

SETTLEMENT AGREEMENT

This Settlement Agreement (this "Agreement") is made and entered into as of April 25, 2016, between Verso Androscoggin LLC, a Delaware limited liability company ("Verso"), and the Town of Jay, Maine (the "Town") (collectively, the "Parties").

Whereas, during the time periods relevant to this Agreement Verso owned and operated the Androscoggin Mill in the Town of Jay, consisting of a pulp and paper mill, landfill, power generation facilities and hydroelectric dams and other ancillary property in the Town of Jay (the "Subject Property"); and

Whereas, Verso timely filed consolidated abatement applications with the Jay Assessors for all Subject Property located in the Town for the April 1, 2013, April 1, 2014 and April 1, 2015 tax years (the "Abatement Applications"); and

Whereas, the Jay Assessors granted an abatement of \$829,258 for the April 1, 2013 property tax year and denied the remainder of Verso's April 1, 2013 Abatement Application; and

Whereas, the Jay Assessors denied Verso's abatement application for the April 1, 2014 property tax year in its entirety; and

Whereas the denials or partial denials of the Abatement Applications for the April 1, 2013 and April 1, 2014 property tax years were timely appealed by Verso to the Jay Board of Assessment Review which denied the appeals, and were timely appealed to the Maine Board of Property Tax Review where they are currently pending (the "Appeals"); and

Whereas, the Abatement Application for the April 1, 2015 tax year was timely filed with the Jay Assessors, which granted an abatement of \$886,157 and denied the remainder of the Abatement Application by letter dated March 24, 2016; and

Whereas, Verso intended to file an appeal of the Jay Assessor's decision dated March 24, 2016; and

Whereas, Verso is currently in Chapter 11 Bankruptcy, and on March 30, 2016, Verso filed a motion under Section 505 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (Case No. 16-10163) seeking to have the Bankruptcy Court determine the value of the Subject Property; and

Whereas, additional litigation of the Abatement Applications would involve significant expense, time and risk on the part of both Parties hereto, and a final decision thereon would not likely be rendered in the near future, thereby causing financial uncertainties for both Verso and the Town; and

Whereas, in order to avoid the costs, risks and inconvenience of litigation and to provide financial predictability that is essential to the operations of both Parties, the Parties desire to settle and resolve the Appeals and avoid litigation in future tax years.

NOW, THEREFORE, for good and valuable consideration, the Parties agree as follows:

I. Effective Date

A. This Agreement shall be effective on the earliest date on which both of the following conditions has been satisfied (the "Effective Date"): (a) this Agreement shall have been executed by each of the Parties; and (b) the United States Bankruptcy Court for the District of Delaware shall have entered an order authorizing and approving Verso's entry into this Agreement and such order shall have become final and non-appealable (such final, non-appealable order, the "Final Order"). Notwithstanding anything to the contrary herein, all rights and obligations of the Parties under this Agreement are subject to the occurrence of the Effective Date.

II. Resolution of Property Tax Years April 1, 2013, April 1, 2014 and April 1, 2015

A. Subject to the other conditions stated below, Verso will accept a credit in the total amount of \$4,000,000 to settle the Abatement Applications and the Appeals. The \$4,000,000 will be credited to Verso in six equal installments of \$666,667 each. These six credits will be taken against each of the next six payment dates for the next three tax bills issued by the Town (i.e. October 2016, April 2017, October 2017, April 2018, October 2018, and April 2019). Verso hereby waives all interest that would otherwise be due on these credits. These credits are in addition to all abatements granted to Verso by the Jay Assessors through the date hereof, which Verso shall retain fully.

B. As additional consideration for Verso's withdrawal of the Abatement Applications and the Appeals, the Town agrees to credit to Verso additional consideration in an amount that is sufficient to reduce Verso's gross tax liability payment to the Town (calculated before tax increment financing payments and business equipment tax reimbursements) to \$6,750,000 for the April 1, 2016 property tax year, \$6,250,000 for the April 1, 2017 property tax year, \$5,750,000 for the April 1, 2018 property tax year, \$5,250,000 for the April 1, 2019 property tax year, and \$4,750,000 for the April 1, 2020 property tax year. Verso's gross tax liability payment for the April 1, 2016, April 1, 2017, and April 1, 2018 property tax years will be further reduced by the six credits of \$666,667 described in Paragraph A above which are in addition to the credits described in this paragraph B. The foregoing gross tax liability payment amounts will be adjusted for additions and removals of equipment occurring after the date hereof, including any material changes to the facts that exist today such as an extended shutdown of additional machines or an extended cessation of production or closure of the mill, or any additional real estate, additional equipment or other significant capital improvements to the real or personal property on the site ("Material Changes"). It is understood, however, that the gross tax payment amounts referred to in this paragraph already reflect an appropriate reduction for the

recent shutdown of paper machines 1 and 2, the groundwood pulp mill, and the sale of two hydroelectric facilities in the Town.

C. All amounts referred to above are based upon the Parties' good faith estimates of the fair market value of the Subject Property as of the date of this Agreement.

D. The payments and credits agreed to in paragraphs A and B shall be applied ratably across all of the Subject Property and shall not be structured to disproportionately affect the value of tax increment financing payments, business equipment tax exemptions, business equipment tax reimbursements, pollution control tax exemptions, or any other benefits.

E. The parties reserve all rights with respect to the lawful method for calculation of any future tax abatements, and any claims they may have in that regard. With respect to the levying of any tax, Verso shall be taxed at the same mil rate as all other taxpayers in the Town, including in the calculation of future tax payments.

F. In consideration of the payments, credits, and other promises described in this Agreement, and the abatements granted by the Town through the date hereof, Verso agrees to cause the Abatement Applications and the Appeals to be withdrawn with prejudice within 10 days after the Effective Date, and Verso further agrees not to seek any further abatement of Town property taxes for the April 1, 2016 through April 1, 2020 property tax years, except in the event of a disagreement over the value of any Material Changes. Within 10 days after the Effective Date, Verso further agrees to withdraw without prejudice the Maine Freedom of Access Act request that it filed with the Town on March 31, 2016.

G. The Final Order shall provide that proofs of claim number 363 and 386, filed by the Town in the bankruptcy cases of Verso and its affiliated debtors, shall be disallowed and expunged from the claims register in their entirety.

III. Miscellaneous Provisions

A. This Agreement is intended solely to resolve the litigation over the April 1, 2013, April 1, 2014 and April 1, 2015 Tax Years. Nothing in this Agreement is intended to be or shall constitute an admission by either party for any purpose whatsoever and this Agreement shall not be used by any party or any other person as evidence in any other matter or proceeding, except that this Agreement may be used as evidence in any suit or proceeding to enforce the terms of this Agreement.

B. Each of the Parties represents and warrants that it has (or shall have as of the Effective Date) full power and authority to enter into and execute this Agreement, and that all applicable laws, ordinances, rules and procedures have been satisfied in the approval and execution of this Agreement.

C. This Agreement may not be changed, altered, modified or waived except by written amendment entered into by the Parties or their successors-in-interest.

D. This Agreement shall be binding on the Parties' successors and assigns.

E. The Parties acknowledge that this Agreement constitutes a full, final and complete settlement of their differences with regard to the subject matter hereof and supersedes any and all other written or oral communications or understandings between or among them related hereto. The Parties further acknowledge that this Agreement contains the sole and entire understanding and agreement between the Parties related to the subject matter of this Agreement.

F. This Agreement shall be governed by the laws of the State of Maine, without regard to its choice of law principles.

G. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same Agreement. The exchange of copies of this Agreement and of signature pages by facsimile, email or other electronic transmission will constitute effective execution and delivery of this Agreement as to the Parties and may be used in lieu of the original Agreement for all purposes.

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This Agreement is executed and delivered by the undersigned, duly authorized representatives of the Parties as of the date first set forth above.

VERSO ANDROSCOGGIN LLC

By: Allen J. Campbell
Printed Name: Allen J. Campbell
Title: Senior Vice President and
Chief Financial Officer

TOWN OF JAY

By: Justin Merrill
Printed Name: Justin Merrill
Selectman

By: Stephen McCourt
Printed Name: Stephen McCourt
Selectman

By: F. Timothy DeHills
Printed Name: F. Timothy DeHills
Selectman

By: Terry Bergeron
Printed Name: TERRY BERGERON
Selectman

By: Thomas Goudy
Printed Name: Thomas Goudy
Selectman