

Verso Paper Holdings LLC  
Form 10-Q  
May 09, 2013

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

FORM 10-Q  
(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934  
For the quarterly period ended March 31, 2013

or  
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Verso Paper Corp.		
(Exact name of registrant as specified in its charter)		
Delaware	001-34056	75-3217389
(State of Incorporation or Organization)	(Commission File Number)	(IRS Employer Identification Number)
Verso Paper Holdings LLC		
(Exact name of registrant as specified in its charter)		
Delaware	333-142283	56-2597634
(State of Incorporation or Organization)	(Commission File Number)	(IRS Employer Identification Number)

6775 Lenox Center Court, Suite 400  
Memphis, Tennessee 38115-4436  
(Address, including zip code, of principal executive offices)  
(901) 369-4100  
(Registrants' telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Verso Paper Corp. ☒ Yes ☐ No  
Verso Paper Holdings LLC ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Verso Paper Corp. ☒ Yes ☐ No  
Verso Paper Holdings LLC ☒ Yes ☐ No

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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:

Verso Paper Corp.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)			

Verso Paper Holdings LLC

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)			

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Verso Paper Corp.

☐ Yes ☒ No

Verso Paper Holdings LLC

☐ Yes ☒ No

As of April 30, 2013, Verso Paper Corp. had 53,172,484 outstanding shares of common stock, par value \$0.01 per share, and Verso Paper Holdings LLC had one outstanding limited liability company interest.

This Form 10-Q is a combined quarterly report being filed separately by two registrants: Verso Paper Corp. and Verso Paper Holdings LLC.

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## Entity Names and Organization

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. As used in this report, the term “Verso Paper” refers to Verso Paper Corp.; the term “Verso Finance” refers to Verso Paper Finance Holdings LLC; the term “Verso Holdings” refers to Verso Paper Holdings LLC; and the term for any such entity includes its direct and indirect subsidiaries when referring to the entity’s consolidated financial condition or results. Unless otherwise noted, references to “Verso,” “we,” “us,” and “our” refer collectively to Verso Paper and Verso Holdings. Other than Verso Paper’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, the assets, liabilities, income, expenses and cash flows presented for all periods represent those of Verso Holdings in all material respects. Unless otherwise noted, the information provided pertains to both Verso Paper and Verso Holdings.

## Forward-Looking Statements

In this quarterly report, all statements that are not purely historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may be identified by the words “believe,” “expect,” “anticipate,” “project,” “plan,” “estimate,” “intend,” and similar expressions. Forward-looking statements are based on currently available business, economic, financial, and other information and reflect management’s current beliefs, expectations, and views with respect to future developments and their potential effects on us. Actual results could vary materially depending on risks and uncertainties that may affect us and our business. For a discussion of such risks and uncertainties, please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other sections of this quarterly report and to Verso Paper’s and Verso Holdings’ other filings with the Securities and Exchange Commission. We assume no obligation to update any forward-looking statement made in this quarterly report to reflect subsequent events or circumstances or actual outcomes.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	VERSO PAPER		VERSO HOLDINGS	
	March 31,	December 31,	March 31,	December 31,
(Dollars in thousands, except per share amounts)	2013	2012	2013	2012
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 12,697	\$ 61,525	\$ 12,642	\$ 61,470
Accounts receivable, net	98,652	100,888	98,778	101,014
Inventories	160,235	131,467	160,235	131,467
Assets held for sale	112	24,867	112	24,867
Prepaid expenses and other assets	7,893	4,026	7,893	3,996
Total current assets	279,589	322,773	279,660	322,814
Property, plant, and equipment, net	761,769	793,031	761,769	793,031
Intangibles and other assets, net	90,388	93,127	113,676	116,432
Total assets	\$ 1,131,746	\$ 1,208,931	\$ 1,155,105	\$ 1,232,277
<b>LIABILITIES AND EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 93,520	\$ 92,079	\$ 93,520	\$ 92,079
Accrued liabilities	77,128	120,180	77,139	119,121
Current maturities of long-term debt	—	8,501	—	—
Liabilities related to assets held for sale	—	176	—	176
Total current liabilities	170,648	220,936	170,659	211,376
Long-term debt	1,259,377	1,248,458	1,282,682	1,187,052
Other liabilities	60,641	61,223	53,867	54,448
Total liabilities	1,490,666	1,530,617	1,507,208	1,452,876
Commitments and contingencies (Note 13)				
Equity:				
Preferred stock -- par value \$0.01 (20,000,000 shares authorized, no shares issued)	—	—	n/a	n/a
Common stock -- par value \$0.01 (250,000,000 shares authorized with 53,246,715 shares issued and 53,172,484 outstanding on March 31, 2013, and 52,951,379 shares issued and 52,896,374 outstanding on December 31, 2012)	533	530	n/a	n/a
Treasury stock -- at cost (74,231 shares on March 31, 2013 and 55,005 shares on December 31, 2012)	(106	)(84	) n/a	n/a
Paid-in-capital	219,604	219,158	230,133	324,562
Retained deficit	(554,395	)(516,017	)(557,680	)(519,888
Accumulated other comprehensive loss	(24,556	)(25,273	)(24,556	)(25,273
Total deficit	(358,920	)(321,686	)(352,103	)(220,599
Total liabilities and equity	\$ 1,131,746	\$ 1,208,931	\$ 1,155,105	\$ 1,232,277

See notes to unaudited condensed consolidated financial statements.





## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	VERSO PAPER		VERSO HOLDINGS	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
(Dollars in thousands, except per share amounts)	2013	2012	2013	2012
Net sales	\$333,220	\$375,295	\$333,220	\$375,295
Costs and expenses:				
Cost of products sold - (exclusive of depreciation, amortization, and depletion)	291,859	337,280	291,859	337,280
Depreciation, amortization, and depletion	25,980	31,423	25,980	31,423
Selling, general, and administrative expenses	18,796	18,818	18,796	18,767
Restructuring charges	1,016	85	1,016	85
Total operating expenses	337,651	387,606	337,651	387,555
Other operating income	(3,285)	)—	(3,285)	)—
Operating loss	(1,146)	)(12,311)	)(1,146)	)(12,260)
Interest income	(9)	)(2)	)(388)	)(380)
Interest expense	34,660	32,119	34,439	30,917
Other loss, net	2,572	29,570	2,572	29,570
Loss before income taxes	(38,369)	)(73,998)	)(37,769)	)(72,367)
Income tax expense (benefit)	9	(69)	)—	)—
Net loss	\$(38,378)	)\$ (73,929)	)\$ (37,769)	)\$ (72,367)
Loss per common share				
Basic	\$(0.72)	)\$ (1.40)	)	)
Diluted	(0.72)	)(1.40)	)	)
Weighted average common shares outstanding (in thousands)				
Basic	52,976	52,686		
Diluted	52,976	52,686		

See notes to unaudited condensed consolidated financial statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	VERSO PAPER		VERSO HOLDINGS	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
(Dollars in thousands)	2013	2012	2013	2012
Net loss	\$(38,378	) \$(73,929	) \$(37,769	) \$(72,367 )
Other comprehensive income (loss):				
Derivative financial instruments:				
Effective portion of net unrealized losses	—	(1,365	) —	(1,365 )
Reclassification of accumulated other comprehensive loss to net loss	144	4,640	144	4,640
Defined benefit pension plan amortization of net loss and prior service cost	573	565	573	565
Other	—	119	—	119
Other comprehensive income	717	3,959	717	3,959
Comprehensive loss	\$(37,661	) \$(69,970	) \$(37,052	) \$(68,408 )

See notes to unaudited condensed consolidated financial statements.

VERSO PAPER CORP.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(Dollars and shares in thousands)	Common Shares	Common Stock	Treasury Shares	Treasury Stock	Paid-in-Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
Balance - December 31, 2011	52,631	\$526	(26	)\$(53	)\$ 216,485	\$(342,188)	\$ (28,658	) \$(153,888 )
Net loss	—	—	—	—	—	(73,929	)—	(73,929 )
Other comprehensive income	—	—	—	—	—	—	3,959	3,959
Common stock issued for restricted stock, net	320	4	(17					