative instruments entered into by the Company do not contain credit-risk-related contingent features.

Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Company assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company monitors interest rate risk attributable to both the Company s outstanding or forecasted debt obligations as well as the Company s offsetting hedge positions.

In September 2014 and September 2015, the Company entered into a series of interest rate caps. As of March 31, 2016, the Company had interest rate cap agreements with notional amounts of $224,000 outstanding that were entered into in order to hedge LIBOR greater than 1.5%.

The interest rate cap balances of $376 and $1,147 were recorded within other assets in the condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015, respectively. These amounts have been measured at fair value and are considered to be a Level 2 fair value measurement. The Company recorded a reduction to the value of its interest rate caps of $583, net of tax of $113, within other comprehensive loss during the three months ended March 31, 2016.

As of March 31, 2016, the Company does not expect to reclassify any amounts included in accumulated other comprehensive income (loss) into earnings during the next 12 months. Transactions and events expected to occur over the next 12 months that will necessitate reclassifying these derivatives loss to earnings include the re-pricing of variable-rate debt.

(7) Related party transactions

Amounts due from related parties consist of:

	March 31, 2016	December 31, 2015
Accounts receivable related entities	$ 47	$ 39
Accounts receivable stockholders/members	958	4,901
Due from related parties	$ 1,005	$ 4,940

Amounts due from stockholders/members as of March 31, 2016 and December 31, 2015 relate to reimbursements for certain taxes owed or paid by the Company.

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Activity with entities considered to be related parties is summarized below:

	For the three months ended March 31,	
	2016	**2015**
Franchise revenue	$ 421	$ 262
Equipment revenue	593	55
Total revenue from related parties	$ 1,014	$ 317

The Company paid management fees to TSG Consumer Partners, LLC (TSG) totaling $0 and $265 during the three months ended March 31, 2016 and 2015, respectively. In connection with the IPO, the management agreement with TSG was terminated.

(8) Stockholder s equity

The recapitalization transactions

We refer to the Merger, Reclassification and entry into the Exchange agreement, each as described below, as the recapitalization transactions. The Merger was effected pursuant to a merger agreement by and among the Company and Planet Fitness Holdings, L.P. (a predecessor entity to the Company that held indirect interests in Pla-Fit Holdings, LLC) and the recapitalization transactions were effected pursuant to a recapitalization agreement by and among the Company, Pla-Fit Holdings, existing holders (Continuing LLC Owners) of Holdings Units, and holders of Class A common stock issued to holders of interests in Planet Fitness Holdings L.P. (Direct TSG Investors).

Merger

Prior to the Merger, the Direct TSG Investors held interests in Planet Fitness Holdings, L.P. Planet Fitness Holdings, L.P. was formed in October 2014 and had no material assets, liabilities or operations, other than as a holding company owning indirect interests in Pla-Fit Holdings. The Direct TSG Investors consist of investment funds affiliated with TSG. Pursuant to a merger agreement dated June 22, 2015, Planet Fitness Holdings, L.P. merged with and into the Company, and the interests in Planet Fitness Holdings, L.P. held by the Direct TSG Investors were converted into 26,106,930 shares of Class A common stock of the Company. We refer to this as the Merger. All shares of Class A common stock have both voting and economic rights in Planet Fitness, Inc.

The Merger was effected on August 5, 2015, prior to the time our Class A common stock was registered under the Exchange Act and prior to the completion of the IPO.

Reclassification

The equity interests of Pla-Fit Holdings, LLC previously consisted of three different classes of limited liability company units (Class M, Class T and Class O). Prior to the completion of the IPO, the limited liability company agreement of Pla-Fit Holdings was amended and restated to, among other things, modify its capital structure to create a single new class of units, the Holdings Units. We refer to this capital structure modification as the Reclassification.

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The Direct TSG Investors indirect interest in Pla-Fit Holdings was held through Planet Fitness Holdings, L.P. As a result, following the Merger, the Direct TSG Investors indirect interests in Pla-Fit Holdings are held through the Company. Therefore, the Holdings Units received in the Reclassification were allocated to: (1) the Continuing LLC Owners based on their existing interests in Pla-Fit Holdings; and (2) the Company to the extent of the Direct TSG Investors indirect interest in Pla-Fit Holdings. The number of Holdings Units allocated to the Company in the Reclassification was equal to the number of shares of Class A common stock that the Direct TSG Investors received in the Merger (on a one-for-one basis).

The Reclassification was effected on August 5, 2015, prior to the time our Class A common stock was registered under the Exchange Act and prior to the completion of the IPO.

Following the Merger and the Reclassification, the Company issued to Continuing LLC Owners 72,602,810 shares of Class B common stock, one share of Class B common stock for each Holdings Unit they held. The shares of Class B common stock have no rights to dividends or distributions, whether in cash or stock, but entitle the holder to one vote per share on matters presented to stockholders of the Company. The Continuing LLC Owners consist of investment funds affiliated with TSG and certain current and former employees and directors.

Pursuant to the LLC agreement that went into effect at the time of the Reclassification (New LLC Agreement), the Company was designated as the sole managing member of Pla-Fit Holdings. Accordingly, the Company has the right to determine when distributions will be made by Pla-Fit Holdings to its members and the amount of any such distributions (subject to the requirements with respect to the tax distributions described below). If the Company authorizes a distribution by Pla-Fit Holdings, the distribution will be made to the members of Pla-Fit Holdings, including the Company, pro rata in accordance with the percentages of their respective Holdings Units.

The holders of Holdings Units will incur U.S. federal, state and local income taxes on their allocable share of any taxable income of Pla-Fit Holdings (as calculated pursuant to the New LLC Agreement). Net profits and net losses of Pla-Fit Holdings will generally be allocated to its members pursuant to the New LLC Agreement pro rata in accordance with the percentages of their respective Holdings Units. The New LLC Agreement provides for cash distributions to the holders of Holdings Units for purposes of funding their tax obligations in respect of the income of Pla-Fit Holdings that is allocated to them, to the extent other distributions from Pla-Fit Holdings for the relevant year have been insufficient to cover such liability. Generally, these tax distributions are computed based on the estimated taxable income of Pla-Fit Holdings allocable to the holders of Holdings Units multiplied by an assumed, combined tax rate equal to the maximum rate applicable to an individual or corporation resident in San Francisco, California (taking into account the non-deductibility of certain expenses and the character of the Company s income).

Exchange agreement

Following the Merger and the Reclassification, the Company and the Continuing LLC Owners entered into an exchange agreement under which the Continuing LLC Owners (or certain permitted transferees thereof) have the right, from time to time and subject to the terms of the exchange agreement, to exchange their Holdings Units, along with a corresponding number of shares of Class B common stock, for shares of Class A common stock (or cash at the option of the Company) on a one-for-one basis, subject to customary conversion rate

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adjustments for stock splits, stock dividends, reclassifications and similar transactions. As a Continuing LLC Owner exchanges Holdings Units, along with a corresponding number of shares of Class B common stock, for shares of Class A common stock, the number of Holdings Units held by the Company will be correspondingly increased as it acquires the exchanged Holdings Units and cancels a corresponding number of shares of Class B common stock.

Offering transactions

In connection with the completion of the IPO on August 11, 2015, in order to facilitate the disposition of equity interests in Pla-Fit Holdings held by Continuing LLC Owners affiliated with TSG, the Company used the net proceeds received to purchase issued and outstanding Holdings Units from these Continuing LLC Owners that they received in the Reclassification. In connection with the IPO, the Company purchased 10,491,055 issued and outstanding Holdings Units from these Continuing LLC Owners for an aggregate of $156,946. This is in addition to the 26,106,930 Holdings Units that the Company acquired in the Reclassification on a one-for-one basis in relation to the number of shares of Class A common stock issued to the Direct TSG Investors in the Merger. Accordingly, following the IPO, the Company holds 36,597,985 Holdings Units, which is equal to the number of shares of Class A common stock that were issued to the Direct TSG Investors and investors in the IPO. The Direct TSG Investors, who did not receive Holdings Units in the Reclassification but received shares of Class A common stock in the Merger, sold 5,033,945 shares of Class A common stock in the IPO as selling stockholders.

As a result of the recapitalization transactions and the offering transactions, upon completion of the IPO:

- the investors in the IPO collectively owned 15,525,000 shares of our Class A common, representing 15.7% of the voting power in the Company and, through the Company, 15.7% of the economic interest in Pla-Fit Holdings;
- the Direct TSG Investors own 21,072,985 shares of our Class A common stock, representing 21.4% of the voting power in the Company and, through the Company, 21.4% of the economic interest in Pla-Fit Holdings; and
- the Continuing LLC Owners collectively held 62,111,755 Holdings Units, representing 62.9% of the economic interest in Pla-Fit Holdings and 62,111,755 shares of our Class B common stock, representing 62.9% of the voting power in the Company.

(9) Earnings per share

Basic earnings per share of Class A common stock is computed by dividing net income attributable to Planet Fitness, Inc. by the weighted-average number of shares of Class A common stock outstanding during the same period. Diluted earnings per share of Class A common stock is computed by dividing net income attributable to Planet Fitness, Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities. There were no shares of Class A or Class B common stock outstanding prior to August 6, 2015, therefore no earnings per share information has been presented for the three months ended March 31, 2015.

Shares of the Company s Class B common stock do not share in the earnings or losses attributable to Planet Fitness, Inc. and are therefore not participating securities. As such, separate presentation of basic and diluted

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earnings per share of Class B common stock under the two-class method has not been presented. Shares of the Company s Class B common stock are, however, considered potentially dilutive shares of Class A common stock because shares of Class B common stock, together with the related Holdings Units, are exchangeable into shares of Class A common stock on a one-for-one basis.

The following table sets forth reconciliations used to compute basic and diluted earnings per share of Class A common stock:

Basic net income per share:		**For the three months ended March 31, 2016**
Numerator		
Net income	$	16,345
Less: net income attributable to non-controlling interests		12,977
Net income attributable to Planet Fitness, Inc.	$	3,368
Denominator		
Weighted-average shares of Class A common stock outstanding basic		36,597,985
Earnings per share of Class A common stock basic & diluted	$	0.09

Class B common stock was evaluated under the if-converted method for potential dilutive effects and were determined to be anti-dilutive. Stock options in the amount of 134,870 and 8,160 restricted stock units were evaluated under the treasury stock method for potential dilutive effects and were determined to be anti-dilutive.

(10) Income taxes

As a result of the recapitalization transactions, the Company became the sole managing member of Pla-Fit Holdings, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Pla-Fit Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by Pla-Fit Holdings is passed through to and included in the taxable income or loss of its members, including the Company following the recapitalization transactions, on a pro rata basis. Planet Fitness Inc. is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income of Pla-Fit Holdings following the recapitalization transactions. The Company is also subject to taxes in foreign jurisdictions.

The Company incurs U.S. federal and state income taxes on its 37.1% share of income flowed through from Pla-Fit Holdings. Our effective tax rate on such income was approximately 39.4%. The provision for income taxes also reflects an effective state tax rate of 2.5% applied to non-controlling interests, representing the remaining 62.9% of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings.

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Net deferred tax assets of $115,523 and $117,358 as of March 31, 2016 and December 31, 2015, respectively, relate primarily to the tax effects of temporary differences in the book basis as compared to the tax basis of our investment in Pla-Fit Holdings as a result of the recapitalization transactions and IPO. The Company has net operating loss carryforwards related to its Canada operations of approximately $2,411, which begin to expire in 2034. It is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

As of March 31, 2016, the total liability related to uncertain tax positions is $300. The Company recognizes interest accrued and penalties, if applicable, related to unrecognized tax benefits in income tax expense. Interest and penalties for the three months ended March 31, 2016 were not material.

Tax benefit arrangements

The Company s acquisition of Holdings Units in connection with the IPO and future and certain past exchanges of Holdings Units for shares of the Company s Class A common stock (or cash at the option of the Company) are expected to produce and have produced favorable tax attributes. In connection with the IPO, the Company entered into two tax receivable agreements. Under the first of those agreements, the Company generally is required to pay to the Continuing LLC Owners 85% of the applicable tax savings, if any, in U.S. federal and state income tax that the Company is deemed to realize as a result of certain tax attributes of their Holdings Units sold to the Company (or exchanged in a taxable sale) and that are created as a result of (i) the sales of their Holdings Units for shares of Class A common stock and (ii) tax benefits attributable to payments made under the tax receivable agreement (including imputed interest). Under the second tax receivable agreement, the Company generally is required to pay to the Direct TSG Investors 85% of the amount of tax savings, if any, that the Company is deemed to realize as a result of the tax attributes of the Holdings Units held in respect of the Direct TSG Investors interest in the Company, which resulted from the Direct TSG Investors purchase of interests in Pla-Fit Holdings in 2012, and certain other tax benefits. Under both agreements, the Company generally retains the benefit of the remaining 15% of the applicable tax savings. Also, pursuant to the exchange agreement (see Note 8), to the extent an exchange results in Pla-Fit Holdings, LLC incurring a current tax liability relating to the New Hampshire business profits tax, the Continuing LLC Owners have agreed that they will contribute to Pla-Fit Holdings, LLC an amount sufficient to pay such tax liability (up to 3.5% of the value received upon exchange). If and when the Company subsequently realizes a related tax benefit, Pla-Fit Holdings, LLC will distribute the amount of any such tax benefit to the relevant Continuing LLC Owner in respect of its contribution. As of March 31, 2016, the Company has a liability of $138,078 related to its projected obligations under the tax benefit arrangements. Projected future payments under the tax benefit arrangements are as follows:

	Amount
Remainder of 2016	$ 906
2017	7,389
2018	7,336
2019	7,389
2020	7,585
Thereafter	107,473
Total	$ 138,078

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(11) Commitments and contingencies

From time to time, and in the ordinary course of business, the Company is subject to various claims, charges, and litigation, such as employment-related claims and slip and fall cases. The Company is not currently aware of any legal proceedings or claims that the Company believes will have, individually or in the aggregate, a material adverse effect on the Company s financial position or result of operations.

(12) Segments

The Company has three reportable segments: (i) Franchise; (ii) Corporate-owned stores; and (iii) Equipment.

The Company s operations are organized and managed by type of products and services and segment information is reported accordingly. The Company s chief operating decision maker (the CODM) is its Chief Executive Officer. The CODM reviews financial performance and allocates resources by reportable segment. There have been no operating segments aggregated to arrive at the Company s reportable segments.

The Franchise segment includes operations related to the Company s franchising business in the United States, Puerto Rico, Canada and the Dominican Republic. The Corporate-owned stores segment includes operations with respect to all Corporate-owned stores throughout the United States and Canada. The Equipment segment includes the sale of equipment to franchisee-owned stores.

The accounting policies of the reportable segments are the same as those described in Note 2. The Company evaluates the performance of its segments and allocates resources to them based on revenue and earnings before interest, taxes, depreciation, and amortization, referred to as Segment EBITDA. Revenues for all operating segments include only transactions with unaffiliated customers and include no intersegment revenues.

The tables below summarize the financial information for the Company s reportable segments for the three months ended March 31, 2016 and 2015. The Corporate and other category, as it relates to Segment EBITDA, primarily includes corporate overhead costs, such as payroll and related benefit costs and professional services which are not directly attributable to any individual segment.

	Three months ended March 31,	
	2016	2015
Revenue		
Franchise segment revenue U.S.	$ 27,230	$ 21,757
Franchise segment revenue International	447	
Franchise segment total	27,677	21,757
Corporate-owned stores U.S.	24,698	23,270
Corporate-owned stores International	999	276
Corporate-owned stores total	25,697	23,546
Equipment segment U.S.	29,969	31,619

Equipment segment total	29,969	31,619
Total revenue	$ 83,343	$ 76,922

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Franchise segment revenue includes franchise revenue and commission income.

Franchise revenue includes revenue generated from placement services of $2,075 and $1,974 for the three months ended March 31, 2016 and 2015, respectively.

	Three months ended March 31, 2016	Three months ended March 31, 2015
Segment EBITDA		
Franchise	$ 23,813	$ 13,578
Corporate-owned stores	10,162	7,798
Equipment	6,318	6,763
Corporate and other	(6,587)	(6,372)
Total Segment EBITDA	$ 33,706	$ 21,767

The following table reconciles total Segment EBITDA to income before taxes:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Total Segment EBITDA	$ 33,706	$ 21,767
Less:		
Depreciation and amortization	7,703	8,201
Other expense	393	(736)
Income from operations	25,610	14,302
Interest expense, net	(6,367)	(4,756)
Other expense	393	(736)
Income before income taxes	$ 19,636	$ 8,810

The following table summarizes the Company s assets by reportable segment:

	March 31, 2016	December 31, 2015
Franchise	$ 214,464	$ 206,997
Corporate-owned stores	151,470	151,620
Equipment	193,261	208,168
Unallocated	126,471	132,392
Total consolidated assets	$ 685,666	$ 699,177

The table above includes $3,239 and $3,149 of long-lived assets located in the Company s corporate-owned stores in Canada as of March 31, 2016 and December 31, 2015, respectively. All other assets are located in the U.S.

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The following table summarizes the Company s goodwill by reportable segment:

	March 31, 2016	December 31, 2015
Franchise	$ 16,938	$ 16,938
Corporate-owned stores	67,377	67,377
Equipment	92,666	92,666
Consolidated goodwill	$ 176,981	$ 176,981

(13) Corporate-owned and franchisee-owned stores

The following table shows changes in our corporate-owned and franchisee-owned stores for the three months ended March 31, 2016 and 2015:

	For the three months ended March 31, 2016	2015
Franchisee-owned stores:		
Stores operated at beginning of period	1,066	863
New stores opened	48	59
Stores debranded or consolidated[1]	(1)	(3)
Stores operated at end of period	1,113	919
Corporate-owned stores:		
Stores operated at beginning of period	58	55
New stores opened		2
Stores operated at end of period	58	57
Total stores:		
Stores operated at beginning of period	1,124	918
New stores opened	48	61
Stores debranded or consolidated[1]	(1)	(3)

Stores operated at end of period	1,171	976

(1) The term debrand refers to a franchisee-owned store whose right to use the Planet Fitness brand and marks has been terminated in accordance with the franchise agreement. We retain the right to prevent debranded stores from continuing to operate as fitness centers. The term consolidated refers to the combination of a franchisee s store with another store located in close proximity, with our prior approval. This often coincides with an enlargement, re-equipment and/or refurbishment of the remaining store.

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(14) Subsequent events

On May 10, 2016 the Company announced that its Board of Directors had authorized a stock buyback program to repurchase up to $20,000 of the Company s Class A common shares from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares that may be repurchased will be determined by the Company s management based on its evaluation of market conditions, such as current stock price, and other factors. The Company may elect to implement a 10b5-1 repurchase program, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The buyback program does not have a fixed expiration date but may be suspended or discontinued at any time. The buyback program will be funded using the Company s existing working capital.

(15) Pro forma financial information

The unaudited pro forma financial information reflects the effects of the recapitalization transactions and the IPO on the allocation of pro forma net income between noncontrolling interests and Planet Fitness, Inc. for the quarter ended March 31, 2015. After the recapitalization transactions and the IPO, Planet Fitness, Inc. held a 37.1% economic ownership in Pla-Fit Holdings, LLC, and as such, 62.9% of pro forma net income is attributable to the noncontrolling interests.

The unaudited pro forma financial information also reflects an adjustment to the provision for income taxes to reflect an effective tax rate of 39.4%, applied to the 37.1% portion of income before taxes, excluding income from variable interest entities, that represents the economic interest in Pla-Fit Holdings, LLC held by Planet Fitness Inc. upon completion of recapitalization transactions and the IPO. The unaudited pro forma financial information also reflects an effective tax rate of 2.5% applied to noncontrolling interests representing the remaining 62.9% portion of income before taxes, excluding income from variable interest entities, related to Pla-Fit Holdings, LLC. The sum of these amounts represents total pro forma provision for income taxes of $1,190 for the quarter ended March 31, 2015.

The unaudited pro forma net income per share has been prepared using pro forma net income, as set forth above, which reflects the pro forma effects on provision for income taxes and the allocation of pro forma net income between noncontrolling interests and Planet Fitness, Inc., resulting from the recapitalization transactions and the IPO divided by pro forma weighted average shares outstanding, which includes Class A common stock of Planet Fitness, Inc. outstanding after the recapitalization transactions and the IPO.

		Quarter ended March 31, 2015
Pro forma net income attributable to Planet Fitness, Inc.	$	1,415
Pro forma weighted average shares of Class A common stock basic and diluted		36,598
Pro forma net income per share basic and diluted	$	0.04

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10,000,000 shares

Planet Fitness, Inc.

Class A common stock

Prospectus

J.P. Morgan

BofA Merrill Lynch

Jefferies

Guggenheim Securities

Baird

William Blair

Credit Suisse

Piper Jaffray

Cowen and Company

June 22, 2016