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July 11, 2012

VIA ELECTRONIC FILING AND HAND DELIVERY

The Honorable Kevin Gross
United States Bankruptcy Court for the District of Delaware
824 N. Market Street, Sixth Floor
Wilmington, DE 19801

Re: **Response to Second Lien Group's Letter**
(*In re NewPage Corp., et al.*, Case No. 11-12804 (KG))

Dear Chief Judge Gross:

As attorneys for NewPage Corp. *et al.*, chapter 11 debtors and debtors in possession (the "Debtors" or "NP"), we submit this letter in reply to Akin Gump's letter dated July 10, 2012 [Docket No. 1957] (the "Akin Letter") on behalf of an *ad hoc* group of Second Lien Noteholders.[1]

The Big Picture. All parties concede NP is worth significantly less than $1.77 billion, of which all but approximately $40 million of value is encumbered by the First Lien Noteholders' $1.77 billion claim. As we explained to the Court at the last hearing, the problem in this case is the lack of unencumbered asset value, not a lack of communication.[2] Of the $30-$40 million of unencumbered value, the Second Lien Noteholders demand $124 million because they claim the Verso Proposal gave them $124 million of value. On top of their demand, the statutory creditors' committee (the "SCC") demands comparable value for its non-Second Lien Noteholder constituents. But, any plan that does not provide the First Lien Noteholders the value of their collateral is illegal.

The Second Lien Noteholder Position. Thus, the Akin Letter's closing contention that the Second Lien Noteholders would consider a standalone plan providing them "a fair and reasonable recovery" and a "just and equitable recovery" is most telling because the letter demonstrably deploys the quoted words to mean their opposites. The letter is clear that the Second Lien Noteholders demand more than their allocable share of the $30-$40 million of unencumbered value, which means the Second Lien Noteholders want an illegal, unfair, unreasonable, unjust, and inequitable recovery, and their tactic to achieve it is to engage in delay that burns administrative costs every month to create holdup value.

[1] Capitalized terms not defined herein shall have the meaning ascribed to them in the Akin Letter.
[2] *See* June 22, 2012 H'rg Tr. 13:19–14:4.

PM 35 and Avoidance Actions. The Akin Letter asserts recharacterization of the PM 35 lease, and the avoidance allegations against the First Lien Noteholders provide additional value. It fails, however, to acknowledge that protective liens were filed against PM 35.[3] The Verso Proposal the Second Lien Noteholders embraced, as admitted in the Akin Letter, treated the First Lien Noteholders' claims as fully allowable and did not even mention any avoidance claims. The Akin Letter also neglects to mention that the SCC asked for standing to attack the second liens as well.

Mediation. If the Court desires mediation, the Debtors will participate constructively. The Debtors will also continue their plan discussions and will endeavor to file a plan in the next 30 days because time is of the essence to emerge from chapter 11.

The Reasons for the failure of the Verso Proposal. Nowhere does the Akin Letter advise the court that Verso is owned by two Second Lien Noteholders who would take most of the $124 million of value allegedly embedded in the Verso Proposal. Nor does the Akin letter disclose that Verso is a highly leveraged company generally acknowledged in several recent articles to be a significant bankruptcy risk.[4]

Verso is Independently Noted as a Bankruptcy Risk. Notably, analyst Adam Gefvert declared that "[a]ll evidence points to Verso Paper following the same path as NewPage. The Company will never be profitable enough to handle so much debt and interest expenses, and needs a restructuring." Gefvert describes Verso's executives as "in general overly optimistic about cost savings," and proceeds to opine that "the merger won't save as much as they claim" especially in light of "all the enormous costs and inconveniences that a merger requires."[5] Analyst Chip Dillon of Vertical Research Partners has pegged Verso's prospects as questionable absent a major equity infusion, as there is no path to repay its formidable debt obligations.[6]

The Akin Letter touts the JPM Report as a model analysis, but that report indicates that paper comparables trade in the 3.75x–5.5x range, whereas the Second Lien Group's demand for a recovery of $124 million derived from the Verso Proposal is based upon a 6x trading multiple, which is well beyond industry norms.[7] The JPM Report fails to sufficiently account for either

[3] This means that even if the SCC is successful in recharacterizing the PM 35 lease as a financing, the PM 35 equipment will be encumbered by liens and any such litigation will not result in any additional unencumbered value for unsecured claimants.
[4] *See, e.g.*, Adam Gefvert, "Verso Paper's Merger Proposal With NewPage Has Become Scratch Paper," Seeking Alpha (July 10, 2012) *available at* http://seekingalpha.com/article/712591-verso-paper-s-merger-proposal-with-newpage-has-become-scratch-paper and appended hereto as Exhibit A; Adam Gefvert, "Verso Paper's Debtholders Are Tearing The Equity Holders To Shreds," Seeking Alpha (March 19, 2012) *available at* http://seekingalpha.com/article/442401-verso-paper-s-debtholders-are-tearing-the-equityholders-to-shreads and appended hereto as Exhibit B.
[5] Exhibit A at 1.
[6] *See* Chip Dillon, "Verso Paper: Losing a Penny per Pound…" Vertical Research Partners (May 16, 2012), *available at* http://www.risiinfo.com/content-gateway/pulpandpaper/news/FINANCIAL-ANALYSTS-Verso-Paper-Losing-a-penny-per-poundu2026.html?catId=57&industryId=21&productId=9914&source=email_cz and appended hereto as Exhibit C.
[7] *See* JPM Report at 2.

Verso's poor first quarter performance or its extended production downtime owing to the recent shutdown of its Sartell mill.

Antitrust Risk, Certain Delay, and Loss of Jobs. The Akin Letter also fails to disclose that it is conceded that the combination of Verso and the Debtors would entail a "second request" from the Federal Trade Commission, whose review would take 6 to 12 months, with an uncertain antitrust result and a certain loss of jobs if the combination is approved.

Notably, the Akin Letter fails to disclose that the Debtors requested a customary undertaking from Verso that Verso would indemnify the Debtors for harm during the delay if the combination did not work and Verso never provided the indemnification.

The Verso Proposal was Premised on First Lien Noteholders Acceptance. The Akin Letter fails to disclose that Verso's revised proposal reduced the overall face value offered to the First Lien Noteholders by approximately $335 million — that the First Lien Noteholders unsurprisingly rejected. Nowhere does the Akin Letter state that such a proposal cannot be confirmed without the First Lien Noteholders acceptance.

Discussions with Second Lien Noteholders. Nowhere does the Akin Letter disclose the negotiations, the access to data, and the months the Debtors allocated, by delaying the plan process, for the Second Lien Noteholders to finish their analysis and come up with an alternative value-increasing plan proposal.

Indeed, the Akin letter claims there were no substantive discussions between counsel from the June 22 hearing to July 3, but neglects to mention that Debtors' attorneys asked counsel for the Informal Second Lien Group on June 22 what type of plan participation the Second Lien Noteholders would consider now that the First Lien Noteholders declined the revised Verso proposal, and counsel for the Informal Second Lien Group never bothered to respond. Additionally, contrary to the Akin Letter, the following discussions and negotiations regarding the Verso Proposal have been held since mid-May 2012 (*See* Exhibit D):

- on May 17, 2012 the Debtors proposed modifications to the Verso Proposal;
- on May 23, 2012 Verso replied with a revised term sheet;
- on June 1, 2012 an updated business plan was given to the Informal Second Lien Group's advisors;
- on June 8, 2012 the Debtors contacted Verso with respect to the HSR issues, but received no answer,
- on June 12 &14, 2012 Verso indicated that it would need to revise its proposal based on the new business plan;
- on June 13, 2012 the Debtors met with the First Lien Noteholders and asked them to speak with Verso; and

- on June 18, 2012 Verso provided an updated proposal to the First Lien Noteholders; as mentioned above, this proposal was rejected by the First Lien Noteholders.

The Second Lien Noteholders Would Not Abide by the Same NDA as the First Lien Noteholders. As for the discussions regarding an NDA, the Debtors never refused to enter into an NDA with the Second Lien Noteholders — any suggestion to the contrary is false.[8] Rather, the Debtors made it very clear that they were willing to grant the Second Lien Noteholders access to the same information received by the First Lien Noteholders and on the same terms as the First Lien Noteholders, but would not provide an independent disclosure right. The reason for this was simple — there was only one Second-Lien Noteholder willing to become restricted[9] and, at the time the NDA was being discussed, the Debtors had already executed NDA's with nine individual First Lien Noteholders. The NDA with such holders had an independent right for such holders to disclose material, non-public information if such information was not disclosed by the Debtors by July 2, 2012, or a later date if the parties agreed to extend.

The Debtors' rationale for refusing to grant the independent disclosure right to the Second Lien Noteholders was to avoid a premature disclosure of information that may impair negotiations with the First Lien Noteholders if such holders determined an extension was warranted.[10] As noted, the Debtors were (and continue to be) in active negotiations with the First Lien Noteholders and the Debtors were concerned about disrupting those negotiations by providing a Second Lien Noteholder with disparate interests from other stakeholders (and no obvious ability to negotiate a plan on its own) with a right to derail what the Debtors hoped would be fruitful plan negotiations. And the only risk to the Second Lien Noteholders was that each restricted First Lien Noteholder would agree to be restricted for an indefinite period of time, which is unrealalistic. Indeed, the disclosure period in the NDAs was not extended, and the very information the Second Lien Noteholders was willing to become restricted to review was publicly disclosed by the Debtors on July 3, 2012. Not surprisingly, in the week following receipt of that information, neither the holder nor counsel for the Informal Second Lien Group initiated discussions with the Debtors or their advisors.

The Akin Letter Section 507(b) Argument Inadvertently Undermines its Entire Case. By asserting potential litigation delay over a dispute involving the Second Lien Noteholders' alleged entitlement to a section 507(b) superpriority claim for diminution in value of its collateral due to the use, sale, or lease of property, the Second Lien Noteholders are contending the company was worth over $1.7 billion at commencement of the case and is now worth less. If they have a claim for loss of value, then the First Lien Noteholders have an even larger section 507(b) superpriority claim because the Second Lien Noteholders were never secured to any material extent (if at all).

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[8] The title of section I of the Akin Letter states "The Debtors Refused to Enter Into a Plan-Related NDA with Second Lien Noteholders."
[9] The letter misleadingly implies that numerous holders were willing to sign an NDA.
[10] This was explained to counsel for the Second Lien Group in several different telephone and email exchanges.

Given that there is only $30-$40 million of unencumbered assets, what the Second Lien Noteholders have inadvertently admitted is that there is NO value for them because the First Lien Noteholders' section 507(b) claim would swallow the entire $40 million. But, the Second Lien Noteholders want to take every opportunity to delay to get their "fair and reasonable recovery." In sum, their letter is not a request for good faith mediation. It is a request for the court to bless their tactics of holdup and delay. Additionally, the Debtors believe no party has an allowable section 507(b) claim because no loss of value was due to the automatic stay, or the use, sale, or lease of property.

Finally, it is incomprehensible how the Second Lien Group managed to write a nine-page letter to Court and speak with SCC counsel, but not even once call the Debtors' counsel, which is diligently working on the plan!

Respectfully submitted,

Martin J. Bienenstock

cc: All counsel of record.

EXHIBIT A

Seeking Alpha α

Verso Paper's Merger Proposal With NewPage Has Become Scratch Paper

July 10, 2012
by: Adam Gefvert

| about: VRS

Verso Paper (VRS) produces and sells coated papers in the US. It has so much debt at such high rates, that the stock is just there to feed the bondholders for a few years before it files for a bankruptcy restructuring (for more info on its debt situation see my previous VRS article). This exact bankruptcy scenario is currently happening to another paper producer: NewPage.

In an attempt to dig itself out of its hole, Verso is trying to negotiate with NewPage's creditors and combine the two companies for synergistic advantages.

However, NewPage has no interest in making the deal happen. According to NewPage, "the proposal has serious downsides and risks to NewPage's stakeholders, employees and business. No further discussion of the proposal is anticipated by NewPage."

Standard & Poor's reported: "At this time, we believe there is substantial uncertainty that such a proposed combination could occur given that NewPage disclosed today that it has been advised that the first-lien noteholder group did not support the proposed combination and that NewPage does not anticipate further discussions regarding this proposal."

Because Verso is running out of options to climb out of its debt hole, the stock is a clear sell. As the excitement of the possible merger deal loses its luster, the stock will drift down to under $1.00 per share in the next couple weeks or months.

NewPage is getting crushed with debt, and the first lien creditors are better off going through bankruptcy than merging with Verso. This way the first lien creditors can restructure and reduce the more junior debt so the Company won't be so burdened. These creditors are just trying to to dig themselves out of an unfortunate financial hole. They don't want to dig themselves a bigger one by merging with Verso. You can read more about NewPage's restructuring plan here.

Verso stock didn't lose all its gains from the proposal announcement, and returned to $1.17 per share as it was right before the proposal on June 2nd, because shareholders are hoping NewPage and Verso will come up with another merger deal. They think that NewPage is playing hardball with their rejection of Verso's proposal and just need a better offer. I don't think VRS shareholders should hold their breath.

Part of Verso's proposal involved paying NewPage $200 million in cash. This cash supposedly would be from an outside investor. That seems like a stretch for an investor to want to invest so much into such a risky venture. I don't think Verso is able to offer NewPage's first lien creditors a much better deal than what was offered.

Both Verso and NewPage are in a declining industry. Most documents are digitized now, so coated paper is needed less. Also, NewPage had said in 2005 one of the reasons it isn't profitable is because of increased paper imports to the US from other countries. As shown here, paper imports haven't let up.

Finally, I believe Verso's executives are in general overly optimistic about cost savings and in reality the merger won't save as much as they claim. They claim the identifiable cost synergies are $125-$150 million. What isn't mentioned is all the enormous costs and inconveniences that a merger requires.

As I discussed in my last article on Verso, it's in the process of building a new "green" electricity generator. This is another one of its company-saving experiments since the business alone isn't generating enough income. Verso's executives claim that this generator will save the Company $50 million per year in electricity costs. Now I'm no expert in green energy, but I don't believe that it will save such an enormous sum. Especially after having shut down several of its mills. If a Verso investor, or even a Verso employee, wants to show me evidence that this revolutionary energy source will save that much, then I'm all ears.

All evidence points to Verso Paper following the same path as NewPage. The Company will never be profitable enough to handle so much debt and interest expenses, and needs a restructuring. There's nothing wrong with this, as the Company will survive and do well in its niche business. However, I think it's obvious the stock will reach zero in a couple years. Short term trading of the stock might work as it does have moments of bursting to the upside on restructuring possibilities. However, I believe long term investors have a better chance investing in a different kind of paper - lottery tickets.

Disclosure: I am short VRS.

EXHIBIT B

Seeking Alpha α

Verso Paper's Debtholders Are Tearing The Equityholders To Shreads

March 19, 2012
by: Adam Gefvert

| includes: VRS

Verso Paper's (VRS) debt will eventually crumple up the stock. It's a shame too, because without the interest expense, this would be a fine, profitable company.

Verso Paper produces and sells coated papers in the United States. Primarily paper for catalogs and magazines, annual reports, brochures, magazine covers, and retail inserts. It also provides pulp that is used for printing paper and tissue products.

On March 8th, the company announced an issuance of $345 million of 11.75% senior secured notes due 2019 in a private offering. These notes will be used to pay off the $315 million of 11.5% senior secured notes due 2014, as well as related costs and expenses.

Shareholders might think these debt buyers are their friends and are helping out by taking over the debt and pushing out the principle due date. Nothing could be further from the truth. By charging exorbitant rates, the debtholders plan on gouging the company, taking a pound of flesh every year, up until the company's inevitable demise of 2019 or earlier, where they'll wipe out the equity holders and take it over.

The stock rocketed up on the bond offer news from an open of $1.23 on March 8 to a high of $3.36 that day for a 170% gain, only to drift back down to $1.80 today. Shareholders were biting their nails earlier because when 2014 rolls around there's almost no chance the company would be able to pay the principle of so much debt without filing for bankruptcy. The new bond investors clearly have confidence in the company to last awhile longer. The S&P gave these new bonds a BB- rating which is two notches higher than the company's corporate credit rating of B. The higher notches are because of the company's liquidity and positive EBITDA.

It makes sense for S&P to give these bonds a relatively high rating, because they are primary senior secured notes. They are secured by the firm's assets, and are first in line. The company has a total of around $1.2 billion in debt. The following is the details on the company's notes:

Verso Paper's Debt Pecking Order

Note Seniority	Due	Amount	Interest rate	Annual interest
1st	2019	$345 million	11.75%	$40.5 million
2nd	2019	$396 million	8.75%	$34.65 million
2nd	2014	$180 million	LIBOR + 3.75%	$7.52 million
3rd	2016	$300 million	11.38%	$34.14 million
Total		$1,221 million		$116.81 million

Even though the highest seniority bonds have first dibs on the assets in a bankruptcy, the interest rate is still the highest because of the latest due dates.

In Q4 2011, VRS produced an EBITDA of $48 million. Unfortunately, the total net loss was $68 million.

In the conference calls, Verso paper executives applaud their EBITDA numbers. The truth is, the company has a fine and healthy "E", that's not the issue. The issue is with the "ITDA".

Take a look at the company's "depreciation, amortization, and depletion" expenses. In 2010, it was $127.4 million. In 2011 it was $125.3 million. These high expenses require the company to spend more on capital expenditures.

In 2010, EBITDA was $124 million, but CAPEX was $73.6 million. In 2011, EBITDA was $114.9 million, but CAPEX was $90.3 million.

The increase of $16.7 million in CAPEX was for a renewable energy strategy that is expected to be finished in Q4 2012. The company expects this strategy to add $50 million a year in EBITDA. In my opinion, that seems optimistic, but I don't know how much the company spends on electricity.

From the 2011 10-K, the company expects 2012 CAPEX to be between $85 and $95.

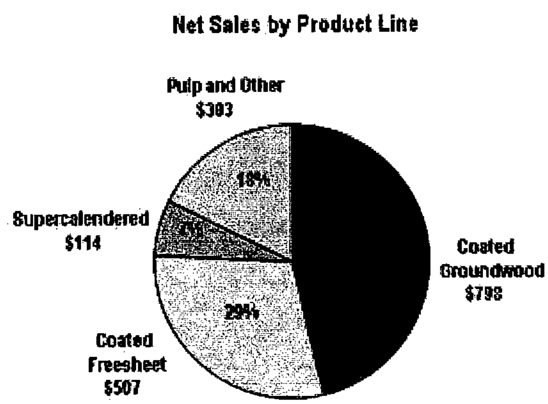
Now take a look at the interest expenses. A whopping $128.8 million in 2010 and $126.6 million in 2011. How is the company paying its interest expense after paying so much in CAPEX? By whacking it's assets and adding to its liabilities, that's how. After having a Shareholders Deficit of $7 million in 2010, it grew to a $154 million deficit in 2011.

To decrease its need for CAPEX, the company closed down three of its machines in Q4 2011. The company also expects this will increase its EBITDA. Although Robert Mundy, Verso's CFO, couldn't be specific about how much the EBITDA will increase, he did hint that the top line will be hurt, but the bottom line should go up.

In order to just break even, the company will need about $200 million in EBITDA per year, give or take. If the renewable energy project succeeds in adding $50 million to EBITDA, that leaves about $30 million in growth needed. However, with the shutting down of machines, there is not enough capacity for any growth.

On page 6 of the 2011 10K, it shows the mills and the production capacity. It shows that the annual production capacity for coated and supercalendered paper is 1,505,000 tons. The previous year's 10-K showed a max capacity of 1.7 million tons. The reason for the decrease is because of the closing down of machines.

The amount of coated and supercalendered paper sold in 2011 was 1,601,000 tons. Now they don't have the capacity to match last years sales of their best selling paper. They set themselves up for contraction for next year. This is a sign that the company is basically killing the equity holders and is resigning itself to the bondholders. As shown in this pie chart from the 201110-K, coated and supercalendered paper make up 82% of Verso's sales.



The company said the market share growth is pretty flat across the board for 2011.

In the Q4 2011 conference call, a question was asked about coated paper sales. The conversation went:

Jeff Harlib - Barclays Capital

Okay. And just then on, just on your comments on coated shipments being flat adjusted for the closures, I just want to make sure I understand. So you had about 1.6 million coated paper shipments, if I take out 200,000 that's about 1.4 million. Is that about what you're thinking you will ship this year?

Robert Mundy

Yeah. It will, well, for just coated, Jeff or I'm sorry, your...

Jeff Harlib - Barclays Capital

Yeah. Your coated in SC segment.

Robert Mundy

You said 1.4, it should be higher than that.

Jeff Harlib - Barclays Capital

Okay. So it should be close to your 1.5 capacity?

Robert Mundy

Yeah. Absolutely.

Oops! Verso's CFO Robert Mundy thought 1.4 million tons seemed like too low of a number, so he said coated shipment sales should be higher. However, there isn't enough capacity to go higher than 1.5 million. Basically the message, intended or not, is that there won't be any growth in 2012 for 82% of the company's sales, because it will be at max capacity. Therefore there won't be any growth until the company adds more machines. So they closed down three machines only to have to open them back up if they experience any growth? That's more restructuring expense. The recent machine shutdowns resulted in charges of $24.5 million in Q4 2011.

If the company doesn't experience enough growth in the next few years, the hole will be dug deeper, and bankruptcy is inevitable by or before 2019.

Also worth noting is the executives pay themselves very well. As shown in the DEF 14A filing, in 2010 the top five executives paid themselves a total of $4.8 million. An average of $967K apiece. Not too shabby of a paycheck for them after the company lost $131 million. I'm looking forward to seeing what they got paid in 2011 after having an even worse year.

Bullish Thesis

1. With the economy coming back, companies will be sending out more advertisements and reports. More magazines will be created with more ads.
2. Europe's paper exports to the US declines, so that gives more business to companies like Verso Paper.

However, I don't think the company itself expects much growth since it's shutting down some of its machines.

Trade recommendation: Sell

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

EXHIBIT C

Pulp and Paper Industry Information

FINANCIAL ANALYSTS: Verso Paper - Losing a penny per pound...

NEW YORK, May 16, 2012 (Viewpoint) - *excerpt from Vertical Research Partners*

...But Making Up For It In Volume - Verso Paper reported a $(0.74) per share loss from operations, missing our ($0.60) loss estimate. Most of the operational miss was from the operational lines with the coated papers segment coming in 17 cents below our estimate, and market pulp coming in 9 cents below our estimate. By our calculations, the company's EBIT loss before items was $12.226 million in the quarter, or approximately 1.5¢ per pound of product they produced. However, sales in the quarter were significantly higher than we expected (by about 12%). Our belief was that Verso would slow production or take downtime to tighten up the market (since it is losing money on every ton). However, we have yet to see such downtime occur.

Related stories:
- S&P: Verso Paper Holdings ratings unaffected by proposed merger with NewPage - July 3, 2012
- Verso launches grant program to increase certified forest acreage near its four US paper mills - June 28, 2012
- University of Maine Pulp and Paper Foundation announces 2012 scholarship recipients at Verso Paper luncheon event in June - June 22, 2012

In this story:
- Region: United States, North America
- Topic: Financial Analysis
- Company: Verso Paper, Verso
- Source: Viewpoint

Lowering Estimates - To account for the weaker quarterly performance, the continued cost pressures and a rougher pricing environment than even we expected, we are again lowering our estimates for VRS. Specifically our 2012, 2013 and 2014 estimates fall to ($1.65), ($0.90) and $0.50 from ($1.45), ($0.65) and $0.60, respectively. Furthermore, we are assuming only moderate industry volume declines from these levels and could face further downside revisions should the industry continue to struggle to stem the declines in coated paper usage.

Pricing Unlikely to Stick - Given the weakness in the industry, the comments by management on the call that the May price increase already seems to be pushed out to July, and the continued prolonged bankruptcy of NewPage, we have very little confidence that a near-term price increase will stick. Furthermore, if industry volumes weaken further, we could see pricing continue to decline.

We Wish Dave Luck! - If Dave Patterson, the new CEO, is able to turn Verso's fortunes around without a major financial restructuring, he will have pulled off the single hardest turnaround in the history of the paper industry. We, however, believe that no one could fix the company at this point without a major equity injection. While Verso has bought time by extending its debt, we see no path to pay off this debt. As such, we maintain our Hold rating and $1.50 target price.

Chip Dillon, Vertical Research Partners

EXHIBIT D

Meetings / Discussion with Constituent Groups

Meetings and discussions have taken place between the Company, along with its advisors, and the different constituent groups since the May 10, 2012 Board meeting, including the following:

Negotiations with First Lien Group and UCC

June 1
- Business plan update presented to advisors

June 4
- Business plan update given

June 7
- Call with UCC advisor outlining UCC asks in a Plan of Reorganization
  - UCC indicated that their asks could be incorporated into both a stand-alone plan or merger plan
  - Prior to June 7, UCC ask was de minimus, but new ask of ~$100 million driven by views on litigation strategy

June 12
- NDA's with First Lien Group negotiated and signed

June 13
- Meeting with First Lien Group
  - Per First Lien advisors, over 2/3 of the First Lien Group, by amount of debt, has signed a NDA with Naples and Venice separately and are now restricted
  - Discussion with First Lien Group centered around both the stand-alone and merger plan

June 18
- The First Lien Group provided an updated stand-alone proposal
  - The proposal allocated $25 million (currency TBU) to a combined class of Second Lien Group and GUCs; the First Lien Group would waive their deficiency claim
  - Ongoing pension/OPEB liability to be reduced to an amount acceptable to the First Lien Group
  - Exit financing not to exceed 2.5x leverage, inclusive of the exit financing necessary to repay the DIP

June 11 – June 23
- Discussions with First Lien Group advisors on Pension and CBA considerations

May 10 | May 17 | May 24 | May 31 | June 7 | June 14 | June 21 | June 28

Negotiations with Second Lien Group

Mid-May
- Naples proposed the following modifications to merger plan
  - Venice bear HSR risk
  - Lower leverage plan (i.e., replace $210 million of second lien notes with cash/equity)
  - Guarantee PIK HoldCo note would not mature until 2019

May 23
- Venice replied with a revised term sheet
  - Venice indicated it understood the HSR risk
  - Replaced second lien notes with first lien notes/equity
  - Best efforts to refinance PIK HoldCo notes

June 1
- Business plan update given to Second Lien advisors (not to Venice advisors)

June 8
- Naples sent HSR ask to Venice
  - Venice has not replied

June 12 & 14
- Venice indicated on June 12 that it would need to revise proposal based on new Naples business plan
  - High level financial overview sent to Venice advisors on June 12
  - Other Company detail sent to Venice advisors on June 14

June 18
- Venice provided an updated proposal to the First Lien Group, which was presented on a call by Venice management and its advisors
  - The proposal on a nominal basis was reduced by ~$340 million primarily from a reduction in first lien debt and cash
  - The updated proposal also did not address any second lien or unsecured recoveries
- First Lien Group rejects revised Merger Plan

June 22
- Court hearing on UCC fraudulent transfer where parties were directed to work toward consensual plan by July 12

KEY: First Lien Group | Second Lien Group | UCC