Verso Paper Corp.
Form S-1/A
May 14, 2008
Table of Contents

As filed with the Securities and Exchange Commission on May 14, 2008

Registration No. 333-148201

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 7 TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

VERSO PAPER CORP.

(Exact name of registrant as specified in its charter)

Delaware	**2621**	**75-3217389**

(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, Tennessee 38115-4436

(901) 369-4100

(Address, including zip code, and telephone number, including area code,

of the registrant s principal executive offices)

Michael A. Jackson

President and Chief Executive Officer

Verso Paper Corp.

6775 Lenox Center Court, Suite 400

Memphis, Tennessee 38115-4436

(901) 369-4100

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

Copies to:

Raymond Y. Lin, Esq.

Dennis D. Lamont, Esq.

Latham & Watkins LLP

885 Third Avenue

New York, New York 10022

(212) 906-1200

Michael Kaplan, Esq.

Davis Polk & Wardwell

450 Lexington Avenue

New York, New York 10017

(212) 450-4000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, 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. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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. ¨

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. ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant 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 Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated May 14, 2008

PRELIMINARY PROSPECTUS

14,000,000 Shares

Common Stock

This is the initial public offering of shares of common stock by Verso Paper Corp. We are offering 14,000,000 shares of our common stock.

Prior to the offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share of our common stock will be $12.00. We have been approved to list our common stock on the New York Stock Exchange under the trading symbol VRS.

Investing in our common stock involves a high degree of risk. Before buying any of these shares of our common stock, you should carefully consider the risk factors described in Risk Factors beginning on page 16 of this prospectus.

	Per share	Total
Initial public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Verso Paper Corp.	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters may also purchase up to an additional 2,100,000 shares of our common stock from us, at the initial public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus.

The underwriters are offering the shares of our common stock pursuant to a firm commitment underwriting as described under Underwriting. Delivery of the shares of common stock will be made on or about , 2008.

Credit Suisse **Citi**

Deutsche Bank Securities JPMorgan Lehman Brothers Merrill Lynch & Co. Morgan Stanley

Utendahl Capital Partners, L.P.

The date of this prospectus is , 2008

TABLE OF CONTENTS

Market and Industry Information	ii
Prospectus Summary	1
Risk Factors	16
Forward-Looking Statements	26
Use of Proceeds	27
Dividend Policy	28
Cash and Capitalization	29
Dilution	31
Selected Historical Combined Financial Data	32
Management s Discussion and Analysis of Financial Condition and Results of Operations	35
Industry	53
Business	57
Management	70
Compensation Discussion and Analysis	75
Executive Compensation	83
Principal Stockholders	88
Certain Relationships and Related Party Transactions	91
Description of Capital Stock	93
Shares Eligible for Future Sale	96
Material U.S. Federal Income Tax Considerations for Non-U.S. Holders of Our Common Stock	98
Underwriting	101
Legal Matters	107
Experts	107
Where You Can Find More Information	107
Index to Financial Statements	F-1

You should rely only on the information contained in this prospectus and any free writing prospectus prepared by or on behalf of us or any information to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities.

Until , 2008 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

Table of Contents

MARKET AND INDUSTRY INFORMATION

Market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates which are derived from our review of internal surveys, as well as the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information. Industry prices for coated paper provided in this prospectus are, unless otherwise expressly noted, derived from Resource Information Systems, Inc., or RISI, Inc. data. North American data included in this prospectus that has been derived from RISI, Inc. only includes data from the United States and Canada. U.S. industry pricing data included in this prospectus has been derived from RISI, Inc. data; this data represents pricing from the eastern United States only (as defined by RISI, Inc.). Also, any reference to (i) grade No. 3, grade No. 4 and grade No. 5 coated paper relates to 60 lb. basis weight, 50 lb. basis weight and 34 lb. basis weight, respectively, (ii) lightweight coated groundwood paper refers to groundwood paper grades that are a 36 lb. basis weight or less, and (iii) ultra-lightweight coated groundwood paper refers to groundwood paper grades that are a 30 lb. basis weight or less. Unless otherwise expressly noted, the term consumption as used in this prospectus means apparent consumption as defined by RISI, which is calculated as shipments plus imports less exports. The RISI, Inc. data included in this prospectus has been derived from the following RISI, Inc. publications: RISI World Graphic Paper forecast, April 2008; RISI North American Graphic Paper forecast, April 2008; and RISI Paper Trader: A Monthly Monitor of the North American Graphic Paper Market, March 2008.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights important information about our business from this prospectus. Please review this prospectus in its entirety, including Risk Factors and our financial statements and the related notes, before you decide to invest. Unless otherwise noted, the terms the company, Verso Paper, we, us, our and Successor refer collectively to Verso Paper Corp., a Delaware corporation, and its subsidiaries after giving effect to the consummation of the Merger as described under Prospectus Summary The Merger. References to the Division or Predecessor are to the Coated and Supercalendered Papers Division of International Paper Company. The term International Paper refers to our former parent, International Paper Company. Unless otherwise noted, references to Apollo throughout this prospectus refer to the affiliates of Apollo Global Management LLC that control us.

Our Company

We are a leading North American supplier of coated papers to catalog and magazine publishers. The market for coated paper, which is comprised of coated groundwood paper and coated freesheet paper, is one of the most attractive segments of the paper industry due to its prospects for volume growth, continued improvement in pricing and the high value-added nature of its products. 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.

We are North America s second largest producer of coated groundwood paper, which is used primarily for catalogs and magazines. We are also North America s lowest cost producer of coated freesheet paper, which is used primarily for annual reports, brochures and magazine covers. In addition to coated paper, we have a strategic presence in supercalendered paper, which is primarily used for retail inserts. We also produce and sell market pulp, which is used in the manufacture of printing and writing paper grades and tissue products.

Our primary product lines include coated groundwood paper, coated freesheet paper, supercalendered paper and pulp. Our net sales by product line for the year ended December 31, 2007 are illustrated below:

Net Sales by Product Line

We sell and market our products to approximately 100 customers which comprise 650 end-user accounts. We have long-standing relationships with many leading magazine and catalog publishers, commercial printers,

Table of Contents

specialty retail merchandisers and paper merchants. We reach our end-users through several distribution channels including direct sales, commercial printers, paper merchants and brokers. The majority of our products are sold via contracts we maintain with our customers, which generally specify the volumes to be sold to the customer over the contract term, as well as the pricing parameters for those sales. Having a large portion of our sales volume under contract allows us to plan our production runs well in advance, optimizing production over our integrated mill system and thereby increasing overall efficiency and reducing our costs. Our key customers include leading magazine publishers such as Condé Nast Publications, Inc., National Geographic Society and Time Inc.; leading catalog producers such as Avon Products, Inc. and Sears Holdings Corporation; leading commercial printers such as Quad/Graphics, Inc. and RR Donnelley & Sons Company; and leading paper merchants and brokers such as Unisource Worldwide, Inc., the xpedx and Bulkley Dunton business units of International Paper, A.T. Clayton & Co., Inc. and Clifford Paper, Inc.

We operate 11 paper machines at four mills located in Maine, Michigan and Minnesota. The mills have a combined annual production capacity of 1,726,000 tons of coated paper, 102,000 tons of supercalendered paper and 874,000 tons of kraft pulp, of which approximately 610,000 tons is consumed internally and the remainder is sold as market pulp. Over our integrated mill system, the total volume of pulp purchased from third parties is approximately balanced by the amount of pulp that we sell to the market. As a result, our business is generally insulated from fluctuations in earnings caused by changes in the price of pulp. Our facilities are strategically located within close proximity to major publication printing customers, which affords us the ability to more quickly and cost-effectively deliver our products. Our 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 groundwood papers, two of the more attractive grades of coated paper.

Industry Overview

Based on 2007 sales, the size of the global coated paper industry is estimated to be approximately $49 billion, or 54 million tons of coated paper demand, including approximately $12 billion in North America, or 13 million tons of coated paper demand. In North America, coated papers are classified by brightness into five grades, labeled No. 1 to No. 5, with No. 1 having the highest brightness level and basis weight and No. 5 having the lowest brightness level and basis weight. Papers graded No. 1, No. 2 and No. 3 are typically coated freesheet grades. No. 4 and No. 5 papers are predominantly grades containing groundwood. Coated groundwood grades are the preferred grades for catalogs and magazines, while coated freesheet is more commonly used in commercial print applications. The coating process adds a smooth uniform finish to the paper, which produces superior color and print definition. As a result, major uses of coated papers include the printing of catalogs, magazines, annual reports, directories and advertising materials.

The following key trends are currently affecting the North American coated paper industry:

Growing consumption/demand. Coated paper demand is primarily driven by advertising and print media usage. North American coated paper consumption, which was 13.2 million tons in 2007, has grown at a 2.0% compound annual growth rate since 2001 due to the continued growth of paper used in catalog, magazine and commercial print applications.

Reductions in production capacity and supply. In North America, supply is determined primarily by North American-based coated paper production and is supplemented by imports from Europe and Asia. As a result of recent capacity closures in the North American coated paper industry, the lack of any currently announced capacity additions and the stabilization of imports of coated paper into the United States, we believe that supply should be stable for the near future.

Favorable operating rates. According to RISI, Inc., the average operating rate for North American coated paper manufacturers, which measures the ratio of shipments from producers in a particular region to capacity of producers in the same region, rose from 86% in 2001 to 97% in 2007, as shipments increased more than capacity during this time period. Following the recently announced reductions in North American production, 2007 coated paper operating rates would have been over 100% on a pro forma basis, reflecting the current tight supply conditions. Historically, high operating rates have resulted in increased prices for coated paper. RISI, Inc. expects the average operating rate for coated groundwood and coated freesheet to remain above 95% and 92% through 2012, respectively, with the average operating rate for coated groundwood expected to be 100% through 2009 because of trends in North American demand, recently completed and announced capacity closures, the lack of any major forecasted North American capacity additions and favorable import trends.

Improving pricing. As a result of the trends identified above, coated paper pricing in the United States is increasing. We have announced and are implementing total price increases of $245 per ton on our coated groundwood grades and $190 per ton on most grades of coated freesheet. As we began implementing these price increases, our weighted average paper prices rose from $797 per ton in the second quarter of 2007 to $840 per ton in the fourth quarter of 2007. We expect our weighted average paper prices to continue to increase as we further realize these price increases during 2008. In reflection of these market trends, RISI, Inc. forecasts that U.S. prices for grade No. 5 coated paper, 34 lb. basis weight, which is an industry benchmark for coated paper pricing, will rise from an average of $888 per ton in the second quarter of 2007 to $1,100 per ton in the fourth quarter of 2008. In addition, RISI, Inc. estimates annual prices for this product to increase from an average of $923 per ton in 2007 to $1,083 per ton in 2008 and then to $1,140 per ton in 2009. See Management s Discussion and Analysis of Financial Condition and Results of Operations Selected Factors that Affect Our Operating Results.

Our Competitive Strengths

We believe that our competitive strengths include the following:

Well positioned to benefit from strengthening coated paper market fundamentals. We believe that we are well positioned to benefit from improving fundamentals in the coated paper industry, which are inherently linked to the balance of supply and demand. Since the second quarter of 2004, supply has decreased due to a reduction in production capacity in both North America and Europe, which was caused primarily by the closure of high cost coated paper mills by our competitors. These mills generally suffered from a combination of higher energy prices, changes in Canadian dollar and euro exchange rates and other inflationary factors. North American producers announced the shutdown of approximately 1.3 million tons of aggregate coated paper capacity that began in the second half of 2007 and will continue throughout 2008, which represents approximately 12% of North American coated paper capacity. Based on favorable supply and demand trends, RISI, Inc. projects that North American coated paper operating rates will remain high for the foreseeable future, with coated groundwood operating rates expected by RISI, Inc. to be approximately 100% in 2008 and 2009.

A leading manufacturer of coated paper products in North America. We are one of the largest coated paper manufacturers in North America based on production capacity. Within the overall North American coated paper market, we have a leading market share in North American coated groundwood production capacity. In addition, we are North America s lowest cost producer of coated freesheet paper. Our size provides us with economies of scale, which enables us to optimize production across our integrated mill system to provide a broad spectrum of products and gives us the operational flexibility to adapt to our customers specific coated paper needs.

Leading positions in the industry s most attractive segments and products. We are a leading supplier of coated papers to U.S. catalog and magazine publishers. The catalog and magazine end-user segments are among the most attractive within the coated papers industry due to their long-term growth prospects, favorable industry

Table of Contents

dynamics, blue-chip customer base and emphasis on product innovation and development. We maintain a leading position in the U.S. catalog and magazine end-user segments, with estimated segment shares of approximately 24% and 16% in 2007, respectively.

In addition to being focused on the most attractive end-user segments, our product portfolio is also concentrated on the most attractive products in both the paper industry, in general, and the coated paper segment, specifically. Coated papers have been and are expected to be among the fastest growing paper grades in the paper industry, with North American coated paper demand having grown 2.0% per annum since 2001, compared to a demand growth rate of negative 4.7% for newsprint and a demand growth rate of negative 1.8% for uncoated freesheet paper. We are also specifically focused on the fastest growing portions of the coated paper market. For example, we are one of three major North American-based producers of ultra-lightweight coated groundwood paper. Ultra-light weight coated groundwood paper has experienced higher growth than the overall coated paper market, a trend we expect to continue as customers are increasingly demanding lower basis weight products in order to reduce their freight and postage costs. In addition, ultra-lightweight coated papers sell for higher prices and yield higher margins than their higher basis weight counterparts. We believe that we have a competitive advantage in ultra-lightweight coated paper grades due to our investment in specialized equipment and our internal development of special manufacturing processes.

Strong relationships with attractive customer base. We have long-standing relationships with leading publishers, commercial printers, retail merchandisers and paper merchants. Our relationships with our 10 largest coated paper customers average more than 20 years. These customers have historically had stable, on-going paper needs. Our strong relationships with the leading customers in the catalog and magazine end-user segments have allowed us to optimize our mill system to supply orders on an efficient, cost-effective basis. Due to the premium printing requirements of these end-users, we have also been able to shift our product mix towards higher value-added grades, such as lightweight and ultra-lightweight coated groundwood. In addition, 60% of our net sales in 2007 were made pursuant to contracts we maintain with our customers. These contracts help enable us to plan our production runs well in advance, thereby optimizing production over our integrated mill system, which reduces costs and increases overall efficiency. Our relationships with our key customers also allow us to maintain operating rates that are in excess of industry levels. For example, according to RISI, Inc., average operating rates for coated paper producers were 97% in 2007, while our operating rates were 99% in the same period.

Well-invested, low-cost manufacturing facilities. We believe our coated paper mills are among the most efficient and lowest cost coated paper mills in the world based on the cash cost of delivery to Chicago. We attribute our manufacturing efficiency, in part, to the significant historical investments made in our mills. From 1985 to 2006, our former parent, International Paper, invested over $1.7 billion in growth capital expenditures for new machines, rebuilds, productivity enhancements and capacity expansions. In addition to these expenditures, over $800 million was invested by International Paper for maintenance and repairs of this equipment, as well as for certain environmental, health and safety projects. International Paper also improved the cost position of our system by closing over 500,000 tons of higher cost coated paper capacity. As a result, we are the owners of well-invested, low-cost production assets. Further, most of our paper production is at mills with integrated pulp production and energy co-generation facilities, which reduces our exposure to price volatility for energy and purchased pulp, two of our largest cost inputs. As we sell approximately the same amount of pulp as we purchase across our integrated production system, we are generally insulated from fluctuations in earnings caused by changes in pulp prices.

Efficient, integrated supply chain with unique service solutions. Coated paper customers have become increasingly focused on supply chain efficiency, cost reduction and lead time minimization. Our Internet-based ordering platforms simplify ordering, tracking and invoicing, and are part of our strategy to continually reduce the cost to serve our customer base. In addition, we operate Nextier Solutions, an Internet-based system designed for collaborative production planning, procurement and inventory management processes throughout the supply chain. Our customers use our systems to maximize supply chain efficiencies, improve communication and reduce operating costs. We believe this provides us with a competitive advantage by enabling us to run our operations

Table of Contents

more cost-effectively through better planning of manufacturing runs and tracking of costs and inventory. We also believe the strategic location of our mills and distribution centers near major end-use markets, such as New York and Chicago, affords us the ability to more quickly and cost-effectively deliver our products to those markets. This close proximity to our customers provides for enhanced customer service and allows us to minimize our freight and delivery costs.

Experienced management team with proven track record. We believe our senior management team is a valuable asset to our business. This team has introduced industry-leading cost saving and efficiency programs and has lead the successful transition of our business from International Paper. In November 2006, Michael A. Jackson joined our business as President and Chief Executive Officer from Weyerhaeuser Company, where he most recently served as Senior Vice President in charge of the Cellulose Fibers, White Papers, Newsprint and Liquid Packaging Board businesses. Our senior management team averages approximately 20 years of experience in the paper and forest products industry.

Our Business Strategy

Increase revenues. One of our key objectives is to profitably grow sales. We believe we can achieve this goal through the following strategies:

Capitalize on favorable trends in our industry. The coated paper industry is currently benefiting from favorable supply and demand trends and high operating rates, which have resulted in rising sales prices. We are currently implementing several price increases with an announced total increase of $245 per ton on our coated groundwood grades and $190 per ton on most of our coated freesheet grades. We expect to grow our revenues and operating profits as these price increases are realized during 2008. Based on our coated paper production capacity, a price increase of $50 per ton in average selling prices for coated paper, assuming volumes and costs remain constant, equates to $86 million in additional annual revenues and operating profits.

Leverage our leading market position. We intend to further strengthen our leadership position by increasing our sales to both existing and new potential customers within the catalog and magazine segments, where, as industry leaders, we can offer an enhanced level of products and service. We believe that this competitive advantage will allow us to efficiently grow our business in line or in excess of market volume and price growth.

Participate in ongoing coated paper industry consolidation. We believe that there may be opportunities to participate in the current trend of consolidation in the North American coated paper industry. We intend to evaluate and pursue acquisitions and strategic partnerships that we believe will increase our profitability, enhance economies of scale, and augment or diversify our existing customer base. Through strategic acquisitions and partnerships, we intend to continue to improve our absolute and relative cost position, supplement our organic growth prospects and enhance stockholder value.

Focus on specialty and higher value-added products. In addition to participating in underlying market growth, we plan to grow revenues by focusing on specialty and high value-added products, which we expect to grow in excess of general market growth. As one of the three major North American-based producers of ultra-lightweight papers, we are positioned well with customers that want to lower postage and distribution expenses and thereby lower their total production costs. We expect the volumes and prices of ultra-lightweight papers to grow faster than the coated paper market in general, which provides us with an opportunity to leverage our production capabilities to garner additional revenues. In addition, we will continue to drive product performance improvements by taking advantage of technological advances and developing new products that meet the needs of our core catalog and magazine customers. We have a robust research and development effort that identifies, commercializes and capitalizes on new products and product innovations to generate additional sales opportunities.

Table of Contents

Improve profitability. We intend to focus on productivity enhancements and on improving our cost platform through the following strategies:

Increase productivity. Since 2001, we have significantly reduced production costs and enhanced manufacturing efficiency at our mills. During this period, we reduced total headcount by approximately 20% while overall productivity increased by 15% as measured by production tons per day and by approximately 50% as measured by tons produced per day per employee. Combined with strategies to reduce raw material usage, repair costs and manufacturing overhead, these initiatives have significantly improved financial and operating results. Going forward, we intend to selectively pursue cost reduction and efficiency improvement initiatives based on their cost to achieve, likely success and anticipated payback period.

Improve operating performance. Through Realizable-GAP, or R-GAP, our continuous process improvement program, we have implemented focused programs to optimize raw materials sourcing and usage, reduce repair costs and control overhead. We believe these process improvements, combined with our ability to generate a substantial portion of our energy needs and produce low cost pulp through our integrated pulp operations, will enhance our operating leverage, earnings and cash flow. We expect to continue to enhance and use our proprietary R-GAP process to identify more cost-saving opportunities which will improve the profitability of our mill network.

Maximize cash flow. Since the acquisition of our business from International Paper, our senior management team has implemented a focused strategy to maximize profitability and cash flow. With this enhanced management focus, we have managed our working capital, capital expenditures and operational expenditures efficiently to optimize cash flow.

As a result of our former parent s significant growth capital expenditures, we believe that our capacity is sufficient to meet our current growth initiatives without significant additional spending and that future growth capital will be spent only upon the expectation of significant returns. Following 2008, our annual maintenance and environmental capital expenditures are expected to average approximately $40 million to $50 million per year for the next few years, which we believe will be sufficient to maintain our productivity and maximize cash flow.

As a result of the way the acquisition of our business was structured, we also expect to pay minimal cash income taxes over the next few years due in part to high tax depreciation deductions we expect to realize. This tax depreciation should reduce future taxable profits from the business and minimize our cash income taxes.

We expect that our relatively low maintenance and environmental capital expenditures, improved working capital management, further cost reductions and minimal cash income taxes will enhance our ability to generate cash flow. We intend to use our cash flow to repay our debt and to reinvest in the growth of our business.

Risk Factors

An investment in our common stock involves substantial risks and uncertainties. Some of the more significant challenges and risks include those associated with our susceptibility to conditions in the U.S. economy, our ability to pass through increases in our costs to our customers, the cost of energy and raw materials, the highly competitive nature of the industry in which we operate and our significant amount of indebtedness. See Risk Factors for a discussion of the factors you should consider before investing in our common stock.

Table of Contents

The Merger

We, along with Verso Paper Two Corp., Verso Paper Three Corp., Verso Paper Four Corp. and Verso Paper Five Corp., are the wholly-owned subsidiaries of Verso Paper Management LP. Prior to the effective date of the registration statement of which this prospectus is a part, Verso Paper Two Corp., Verso Paper Three Corp., Verso Paper Four Corp. and Verso Paper Five Corp. will merge with and into us, and we will be the surviving corporation. The combination of us with these four entities is referred to throughout this prospectus as the Merger. Upon consummation of the Merger, Verso Fiber Farm LLC, which is currently a wholly-owned subsidiary of Verso Paper Five Corp., will become our wholly-owned subsidiary. In connection with Verso Fiber Farm LLC becoming our wholly-owned subsidiary, we intend to use a portion of the net proceeds from this offering to repay the outstanding $4.0 million under the revolving credit facility and the $10.0 million senior secured term loan of Verso Fiber Farm LLC. See Use of Proceeds. As a result of the Merger, Verso Paper LLC, the chief operating entity through which our business is operated, and each of its subsidiaries, which will include Verso Fiber Farm LLC, will become our wholly-owned indirect subsidiaries. Prior to the Merger, each of Verso Paper Corp., Verso Paper Two Corp., Verso Paper Three Corp. and Verso Paper Four Corp. are holding companies that indirectly own 40%, 30%, 20% and 10% of Verso Paper LLC and our other consolidated subsidiaries, respectively. Prior to the Merger, Verso Paper Five Corp. is a holding company that wholly owns Verso Fiber Farm LLC. See Summary Corporate Structure Pre- and Post-Merger.

Upon consummation of this offering, Apollo will continue to control us with beneficial ownership of 73.1% of our common stock. Although Apollo will have the ability to substantially influence all matters requiring stockholder approval, Apollo does not maintain a role in our day-to-day management and operations other than through its representation on our board of directors by its employees, Messrs. Harris, Kleinman, Zaken and Sambur, solely in their capacity as directors, and any provision of financial and strategic consulting and advisory services under our management agreement with Apollo. The services under the management agreement are advisory in nature and do not provide Apollo with any authority to manage or operate our business and affairs. See Risk Factors Risks Related to Our Common Stock Apollo controls us, and its interests may conflict with or differ from your interests as a stockholder and Certain Relationships and Related Party Transactions Management Agreement. Pursuant to the terms of the management agreement, after the consummation of this offering, Apollo will terminate the annual fee arrangement for its consulting and advisory services in exchange for the present value of all future annual fee payments. The amount of this payment to Apollo is equal to $23.1 million and will be paid after the completion of this offering. Notwithstanding this payment, the management agreement will continue to be in effect and Apollo will continue to be entitled to receive fees for financial advisory or investment banking services Apollo may provide to us pursuant to the terms of the management agreement. See Certain Relationships and Related Party Transactions Management Agreement.

Additional Information

Our principal executive offices are located at 6775 Lenox Center Court, Suite 400, Memphis, Tennessee 38115-4436. Our telephone number is (901) 369-4100. Our web site address is *www.versopaper.com*. Information on our web site is not considered part of this prospectus.

Table of Contents

Summary Corporate Structure Pre- and Post-Merger

The following chart represents our summary corporate structure prior to the Merger. The profit interests held by senior management in Verso Paper Management LP are non-voting. See Prospectus Summary The Merger, Compensation Discussion and Analysis Elements of Executive Compensation and Principal Stockholders.

The following chart represents our summary corporate structure immediately following the consummation of the Merger and this offering. Verso Paper Corp. will be the surviving entity of the merger of Verso Paper Corp., Verso Paper Two Corp., Verso Paper Three Corp., Verso Paper Four Corp. and Verso Paper Five Corp. Upon consummation of this offering, members of management holding profit interests in Verso Paper Management LP will have the right to exchange these interests for shares of our common stock held by Verso Paper Management LP. See Prospectus Summary The Merger, Compensation Discussion and Analysis Elements of Executive Compensation and Principal Stockholders.

Table of Contents

The Offering

Shares of common stock offered by us	14,000,000 shares
Common stock to be outstanding after this offering	52,046,647 shares (54,146,647 shares in the event the underwriters elect to exercise their option to purchase additional shares from us in full).
Use of proceeds	We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately $153.3 million assuming an initial public offering price of $12.00 per share. We intend to use the net proceeds to repay the outstanding $4.0 million under the revolving credit facility and the $10.0 million senior secured term loan of Verso Fiber Farm LLC and to repay a portion of the outstanding $250.0 million senior unsecured term loan facility of our subsidiary, Verso Paper Finance Holdings LLC, and the 1.0% prepayment penalty related thereto. At the assumed initial public offering price of $12.00 per share, we would repay $137.9 million of the amount outstanding under the senior unsecured term loan facility, and the $1.4 million prepayment penalty related thereto. See Use of Proceeds. Affiliates of certain of the underwriters are lenders under the Verso Fiber Farm LLC and the Verso Finance Holdings LLC facilities and, accordingly, will receive a substantial portion of the proceeds from this offering through such repayment. See Underwriting Relationships.
Dividend policy	We intend to pay quarterly cash dividends on our common stock at an initial annual rate equal to approximately 1% of the initial offering price per share. At an initial public offering price of $12.00 per share, the quarterly cash dividend would be in an initial annual amount of $0.12 per share. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, legal requirements, restrictions in our debt agreements and other factors our board of directors may deem relevant. See Risk Factors Risks Related to Our Common Stock We may be restricted from paying cash dividends on our common stock in the future.
Listing	We have been approved to list our common stock on the New York Stock Exchange under the trading symbol VRS.
Directed share program	At our request, the underwriters have reserved up to 5% of the shares of common stock for sale at the initial public offering price to persons who are directors, officers or employees, or who are otherwise associated with us, through a directed share program. The sales will be made by Smith Barney, a division of Citigroup Global Markets Inc. through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. See Underwriting.

Table of Contents

The number of shares of common stock to be outstanding after this offering is based on 38,046,647 shares of common stock outstanding upon completion of the Merger and the filing of our amended and restated certificate of incorporation.

Except as otherwise indicated, all information in this prospectus:

- gives effect to the Merger and the filing of our amended and restated certificate of incorporation, effecting a 38,047-for-1 stock split with respect to our common stock, which will occur prior to the effective date of the registration statement of which this prospectus is a part; and

- assumes no exercise by the underwriters of their option to purchase 2,100,000 additional shares from us in this offering. See Principal Stockholders.

Table of Contents

Summary Combined Financial Data

The following table presents our summary historical combined financial data. The following information is only a summary and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the audited combined financial statements of the Coated and Supercalendered Papers Division of International Paper and the audited combined financial statements of Verso Paper Corp. and notes thereto included elsewhere in this prospectus, as well as the other financial information included in this prospectus.

On August 1, 2006, our wholly-owned subsidiary, Verso Paper LLC, acquired the assets and certain of the liabilities of the Coated and Supercalendered Papers Division from International Paper, including the four mills located in Jay and Bucksport, Maine, Quinnesec, Michigan and Sartell, Minnesota, together with other related facilities and assets and certain administrative and sales and marketing functions, pursuant to the terms of a purchase and sale agreement entered into between Verso Paper LLC and International Paper on June 4, 2006. We, along with our subsidiaries, were formed by affiliates of Apollo Global Management LLC for the purpose of consummating the acquisition of the Coated and Supercalendered Papers Division from International Paper, or the Acquisition. Unless otherwise noted, references to Apollo throughout this prospectus refer to the affiliates of Apollo Global Management LLC that control us. In connection with the Acquisition, Verso Paper Holdings LLC issued $1,185 million of debt, which we refer to as the Financing, consisting of a $285 million term loan B facility, or the Term Loan B, $600 million in aggregate principal amount of second priority senior secured notes and $300 million in aggregate principal amount of senior subordinated notes. We also obtained a $200 million revolving credit facility, which we refer to, together with the Term Loan B, as the senior secured credit facilities. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

The combined statement of operations data for the year ended December 31, 2005, and for the seven months ended July 31, 2006, have been derived from the combined financial statements of the Coated and Supercalendered Papers Division of International Paper, which we refer to as the Predecessor or the Division, which have been audited by Deloitte & Touche LLP an independent registered public accounting firm, and are included in this prospectus. The combined balance sheet data as of December 31, 2007, and the combined statement of operations data for the five months ended December 31, 2006, and the year ended December 31, 2007, have been derived from the combined financial statements of Verso Paper Corp, which we refer to as the Successor which have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, and are included in this prospectus. The combined balance sheet data as of March 31, 2008, and the statements of operations data for the three months ended March 31, 2007 and 2008, have been derived from the unaudited combined financial statements included in this prospectus. The unaudited financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. Interim financial statements are not necessarily indicative of results that may be experienced for the fiscal year or any future reporting period.

Table of Contents

	Predecessor Combined		Successor Combined			
	Year Ended December 31, 2005	Seven Months Ended July 31, 2006	Five Months Ended December 31, 2006	Year Ended December 31, 2007	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
	(dollars and tons in millions, except per share data)					
Statement of Operations Data:						
Net sales	$ 1,603.8	$ 904.4	$ 706.8	$ 1,628.8	$ 359.8	$ 453.9
Costs and expenses:						
Costs of products sold exclusive of depreciation and amortization	1,338.2	771.6	589.3	1,403.1	316.3	375.4
Depreciation and amortization	129.4	72.7	48.3	123.2	29.6	32.2
Selling, general and administrative expenses	65.6	34.3	14.4	53.1	11.2	14.2
Restructuring and other charges	10.4	(0.3)	10.1	19.4	5.3	1.7
Operating income (loss)	60.2	26.1	44.7	30.0	(2.6)	30.4
Interest expense	14.8	8.4	49.1	143.0	33.7	33.7
Interest income			(1.8)	(1.5)	(0.9)	(0.2)
Income (loss) before income taxes	45.4	17.7	(2.6)	(111.5)	(35.4)	(3.1)
Provision for income taxes	17.9	7.0				
Net income (loss)	$ 27.5	$ 10.7	$ (2.6)	$ (111.5)	$ (35.4)	$ (3.1)
Per Share Data:						
Earnings (loss) per share			$ (0.07)	$ (2.93)	$ (0.93)	$ (0.08)
Common shares outstanding			38,046,647	38,046,647	38,046,647	38,046,647
Statement of Cash Flows Data:						
Cash provided by (used in) operating activities						