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

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| *In re* | : | **Chapter 11** |
| **NEWPAGE CORPORATION,** ***et al.*****,** | : | **Case No. 11-______ ( )** |
| **Debtors.**[1] | : | **Joint Administration Requested** |

**DECLARATION OF JAY A. EPSTEIN IN SUPPORT OF DEBTORS' MOTION FOR INTERIM AND FINAL ORDERS PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363 AND 364: (I) AUTHORIZING DEBTORS TO (A) OBTAIN POSTPETITION FINANCING, AND (B) GRANT SENIOR LIENS, JUNIOR LIENS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE PRIORITY; (II) APPROVING USE OF CASH COLLATERAL; (III) GRANTING ADEQUATE PROTECTION TO CERTAIN PREPETITION SECURED PARTIES; (IV) SCHEDULING A FINAL HEARING; AND (V) GRANTING RELATED RELIEF**

Pursuant to 28 U.S.C. § 1746, I, Jay A. Epstein, hereby declare as follows:

1. I am senior vice president and chief financial officer (the "CFO") for NewPage Corporation ("NewPage") and certain of its subsidiaries and affiliates (collectively, the "Debtors"). I joined NewPage on July 5, 2011. From 2004 to 2011, I served as vice president of finance, treasurer and secretary of Brant Industries. While at Brant Industries, I served in various senior management positions at certain of its portfolio companies, including as CFO and member of the board of directors of SP

[1] The Debtors in these chapter 11 cases, along with the last four (4) digits of each Debtor's federal tax identification number, as applicable, are: Chillicothe Paper Inc. (6154), Escanaba Paper Company (5598), Luke Paper Company (6265), NewPage Canadian Sales LLC (5384), NewPage Consolidated Papers Inc. (8330), NewPage Corporation (6156), NewPage Energy Services LLC (1838), NewPage Group Inc. (2465), NewPage Holding Corporation (6158), NewPage Port Hawkesbury Holding LLC (8330), NewPage Wisconsin System Inc. (3332), Rumford Paper Company (0427), Upland Resources, Inc. (2996), and Wickliffe Paper Company LLC (8293). The Debtors' corporate headquarters is located at 8540 Gander Creek Drive, Miamisburg, OH 45342.

Recycling Company, member of the board of directors of SP Newsprint Company, Vice President and Treasurer of White Birch Paper Company, and President of Black Spruce Paper Inc. I was director, Global Risk Management at National Bank of Canada from 2002 to 2004, and served in a number of roles at Enron Corporation from 1999 to 2002, which included involvement in their pulp and paper business. Prior to Enron, I held positions of increasing responsibility in process engineering, capital and energy management, and operations management at BASF Corporation. I earned a bachelor's degree in chemical engineering from The University of Texas at Austin and a master's degree in business administration with concentrations in finance and economics from The University of Chicago.

2. I submit this declaration in support of the *Debtors' Motion for Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363 and 364: (I) Authorizing Debtors to (A) Obtain Post-Petition Financing, and (B) Grant Senior Liens, Junior Liens and Superpriority Administrative Expense Status; (II) Approving Use of Cash Collateral; (III) Granting Adequate Protection to Certain Prepetition Secured Parties; (IV) Scheduling a Final Hearing; and (V) Granting Related Relief* (the "Motion").[2] I submit this declaration based on personal knowledge, except as expressly provided, and as my testimony if called to testify.

## A. The Debtors' Cash Needs and Sources

3. The Debtors use cash to support their working capital needs such as meeting their obligations in the ordinary course of business, and to maintain their fixed assets, inclusive of enhancing them with capital expenditures. The Debtors do not

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

maintain a sufficient inventory of raw material to operate for more than a few days without new deliveries from their suppliers. Without sufficient levels of cash to pay for critical supplies, the Debtors' vendors may stop shipments in route. Without the necessary raw materials, the Debtors are unable to produce paper. If the Debtors do not produce paper, they generate no cash, which effectively means the business ceases to operate as a going concern.

4. Before the Commencement Date, the Debtors relied on sales of their products and availability under the Prepetition Senior Secured Revolver to support their cash requirements. As of August 31, 2011, the Debtors had $17.3 million in cash on hand and cash equivalents, $48.3 million in available borrowings under the Prepetition Senior Secured Revolver, $231 million in accounts receivable, $476 million in inventory. The ability to continue using cash collateral and to access the financing provided under the proposed DIP Credit Facility will provide the Debtors with the liquidity necessary to continue operating as a going concern and to maximize value for all stakeholders. As explained below, I believe the DIP Credit Facility provides the Debtors with sufficient working capital and liquidity on suitable terms to permit the Debtors to accomplish a successful restructuring and to emerge from chapter 11.

## B. **The Proposed DIP Credit Facility**

5. The proposed DIP Credit Facility is beneficial to the Debtors in the following ways.

- ***First***, the proposed DIP Credit Facility will replace their prepetition revolver and provide the Debtors with the liquidity they need to operate successfully. The DIP Credit Facility provides the

Debtors with up to $600 million in availability, whereas the other proposals received by the Debtors provided significantly less availability, serving merely as a replacement of the Debtors' existing Prepetition Senior Secured Revolver. This enhancement of the Debtors' current liquidity will augment the Debtors' ability to instill confidence in their various stakeholders in the continued operation of their businesses during these cases, including customers, raw material vendors, employees, and service providers.

- ***Second***, the DIP Credit Facility provides the Debtors with a $250 million term loan to be used to pay down the obligations under the Prepetition Senior Secured Revolver on the first day of its availability and to provide the Debtors with sufficient cash to pay the Debtors' employees, vendors, and shippers to the extent necessary to maintain optimal performance of the Debtors' operations in chapter 11.

- ***Third***, the DIP Credit Facility is a non-priming loan. By providing for the immediate satisfaction in full of the Prepetition Senior Secured Revolver, and the granting to the DIP Lenders of a first priority lien against only the Debtors' unencumbered assets and ABL Collateral, and junior liens on the Debtors' Fixed Collateral, the DIP Lenders will effectively step into the shoes of the Prepetition Revolver Lenders, provide additional cash availability to the Debtors, and not diminish the Prepetition First Lien Noteholders' or Second Lien Noteholders' relative rights in the Prepetition Collateral.[3] By contrast, other proposals I reviewed sought to use certain baskets under the Prepetition First Lien Indenture to provide additional liquidity through a superpriority security interest in, and lien against, the Debtors' Fixed Collateral.

- ***Fourth,*** the DIP Agents have agreed to infuse new funding and to take the full risk of syndicating the DIP Credit Facility. Having a fully underwritten facility is demonstrative of the DIP Agents' commitment to the Debtors and provides substantial benefits for the Debtors' reorganization efforts.

- ***Fifth,*** all the terms of the DIP Credit Facility convinced the Debtors that the DIP Credit Facility is superior to all other proposals received in almost all material respects.

6. Taking all of this into consideration, including the DIP Lenders' firm commitment, the superior liquidity, and the Debtors' immediate need for cash, court approval of the use of Cash Collateral and the DIP Credit Facility on an interim basis are vital to the preservation and maintenance of the going concern values of the Debtors and to a successful reorganization.

[3] An illustration of the liens encumbering the Debtors' assets after the DIP Credit Facility is in place, is attached hereto as Exhibit A.

## C. **The Debtors are Cash-Flow Positive and Thus the Prepetition First Lien Noteholders are Adequately Protected for Use of Cash Collateral**

7. The Prepetition First Lien Noteholders currently have a second-lien on the Cash Collateral. To protect the Prepetition First Lien Noteholders' position, the Debtors are proposing to provide them with a replacement lien on any after-acquired ABL Collateral, including from the $100 million of additional availability under the DIP Credit Facility. As the Debtors are cash-flow positive (i.e., the Debtors generate more cash than they spend and regenerate their cash, accounts receivable, and inventory), the Prepetition First Lien Noteholders will suffer no diminution in the Cash Collateral, and may, in fact, see an increase.

8. At June 30, 2011, the Debtors reported net sales of $888 million compared to $890 million in the second quarter of 2010, down only slightly since the same time last year. The Debtors also reported Adjusted EBITDA of $32 million in the second quarter of 2011, as compared to $10 million in the second quarter of 2010. If certain items related to the controlled shutdown of the Wickliffe, Kentucky mill in response to the Mississippi River flood, and other special charges are further adjusted, the EBITDA was $68 million for the second quarter of 2011, as compared to $20 million in the second quarter of 2010. For the first half of 2011, the Debtors generated $117 million of Adjusted EBITDA as compared to $35 million of Adjusted EBITDA for the same period 2010. Adjusted EBITDA margin for the 6 months ending June 30, 2011 was 9.9%. This margin percentage is in line with margins reported by other leading coated paper manufacturers. During the first half of 2011, the Debtors reported $65 million in additional revenue from improved sales prices, and improvement of $8 million in product mix, partially offset by lower volume, and a $35 million improvement in operational

performance. The Debtors have experienced increased sales backlog and order rates for their products during the third quarter 2011 compared to the first half of 2011.

9. The Debtors' cash flow projections demonstrate their expectation that performance will continue to improve along these lines, subject to ordinary course seasonal ebbs and flows in paper demand. The Debtors' 13 Week Cash Flows project a positive cash position through December 2, 2011. Projected EBITDAR shows that subject to seasonal fluctuations in demand and after eliminating the need to service a large portion of the long term debt and accounting for the reorganization expenses), the expected value of the ABL Collateral is not anticipated to decline during these cases, and, in fact, is projected to increase. Positive cash flow will be used to generate additional cash, accounts receivable, and inventory to further secure the Prepetition First Lien Lenders' interest in the ABL Collateral.

10. The Prepetition First Lien Noteholders and Prepetition Second Lien Noteholders will be the indirect beneficiaries of the use of cash generated postpetition by virtue of the Debtors' use of the Cash Collateral to continue to preserve and maintain the Fixed Collateral. In fact, the Debtors continued operation is the only means by which the Prepetition Secured Parties' position with respect to the Fixed Collateral could be enhanced. Access to the DIP Credit Facility and use of Cash Collateral will only serve to preserve and/or enhance the value of the Fixed Collateral on a going concern basis.

11. If the Debtors are unable to use Cash Collateral and to access the DIP Credit Facility, the Debtors' business and the value of the Prepetition Collateral will suffer immediately due to the absence of a going concern. The alternative in this case is to force the Debtors to close down their operations and thus doom any reorganization.

D. **Discretionary Payment of Interest, Fees, and Expenses**

12. Finally, in connection with the proposed DIP Credit Facility, the Debtors are also requesting discretionary authority to pay amounts equal to debt service and to reasonable professional fees and expenses to the Prepetition First Lien Noteholders and to pay amounts equal to professional fees and expenses to the Prepetition Second Lien Noteholders on account of ongoing substantial contributions to the Debtors' reorganization process. All such amounts shall be subject to recharacterization as principal repayments if the first and/or second lienholders turn out to be undersecured and/or not entitled to allowed substantial contribution claims. I believe that having this authority will not only allow the Debtors to avoid default interest and compound interest claims when they have sufficient liquidity, but also provide the Debtors with a meaningful tool for facilitating a consensual reorganization which the lienholders have been negotiating with the Debtors. Notably, the second lienholders are aware that a successful reorganization of the Debtors' balance sheet will require the repayment of a portion of the first lien debt and to date they have been constructive in that regard.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

September 7, 2011

Jay A. Epstein