

INSTITUTIONAL DISTRESSED DEBT RESEARCH

Performance Plus Advisors, Inc.

Distressed Debt Research

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NEWPAGE GROUP

NewPage Group filed Chapter 11 Bankruptcy in September 2011. NewPage listed assets of \$3.4 billion and debt of \$4.2 billion. Liabilities include:

\$232 million revolver

\$1.77 billion in 11.375% first lien notes

\$802 million 10% second lien notes

\$225 million in floating rate second lien notes

\$200 million in 12% unsecured notes

\$498 million floating rate PIK notes

See Important Disclosures

1ST Lien Notes

The 11.375 percent senior notes due December 2014 were issued in 2009 at an OID of 96%. In February 2010 the company issued \$70 million add on the 11.375% notes with the same terms.

In both our June 4th and July 5th research reports on NewPage Group we rated these notes as **NEUTRAL**. We expected a more attractive entry price for investors interested in these 1st lien notes. Our recommendation at that time and continues to be that these securities are best positioned for an attractive investment recovery in this Chapter 11 Bankruptcy. From July to present these notes have fallen from approximately 85 in July, to below 70. At the current price of approximately 68, we now have an attractive risk reward ratio, and rate the 11.375% notes as a **BUY**.

The accretion of the OID is similar to interest accrual in a regular par issued bond, courts have deemed OID to constitute interest in a bankruptcy proceeding. According to bankruptcy code, claims for unmatured interest are disallowed. Although the 1st lien note claim is covered by enough collateral, we expect recovery for these securities to be below par.

2nd Lien Notes

The second lien notes consist of \$806 million of 10% senior secured second lien notes and \$225 million floating rate senior secured second lien notes. These securities are secured by a second lien on fixed collateral, are subordinated, to the extent of the value of the assets securing the indebtedness to the senior secured revolver and the first lien notes.

In our previous reports we rated these securities as a **SELL**. We continue to rate them as a **SELL**. Our best expectation for a recovery is in the single digits. Future expectations for the coated paper industry are dim, amplified by consumer preferences of using the internet and a weak global economy.

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NEUTRAL: We generally expect “**NEUTRAL**” rated investment returns to deviate plus or minus + or – 20% from the date of the original recommendation.

SELL: We generally expect “**SELL**” rated investment returns to be equal to or greater than minus – 20% from the date of the original recommendation.

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	Number of Companies	Percent of Total
Buy	3	33%
Neutral	4	45%
Sell	2	22%
Total	9	100%