

Verso Paper Corp.  
Form 10-Q  
November 07, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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 September 30, 2008

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 333-148201

Verso Paper Corp.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

75-3217389  
(I.R.S. Employer Identification Number)

6775 Lenox Center Court, Suite 400  
Memphis, Tennessee 38115-4436  
(Address of principal executive offices) (Zip Code)

(901) 369-4100  
(Registrant's 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. Yes ☒ No ☐

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. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Smaller reporting company ☐

Edgar Filing: Verso Paper Corp. - Form 10-Q

(Do not check if a smaller reporting  
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
☐ No ☒ Yes

As of October 31, 2008, the registrant had 52,046,647 outstanding shares of common stock, par value \$.01 per share.

---

TABLE OF CONTENTS

		Page
Part I.	FINANCIAL INFORMATION	
Item 1.	<u>Unaudited Condensed Consolidated and Combined Financial Statements of Verso Paper Corp.</u>	3
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	30
Item 4T.	<u>Controls and Procedures</u>	32
Part II.	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	33
Item 1A.	<u>Risk Factors</u>	33
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
Item 3.	<u>Defaults Upon Senior Securities</u>	33
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	33
Item 5.	<u>Other Information</u>	33
Item 6.	<u>Exhibits</u>	34
	<u>SIGNATURES</u>	35
	<u>EXHIBIT INDEX</u>	36

## PART I. FINANCIAL INFORMATION

## ITEM 1. UNAUDITED FINANCIAL STATEMENTS OF VERSO PAPER CORP.

## VERSO PAPER CORP.

## UNAUDITED CONDENSED CONSOLIDATED AND COMBINED BALANCE SHEETS

	September 30, 2008	December 31, 2007
(In thousands of U.S. dollars)		
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 16,930	\$ 58,533
Accounts receivable - net	136,116	121,190
Accounts receivable from related parties	14,118	12,318
Inventories	154,174	119,620
Prepaid expenses and other assets	6,459	3,935
Total Current Assets	327,797	315,596
Property, plant and equipment - net	1,126,897	1,160,239
Reforestation	12,469	11,144
Intangibles and other assets - net	99,813	97,785
Goodwill	18,695	18,695
Total Assets	\$ 1,585,671	\$ 1,603,459
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 126,740	\$ 128,373
Accounts payable to related parties	27,202	3,872
Accrued liabilities	88,673	93,012
Short-term borrowings	-	3,125
Current maturities of long-term debt	2,850	2,850
Total Current Liabilities	245,465	231,232
Long-term debt	1,263,450	1,413,588
Other liabilities	31,355	33,740
Total Liabilities	1,540,270	1,678,560
Commitments and contingencies (Note 10)	-	-
Stockholders' Equity:		
Common stock -- par value \$0.01 (250,000,000 shares authorized with 52,046,647 shares issued and outstanding on September 30, 2008; and 38,046,647 shares issued and outstanding on December 31, 2007)	520	380
Paid-in-capital	211,776	48,489
Retained deficit	(144,924)	(114,100)
Accumulated other comprehensive income (loss)	(21,971)	(9,870)
Total Stockholders' Equity	45,401	(75,101)
Total Liabilities and Stockholders' Equity	\$ 1,585,671	\$ 1,603,459

See notes to unaudited condensed consolidated and combined financial statements.



## VERSO PAPER CORP.

## UNAUDITED CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
(In thousands of U.S. dollars)				
Net sales	\$ 485,423	\$ 450,548	\$ 1,390,932	\$ 1,182,956
Costs and expenses:				
Cost of products sold - (exclusive of depreciation and amortization)	386,042	386,717	1,138,622	1,035,906
Depreciation, amortization and depletion	33,769	31,027	100,656	90,666
Selling, general and administrative expenses	18,285	18,136	58,838	38,056
Restructuring and other charges	1,117	4,240	26,553	16,483
Operating income	46,210	10,428	66,263	1,845
Interest income	(126)	(238)	(458)	(1,333)
Interest expense	27,772	36,463	95,984	106,594
Net income (loss)	\$ 18,564	\$ (25,797)	\$ (29,263)	\$ (103,416)
Earnings (loss) per share	\$ 0.36	\$ (0.68)	\$ (0.56)	\$ (2.72)
Common shares outstanding	52,046,647	38,046,647	52,046,647	38,046,647
Included in the financial statement line items above are related-party transactions as follows (Notes 8 and 9):				
Net sales	\$ 47,780	\$ 26,847	\$ 128,423	\$ 97,565
Purchases included in cost of products sold	1,450	4,175	5,711	7,531
Restructuring and other charges	(41)	1,998	23,281	7,483

See notes to unaudited condensed consolidated and combined financial statements.

## VERSO PAPER CORP.

UNAUDITED CONDENSED CONSOLIDATED AND COMBINED  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

(In thousands of U.S. dollars)	Common Stock	Paid-in- Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Beginning balance - January 1, 2007	\$ 380	\$ 290,017	\$ (2,637)	\$ (7,741)	\$ 280,019
Cash distributions	-	(242,152)	-	-	(242,152)
Net loss	-	-	(103,416)	-	(103,416)
Other comprehensive income:					
Prior service cost amortization	-	-	-	588	588
Total other comprehensive income	-	-	-	588	588
Comprehensive income (loss)	-	-	(103,416)	588	(102,828)
Equity award expense	-	548	-	-	548
Ending balance - September 30, 2007	\$ 380	\$ 48,413	\$ (106,053)	\$ (7,153)	\$ (64,413)
Beginning balance - January 1, 2008	\$ 380	\$ 48,489	\$ (114,100)	\$ (9,870)	\$ (75,101)
Issuance of common stock	140	152,161	-	-	152,301
Dividends paid	-	-	(1,561)	-	(1,561)
Net loss	-	-	(29,263)	-	(29,263)
Other comprehensive income (loss):					
Net unrealized losses on derivative financial instruments	-	-	-	(12,755)	(12,755)
Prior service cost amortization	-				