

October 28, 2020

Board of Directors
Verso Corporation
8450 Gander Creek Drive
Miamisburg, Ohio 45342

Dear Directors:

I write to you today with concerns about the recent news, relayed to the Rapids Together Task Force by Verso's local management on October 21, 2020, that Verso has suspended actively marketing the mill in Wisconsin Rapids until economic conditions improve. Further, I am concerned that a group of activist investors has gained seats on the board and is pushing decisions that benefit shareholders and executives at the expense of workers at the Wisconsin Rapids facility.

Many in the community were hoping for a quick sale to a buyer that would operate the mill and preserve its nearly one thousand jobs. The disappointing news that the sale is on hold raises concerns that Verso will close the mill instead of selling it to an operator. I write to request that you resume active marketing of the mill, giving full and fair consideration to local buyers, and honor your commitment to treat the employees of the Wisconsin Rapids mill with "fairness and respect."¹

On September 29, 2020, I wrote to the Verso President and CEO Adam St. John to urge him to "consider the impact of the sale on all the people in the North Central Wisconsin region, and not just your shareholders." Since that letter, Mr. St. John has resigned and the mill has gone off the market. My understanding is that a new director, placed on the board in January 2020, after pressure from a group of activist investors, is now leading the sale process.

I am concerned about the impact of the activist group on the Verso strategy. Public letters from the activist group make clear that they opposed using any proceeds from the previous mill sales for new investment to convert Verso paper machines into machines able to produce packaging grades. Instead, the activists have pushed a strategy that directs hundreds of millions of dollars to Verso's shareholders through buybacks and dividends.²

On July 31, 2020, the Wisconsin Rapids mill idled and 902 workers were laid off. On August 6, just one week later, Verso announced that it would spend \$100 million on a special dividend and \$150 million on stock buybacks.³ Verso management cited the economic effects of the COVID-19 pandemic along with a need to, "maintain a healthy balance sheet and focus on cash flow," when it announced the idling of the Wisconsin

¹ <http://investor.versoco.com/2020-06-09-Verso-Announces-Necessary-Actions-to-Offset-Unprecedented-Market-Divide-Due-to-COVID-19>

² <https://www.prnewswire.com/news-releases/atlas-holdings-and-blue-wolf-capital-issue-letter-to-verso-corporation-board-of-directors-300968237.html>

³ <http://investor.versoco.com/2020-08-06-Verso-Corporation-Announces-3-00-Special-Cash-Dividend-and-Reports-Second-Quarter-2020-Financial-Results>

Rapids mill on June 9.⁴ However, sending \$250 million to shareholders does not help maintain a healthy balance sheet or mitigate the effects of COVID-19. These moves are not designed to “reposition the company for future success,” but rather to salvage the investment of the activist group at the expense of Verso employees.⁵

The June 9 release also noted that “Verso is committed to treating all our affected employees with fairness and respect.” The recent announcement that the mill is off the market does not reflect this commitment. The treatment of workers—many of whom don’t know where their next paycheck will come from—stands in stark contrast to the board’s treatment of Verso executives. On May 11, 2020, a month prior to the idling announcement, the board eliminated the minimum requirement that Verso’s stock price must hit for executives and directors to receive their multi-million dollar performance bonuses. The Compensation Committee’s report noted that holding Verso’s executives responsible for the effects of the COVID-19 pandemic on the stock price would be unfair, and therefore the minimum threshold must be waived—to ensure that executives and directors were retained.⁶

It is hard to find a clearer contrast between the stakes for executives versus rank and file workers. The workers lose jobs after decades of service and must wait in agonizing limbo, while the bar is lowered to pay executives millions to ensure they don’t quit. The actions of the board show sympathy for the plight of executives and directors who could lose millions in bonuses (while retaining their half million dollar annual salaries) yet little concern for their workers who have lost their livelihoods.

I fear that the longer Verso waits to sell the mill, the greater the possibility that the facility is closed. Please honor your commitments to your employees and either run the mill, or sell it to a buyer committed to the Wisconsin Rapids community. I again reiterate my request that your sale process give full and fair consideration to local buyers who will be most affected by any changes at the mill. While Verso’s executives might have the resources to wait until economic conditions improve to maximize the proceeds of the sale of the mill, the workers and the community in North Central Wisconsin do not have that luxury.

Sincerely,

Tammy Baldwin
U.S. Senator

⁴ <http://investor.versoco.com/2020-06-09-Verso-Announces-Necessary-Actions-to-Offset-Unprecedented-Market-Dcline-Due-to-COVID-19>

⁵ Ibid.

⁶ https://www.sec.gov/Archives/edgar/data/1421182/000110465920077663/tm2023025-1_def14a.htm#tPSFS