

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re: : Chapter 11

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APPVION, INC., *et al.*,¹ : Case No. 17-12082 (____)

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Debtors. : (Joint Administration Requested)

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DECLARATION OF ALAN D. HOLTZ IN SUPPORT OF FIRST DAY PLEADINGS

I, Alan D. Holtz, hereby declare under penalty of perjury as follows:

1. I am the proposed Chief Restructuring Officer (“CRO”) of the above-referenced debtors and debtors in possession (collectively, the “Debtors”) in these chapter 11 cases and an Authorized Representative of AP Services, LLC (“AP Services”), an affiliate of AlixPartners, LLP (“AlixPartners”), based in New York, New York.

2. I have almost thirty (30) years of experience advising clients on maximizing value, recovery and financial returns in complex restructuring situations. This experience includes working with management teams and boards of directors of dozens of large companies facing financial challenges like the Debtors’, including companies in the paper manufacturing business. As described in detail below, AlixPartners was engaged by Debtor Appvion, Inc. in August 2017 to provide financial advisory and consulting services to the Debtors, including but not limited to assisting (i) in the development and maintenance of a rolling 13-week cash receipts

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Appvion, Inc. (6469), Paperweight Development Corp. (4992), PDC Capital Corporation (1197), Appvion Receivables Funding I LLC (9218), APVN Holdings LLC (8543) and Appvion Global Netherlands Cooperatief UA (8258). The corporate headquarters and the mailing address for the Debtors listed above is 825 East Wisconsin Avenue, P.O. Box 359, Appleton, Wisconsin 54912.

and disbursements forecast; (ii) with liquidity management, including identifying and implementing liquidity preservation strategies with vendor and customers; and (iii) with information management for its restructuring and refinancing process. In conjunction with the filings of these chapter 11 cases, the Board of Directors of the Debtors has selected me to serve as CRO during these proceedings.

3. I am over the age of eighteen (18) and am authorized by the Debtors to submit this declaration (the "Declaration"). Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my discussions with members of the Debtors' management team, the Debtors' employees or the Debtors' advisors, my review of relevant documents and information concerning the Debtors' operations, financial affairs and restructuring initiatives, or my opinions based upon my experience and knowledge. If called as a witness, I could and would competently testify to the facts set forth in this Declaration.

4. I am generally familiar with the Debtors' day-to-day operations, business affairs, books, and records, as well as the Debtors' restructuring efforts. I submit this Declaration: (a) to assist the Court and parties in interest in understanding, among other things, the Debtors' operations, their corporate structure, and circumstances that led the commencement of these chapter 11 cases and (b) in support of the Debtors' petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") filed on October 1, 2017 (the "Petition Date") and the relief that the Debtors request from the Court pursuant to the motions and applications described in this Declaration (collectively, the "First Day Pleadings").

5. To familiarize the Court and the Debtors with the relief sought in the First Day Pleadings filed in these chapter 11 cases, this Declaration is organized into four parts as follows:

- **Part I** provides an introduction to the Debtors and detailed information on their history, corporate structure and business operations;
- **Part II** provides an overview of the Debtors' capital structures;
- **Part III** provides a description of the circumstances leading to the commencement of these chapter 11 cases, including a description of the Debtors' restructuring efforts; and
- **Part IV** provides an overview of the relief requested in the First Day Pleadings and sets forth the relevant facts in support of each.

I. DESCRIPTION OF THE DEBTORS' HISTORY, CORPORATE STRUCTURE AND BUSINESS OPERATIONS

A. The Corporate History of the Debtors

6. Appvion, Inc. and its subsidiaries and affiliates (the "Company"), headquartered in Appleton, Wisconsin, is a leading manufacturer of specialty, high value added coated paper products with a long corporate history in the United States dating back to the early 1900s. The Company was founded by Charles Boyd on May 13, 1907 as "The Appleton Coated Paper Company." Through a series of mergers and acquisitions over the course of the last century, the Appleton Coated Paper Company began to develop and produce carbonless paper, acquired pulp and paper mills, and eventually became Appvion, Inc. ("Appvion") on May 9, 2013. Today, the Company creates product solutions for customers and end users through its development and use of coating formulations and applications as well as security technologies. Appvion has a dedicated heritage of growing new markets and well-regarded technical assets.

7. On November 9, 2001, the Company's employees purchased Appvion from its parent company, Arjo Wiggins Appleton p.l.c. ("Arjo Wiggins"), through the use of an employee stock ownership plan. In late 2001, approximately 90% of the Appvion's employees invested

nearly \$107 million in an employee stock ownership plan. On November 9, 2001, the employee stock ownership plan component (the “ESOP”) of the Appvion Retirement Savings and Employee Stock Ownership Plan (the “KSOP”) purchased all of the common stock of Debtor Paperweight Development Corporation (“PDC”). PDC simultaneously used all the proceeds from the sale of common stock, together with the proceeds of a senior credit facility, senior subordinated notes, a deferred payment obligation and available cash, to finance the purchase of Appvion from Arjo Wiggins.

B. The Corporate Structure of the Debtors

8. The Debtors in these chapter 11 cases are Paperweight Development Corporation, Appvion, Inc. and certain of their wholly-owned direct and indirect subsidiaries. A chart depicting the prepetition organizational structure of the Company, including Debtors and non-debtors, is attached to this Declaration as Exhibit A. A brief overview of each of the Debtors and non-debtors, including their business operations, follows:

- Paperweight Development Corporation (“PDC”), a Wisconsin corporation, is the ultimate parent company of the Debtors and is owned in its entirety by the ESOP. PDC does not conduct any business apart from undertaking matters incidental to its ownership of the stock of its subsidiaries, matters relating to the ESOP and actions required to be taken under ancillary acquisition agreements.
- PDC Capital Corporation (“PDC Capital”), a Wisconsin corporation is a wholly owned subsidiary of PDC and a parent company to Arjo Wiggins Appleton (Bermuda) Limited. PDC Capital does not conduct any business apart from undertaking matters incidental to its ownership of the stock of its subsidiary.
- Arjo Wiggins Appleton (Bermuda) Limited (“Arjo Wiggins”), a corporation incorporated in Bermuda, is a 20% owned subsidiary of PDC Capital. Arjo Wiggins is not a Debtor.
- Appvion, Inc. (“Appvion”), a Delaware corporation, is a wholly owned subsidiary of PDC, and the parent company of Appvion Canada Ltd., Appvion Receivables Funding I LLC, APVN Holdings LLC, and Appvion Global Netherlands Cooperatief UA. Appvion is the major operating

company and manufacturer of the Company's products. Appvion also employs the majority of the Company's employees.

- Appvion Canada, Ltd. ("Appvion Canada"), a limited Canadian corporation, is a wholly owned subsidiary of Appvion and an operating entity based in Toronto, Ontario. Appvion Canada is not a Debtor.
- Appvion Receivables Funding I LLC ("Appvion Receivables"), a Delaware limited liability company, is a wholly owned subsidiary of Appvion. Appvion Receivables is the seller of certain of the accounts receivable of the Company under its Account Receivable Securitization (as defined below).
- APVN Holdings LLC ("APVN"), a Delaware limited liability company, is a wholly owned subsidiary of Appvion and 1% owner of the stock of Appvion Global Netherlands Cooperatief UA.
- Appvion Global Netherlands Cooperatief UA ("Appvion Netherlands") is a subsidiary of Appvion and APVN, of which Appvion owns 99% and APVN owns 1%.

C. The Business Operations of the Debtors

9. The Company operates primarily in two segments, the thermal paper segment and the carbonless paper segment. The thermal paper segment develops and produces substrates for the transaction and item identification markets and accounted for approximately 60% of the Company's net sales in 2016. Thermal paper is used in four principal end markets: (1) point-of-sale products for retail receipts and coupons; (2) label products for shipping, warehousing, medical and clean-room applications; (3) tags and tickets for airline and baggage applications, events and transportation tickets and lottery and gaming applications; and (4) printer, calculator and chart paper for engineering, industrial and medical diagnostic charts. The point-of sale and label market segments, combined, accounted for the majority of the Company's North American thermal paper volume in 2016. The Company is the largest manufacturer of direct thermal paper in North America.

10. Point of sale products are sold to printers and converters who, in turn, sell to end-user customers or to resellers such as office supply stores, office superstores, warehouse clubs mail order catalogs, equipment dealers, merchants and original equipment manufacturers. Label products are sold to companies who apply pressure sensitive adhesive coatings and release liners to then sell these products to label printers. Tag, ticket and chart grades are sold to specialty printing companies which convert them to finished products such as entertainment, lottery and gaming tickets, tags, coupons and medical charts.

11. The thermal paper market continues to grow through the development of new applications to use thermal technology. Between 2011 and 2016, the thermal market expanded at a 2% compound average growth rate, with annual rates ranging from increases of 1% to 3%. The Company believes that demand for thermal paper will continue to grow in North America and around the world, subject to normal seasonal fluctuations.

12. The carbonless paper segment includes carbonless, security and other specialty paper products and accounted for approximately 40% of Company's net sales in 2016. The carbonless paper segment produces coated paper products for design and print applications, offers custom paper coating solutions and produces and sells carbonless roll and sheet products under the NCR PAPER brand. The Company produces coated paper products for design and print applications, offering one of the broadest product lines in the industry, providing customers a single source solution for their carbonless paper needs and offering custom paper coating solutions.

13. Carbonless products, used to make multipart business forms such as invoices and purchase orders, are sold to converters, printers and merchant distributors who stock and sell carbonless paper to printers. Carbonless paper is used in a variety of end markets, including

governmental, retail, financial, insurance and manufacturing, none of which is predominant. The demand for carbonless paper products in many of these markets is tied to economic growth, which impacts the number of transactions completed in a given year.

14. The market for carbonless paper products has been in decline since 1994 as a result of greater use of competing technologies, including digital laser, inkjet and thermal printers, and electronic communications. Between 2011 and 2016, the North American carbonless paper market declined by approximately 7-11% annually and the decline is expected to continue at this rate over the next several years. Worldwide, the market for carbonless paper has also declined approximately 3-6% per year.

15. Additionally, the Company produces security paper with features that resist forgery, tampering and counterfeiting. Its portfolio of security paper products incorporates security technologies including watermarks, taggants, reactive chemicals, embedded threads and fibers and machine-readable technologies. Finally, the Company has an emerging specialty paper product line, which includes high-speed inkjet paper used to produce transactional documents such as bills and statements, direct mail, promotional materials and catalogs and books. The Company also manufactures a line of uncoated colored paper used for a wide range of business and personal communications.

16. In August 2015, as part of the Company's strategic, long-term focus on its core paper businesses, Appvion completed the sale of assets primarily used in the development, manufacture and sale of microencapsulation materials by the former Encapsys segment of the Company (the "Encapsys Business") to Rise Acquisition LLC. In connection with the sale, Appvion and Rise entered into a supply agreement, through which Rise agreed to supply

Appvion with all of its microencapsulation product requirements for use in its carbonless paper products segment for a ten-year term, subject to renewal.

17. Today, the Company sells its paper products through merchant distributors that stock and redistribute carbonless sheet products globally from approximately 265 locations. Carbonless rolls are sold through a variety of channels including merchants, agents and directly to printer and converter customers worldwide. In North America, some carbonless rolls are sold to forms printers through merchant distributors on a drop-shipment basis. In those cases, the Company ships products from distribution centers and provides customer support, while the merchant bears the credit risk of nonpayment.

18. The Company sells thermal paper to converters who cut and rewind large rolls into smaller rolls, print and otherwise further process the paper based on end-user needs. The Company sells security products through merchants and to security printers who print checks, titles, certificates and other secure documents.

19. The Company owns three manufacturing plants: the first, located in Appleton, Wisconsin, produces thermal, carbonless and specialty papers. The second is a fully-integrated pulp and paper mill with three paper machines located in Roaring Spring, Pennsylvania, which produces carbonless, security and specialty papers. Finally, the Company owns a plant located in West Carrollton, Ohio that produces thermal paper products. In total, the Company owns nearly 2.5 million square feet of manufacturing, warehouse and office space. Additionally, the Company leases three properties, warehouses located in Appleton, Wisconsin and Roaring Spring, Pennsylvania and a distribution center in Appleton, Wisconsin. The Company also has a distribution network of third party logistics providers across the U.S. and internationally.

20. As of the Petition Date, the Debtors employed approximately 1,350 persons. Of these employees, approximately 915 are covered by union contracts. Manufacturing employees at the facilities in Appleton, Wisconsin, Roaring Spring, Pennsylvania and West Carrollton, Ohio and the distribution center in Appleton, Wisconsin are represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the “USW”). The Company had labor agreements in effect with represented employees at the Appleton, Wisconsin plant through August 31, 2017 and is currently negotiating a new labor agreement with the USW. Labor agreements are in effect with represented employees at the Roaring Spring, Pennsylvania mill through February 1, 2018; and at the West Carrollton, Ohio plant until through March 31, 2018.

II. THE DEBTORS’ CAPITAL STRUCTURE

21. The Company reports its financial information on a condensed, consolidated basis. As of August 31, 2017, the Company had total assets of approximately \$381 million. The Company’s current liabilities totaled approximately \$75 million as of August 31, 2017. The Company’s long term liabilities, comprised of approximately \$112 million in accrued pension obligations, \$65 million of trade and other accrued obligations, and \$482 million of long term debt obligations, as of August 31, 2017, totaled \$640.9 million.

22. The Company’s primary sources of liquidity and capital resources have been cash provided by operations and credit available under its \$75 million revolving credit facility and \$24 million accounts receivable securitization facility, both described in additional detail below. As of the Petition Date, a total of approximately \$490 million was owed to the Company’s pre-petition lenders under the Senior Secured Credit Facility and Second Lien Senior Secured Notes (both defined below).

A. Senior Secured Credit Facility

23. On June 28, 2013, Appvion entered into a \$435 million senior secured credit facility (the “Senior Secured Credit Facility”), which includes a \$335 million first lien term loan facility (the “Term Loan”) and a \$100 million revolving credit facility (the “Revolving Credit Facility”), pursuant to that certain Credit Agreement dated as of June 28, 2013 by and among Appvion, PDC and other guarantor parties thereto, Jefferies Finance LLC, as joint lead arranger, joint book runner and administrative agent (“Jefferies”), Fifth Third Bank, as joint lead arranger, joint book runner, revolver agent and swing line lender and L/C lender, KeyBank National Association, as joint lead arranger, joint book runner and documentation agent and the other lenders party thereto (the “Credit Agreement”). The Term Loan had an original term of six years, maturing on September 15, 2015, and the Revolving Credit Facility had an original term of five years, maturing on June 30, 2015. The Revolving Credit Facility includes a \$25 million subfacility for standby letters of credit and a \$5 million subfacility for swing line loans.

24. Appvion’s obligations under the Credit Agreement are guaranteed by PDC, Appvion Canada and APVN, each of which granted to Jefferies, for the benefit of the secured parties under the Credit Agreement, a senior first priority security interest in substantially all of its assets in order to secure the prompt and complete payment and performance when due of its obligations under the Credit Agreement and the related loan documents.

25. The Senior Secured Credit Facility is senior in right of payment to all existing and future subordinated indebtedness of Appvion and secured by security interests in substantially all property and assets of Appvion, PDC, Appvion Canada and APVN.

26. On June 28, 2013, Appvion applied substantially all of the Term Loan proceeds to fund the purchase price, including principal, premium, consent fee and accrued and unpaid interest, of \$300.71 million aggregate principal amount of its 10.50% Senior Secured Notes due

2015 pursuant to its cash tender offer and consent solicitation and to pay related fees and expenses.

27. On November 11, 2013, Appvion, PDC, Jefferies, as administrative agent, and certain lenders entered into the first amendment to the Credit Agreement (the “First Amendment”). The First Amendment, among other things, permitted the Company to issue \$250,000,000 aggregate principal amount of 9.000% Second Lien Senior Secured Notes due 2020 to refinance its outstanding 9.750% Senior Subordinated Notes due 2014 and 11.25% Second Lien Notes due 2015 and allowed the Company to enter into an intercreditor agreement governing the relative priorities of the respective security interests in its assets securing the newly issued notes and the borrowings under its Senior Secured Credit Facilities governed by the Credit Agreement.

28. On November 11, 2014, Appvion, PDC, Jefferies as administrative agent and Fifth Third Bank, as revolver agent, swing line lender and L/C issuer entered into a second amendment to the Credit Agreement (the “Second Amendment”). The Second Amendment permitted the Company to file its Form 10-Q for the fiscal quarter ended September 28, 2014 (the “Q3 Form 10-Q”) by the date that is the earlier of (i) twenty-one (21) days after the November 11, 2014 effective date of the Second Amendment or (ii) December 3, 2014. Prior to the execution of the Second Amendment, the Credit Agreement had required the Company to file its Q3 Form 10-Q by November 12, 2014.

29. On August 3, 2015, Appvion, PDC and Jefferies, as administrative agent, and lenders under the Credit Agreement entered into the third amendment to the Credit Agreement (the “Third Amendment”). The Third Amendment became effective simultaneously with the closing of the sale of the Encapsys Business. Upon its effectiveness, the Third Amendment,

among other things, (i) permitted the Company to consummate the sale of the Encapsys Business and provided for the corresponding release of liens on the Encapsys Business, (ii) required that not less than \$165 million of the net proceeds be applied to prepay the revolving credit loans and the term loans under the Credit Agreement and provided that the remainder of the net proceeds be reinvested or otherwise applied to further prepay indebtedness in accordance with the Credit Agreement, (iii) provided for a permanent reduction of the revolving credit facility commitments from \$100 million to \$75 million, (iv) required the payment of a consent fee equal to 0.175% of the aggregate principal amount of loans and commitments, (v) added the pricing grid discussed above and (vi) further conformed certain terms and covenants under the Credit Agreement to account for the sale of the Encapsys Business and the transactions contemplated thereby.

30. On June 24, 2016, Appvion, PDC, Jefferies, as administrative agent, Fifth Third Bank, as revolver agent, swing line lender and L/C issuer, and the lenders party to the Credit Agreement entered into a fourth amendment (the "Fourth Amendment") to the Credit Agreement dated June 28, 2013. The Fourth Amendment amended the definition of "Consolidated EBITDA" to provide for an additional add-back to "Consolidated Net Income" for cash, fees and/or expenses paid or incurred in connection with certain financial and advisory services provided to the Company in an aggregate amount not to exceed \$6.5 million.

31. On January 16, 2017, Appvion, PDC, Jefferies, as administrative agent, Fifth Third Bank, as revolver agent, swing line lender and L/C issuer, and the lenders party to the Credit Agreement entered into a fifth amendment (the "Fifth Amendment") to the Credit Agreement dated June 28, 2013. The Fifth Amendment, among other things, (i) fixed the applicable interest rate on the Company's term and revolving loans at 5.5% per annum for base rate loans and 6.5% per annum for Eurodollar loans, regardless of the Company's then current

consolidated leverage ratio, (ii) increased the maximum consolidated first lien leverage ratios applicable to the Company pursuant to the maximum consolidated leverage covenant to require maintenance of a consolidated first lien leverage ratio, during the first fiscal quarter of 2017, of not more than 3.60 to 1.00, during the second fiscal quarter of 2017, of not more than 3.50 to 1.00, during the period beginning on the third fiscal quarter of 2017 through the second fiscal quarter of 2018, of not more than 3.25 to 1.00 and from and after July 1, 2018, of not more than 3.00 to 1.00 and (iii) required the payment of a 1.5% premium on any prepayments, payments in connection with a change in control or a refinancing or payments at maturity of either term or revolving loans.

32. On February 16, 2017, Appvion, PDC, Jefferies, as administrative agent, Fifth Third Bank, as revolver agent, swing line lender and L/C issuer, and the lenders party to the Credit Agreement entered into a sixth amendment (the “Sixth Amendment”) to the Credit Agreement dated June 28, 2013. The Sixth Amendment amended the Credit Agreement to provide for the availability of additional term loans in an aggregate principal amount not to exceed \$20.0 million, on the same terms and subject to the same conditions as the term loans already existing under the Credit Agreement. Proceeds from the issuance of these term loans were reduced by \$0.8 million for original issue discount, and the net proceeds were used to pay down the revolving line of credit. As of the Petition Date, the Debtors owed \$240.8 million, including accrued and unpaid interest of \$0.6 million, under the Senior Secured Credit Facility.

B. Second Lien Senior Secured Notes

33. On November 19, 2013, Appvion issued \$250,000,000 aggregate principal amount of its 9.000% Second Lien Senior Secured Notes due 2020 (the “Second Lien Notes”). The Second Lien Notes mature on June 1, 2020 and accrue interest from the issue date at a rate of 9% per year, payable in cash semi-annually in arrears each June 1 and December 1, maturing

June 1, 2024. The Second Lien Notes were issued pursuant to that certain Indenture by and among Appvion, the guarantor affiliates identified therein and U.S. Bank National Association, as trustee and collateral agent. The obligations under the Second Lien notes are guaranteed by PDC, Appvion Canada, APVN, and any existing or future domestic or foreign subsidiaries that become guarantors or borrowers under the Senior Secured Credit Facilities. The Notes rank equal in right of payment to the Senior Secured Credit Facilities and are secured by a second priority security interest in substantially all of the property and assets of Appvion, PDC, Appvion Canada and APVN, junior in priority to the liens on the same collateral securing the outstanding debt obligations under the Senior Secured Credit Facilities. As of the Petition Date, the Debtors owed \$257.5 million, including accrued and unpaid interest of approximately \$7.5 million, on the Second Lien Notes. On November 9, 2013, the Debtors, the agent for the Senior Secured Credit Facility, and the trustee for the Second Lien Notes entered into that certain Intercreditor Agreement (the “Intercreditor Agreement”), thereby documenting their rights, responsibilities and remedies vis-à-vis the collateral and each other.

C. Accounts Receivable Securitization

34. On June 4, 2014, the Company entered into an accounts receivable securitization program (the “Accounts Receivable Securitization”), with a commitment size of \$30.0 million, whereby transactions under the program were accounted for as sales of trade receivables, pursuant to that certain Receivables Purchase Agreement dated as of June 4, 2014 among Appvion Receivables, as seller, Appvion, as servicer, various purchasers from time to time party thereto, and Fifth Third Bank, as purchaser and administrative agent and that certain Purchase and Sale Agreement dated as of June 4, 2014 between Appvion and Appvion Canada, as originators, and Appvion Receivables. Trade receivables sold to third-party financial institutions,

serviced by Appvion, total \$46 million as of August 31, 2017. As of the Petition Date, approximately \$24 million was owed under the securitization.

D. Other Indebtedness

35. Additionally, on August 8, 1997 the Company issued \$6,000,000 aggregate principal amount of its Village of Combined Locks, Wisconsin Variable Rate Demand Industrial Development Revenue Bonds, Series 1997 pursuant to that certain Secured Variable Rate Industrial Development Bonds Due 2027 (the “Industrial Development Bonds”), which had a 0.9% average interest rate as of July 2, 2017. As of the Petition Date, approximately \$6 million is owed under the Industrial Development Bonds. Further, the Company is the borrower under a term loan with the State of Ohio due May 2019 (the “Ohio Loan”). As of the Petition Date, \$544,047 is owed under the Ohio Loan.

36. There are also a number of judgments and workers’ compensation claims pending against the Company. Many of these claims are proceeding through the litigation process, and the final outcome will not be known until the case is adjudicated or a settlement is reached with the claimant, a process that can take up to ten (10) years. The ultimate cost of individual claims can vary based upon, among other factors, the nature of the injury, the duration of the disability period, if any, the length of the claim period, the jurisdiction of the claim and the nature of the final outcome. Additionally, the Company has approximately \$2.2 million in pending workers’ compensation claims.

37. The Company has additional obligations with respect to its retirement plans and may be liable for amounts by which such plans, if any, are underfunded or for other direct payments due under such plans. The Company maintains a broad-based tax-qualified, noncontributory defined benefit pension plan for eligible salaried employees (the “Pension Plan”). Benefits under the Pension Plan vest after five years of service and are based on years of

service and employee pay. The Company has also established the Supplemental Executive Retirement Plan (“SERP”) to provide retirement benefits for management and other highly compensated employees whose benefits are reduced by the tax-qualified plan limitations in the Pension Plan. The SERP benefit, when added to the Pension Plan benefit, provides a combined benefit equal to the benefit under the Pension Plan as if certain tax-qualified plan limitations did not apply. Benefits under the Pension Plan are paid as annuities or a single lump sum following termination of employment. The lump sum option was added to the pension plan on December 1, 2014. Benefits under the SERP are paid as annuities only, except for benefits less than \$20,000. In December 2007, it was announced that the Pension Plan covering eligible salaried employees, of which certain named executive officers are participants, would be frozen effective January 1, 2015 and replaced with a broad-based tax-qualified, noncontributory defined contribution benefit which is referred to as the Retirement Contribution benefit described below. In December 2010, it was announced that the freeze date would be accelerated to March 1, 2011. New hires were not permitted in the Pension Plan on or after January 1, 2008.

38. As of December 31, 2016, the total projected benefit obligation of the Company’s defined benefit pension plans exceeded the fair value of the plan assets by \$112.6 million. The Company was not required to make, nor did it make, any contributions to the Pension Plan in 2015 or 2016. The Company made a payment of \$2.5 million on September 25, 2017, and a further contribution of approximately \$1.4 million is due in October 2017.

III. THE EVENTS LEADING TO THE COMMENCEMENT OF THESE CHAPTER 11 CASES

39. The need to file for chapter 11 was a result of the confluence of a number of factors including persistent negative industry trends, an unsustainable degree of balance sheet leverage, inability to adequately address near-term maturities and rapidly deteriorating liquidity.

The North American paper industry began to contract in the mid-2000s, resulting in closure of paper mills throughout the industry. In particular, the coated paper industry faces a long-term, structural decline as dependency on digital technology has increased and demand has decreased. As a result, over the last several years, the Company began to sell business lines and implement transformational savings projects to maintain or improve financial performance.

40. The Company experienced further challenges in 2015, driven primarily by a soft pricing environment in thermal paper point of sale products, such as merchandise receipts, ATM receipts, coupons and gas receipts. In the following year, the Company successfully executed its business plan, resulting in a 20% adjusted EBITDA improvement. The key drivers of this performance improvement were execution of cost and performance initiatives in manufacturing operations, targeted selling, general and administrative expense savings and continued growth in the thermal tag, label and entertainment paper products, which include event tickets, retail tags and labels, baggage tags, package labeling and lottery ticket.

41. The Company's revenues from sales to customers in the United States began to drop, from \$568.6 million in 2014 to \$526.0 million in 2015, and then rose slightly, to \$529.7 million in 2016. Revenues from sales to customers in foreign countries also dropped, from \$196.1 million in 2014 to \$174.0 million in 2015, and then to \$160.7 million in 2016. Sales revenues continued to decline during 2017. Through this period of declining sales, the Company's debt load continued to grow, and its liquidity became strained.

A. Attempted Refinancing

42. Beginning in the spring of 2017, the Company began to explore a refinancing of its senior debt, with a focus on extending the maturity of its existing debt obligations and raising additional liquidity. On April 5, 2017, the Company engaged Guggenheim Securities LLC ("Guggenheim") as investment banker to initially explore addressing the Company's impending

debt-maturities, and subsequently explore an out-of-court refinancing of the Company's existing debt facilities.² As part of this process, Guggenheim pursued a multi-track approach focusing on both the Company's existing senior lenders and almost twenty third-parties that had signed non-disclosure agreements. In the end, while the Company did receive four new money proposals, it became apparent that a refinancing transaction on appropriate terms was not commercially feasible due to the nature of the Company's debt agreements, financial condition and near-term liquidity demands.

43. Accordingly, beginning in August 2017, the Board of Directors (the "Board") directed the Company's advisors to begin to explore a deleveraging transaction that could be accomplished through either an out-of-court process, or a chapter 11 proceeding. In order to further these discussions, both the participants to the Senior Secured Credit Facility (the "First Lien Lenders") and holders of the Second Lien Secured Notes (the "Second Lien Noteholders") retained legal and financial advisors and became restricted, thereby allowing open and arms-length negotiations toward a solution to both the Company's short-term liquidity needs and long-term leverage issues. During this same period, the Board retained AlixPartners as an advisor to evaluate near term liquidity and cash flow and to support the efforts of the Company's other advisors.

44. Due to the inability to consummate a refinancing transaction, and with near-term maturity of certain of the credit facilities, on August 16, 2017, the Company issued its Form 10-

² During this same period, the Company explored a potential sale of the Company, however, it became clear that the Company's existing debt load made a sale impractical at such time.

Q for the quarter ending July 2, 2017, which stated that the Company was evaluating whether “there is substantial doubt about its ability to continue as a going concern.”

45. Shortly thereafter, Standard & Poor’s issued a credit rating downgrade on the Company. The combination of these two announcements led a number of the Company’s vendors to begin to request disadvantageous trade terms, further restricting the Company’s liquidity. Further, the Accounts Receivable Securitization Facility was scheduled to expire on September 29, 2017, which would have had a negative impact on liquidity that the Company could not have withstood. In light of these significant factors negatively impacting liquidity, it was determined that it would be necessary for the Company to effectuate the restructuring pursuant to chapter 11.

46. The Debtors, in conjunction with their advisors, have been working diligently with their lender constituencies to develop a comprehensive restructuring framework. These discussions have been ongoing right up to the filing of the chapter 11 petitions and are expected to continue thereafter until an agreement for the reorganization of the Debtors is reached. In connection therewith, the Debtors are currently in active discussions with the Second Lien Noteholders and their advisors regarding the terms of a plan of reorganization to recapitalize the balance sheet with an appropriate amount of debt and provide sufficient liquidity to fund the Company for the future. The Debtors anticipate that an agreement will be reached shortly, but in order to ensure a smooth transition into chapter 11, have commenced these proceedings and negotiated debtor-in-possession financing, which is described in more detail below, in order to help ensure that time is available to effectuate a successful reorganization.

IV. OVERVIEW OF FIRST DAY RELIEF

47. Contemporaneously with this Declaration, the Debtors have filed or expect to file a number of First Day Pleadings in these chapter 11 cases, seeking orders granting various forms

of relief intended to stabilize the Debtors' business operations, facilitate the efficient administration of these chapter 11 cases, lessen the impact of these chapter 11 cases on the Debtors' day-to-day operations and employee morale, and facilitate their reorganization. In addition, the Debtors procured \$325.2 million in postpetition, debtor-in-possession financing (the "DIP Facility") from certain of the prepetition First Lien Lenders (as defined below) (the "DIP Lenders") to provide the Debtors with sufficient liquidity to operate in and eventually restructuring their businesses through chapter 11.

48. I believe that this Court's approval of the relief requested in the First Day Pleadings is essential to avoid immediate and irreparable harm, to provide the Debtors with an opportunity to successfully meet their obligations by maintaining baseline operations, to provide for a smooth transition into chapter 11 and to minimize loss of value of the Debtors' businesses. A description of the relief requested, and the facts supporting each of the First Day Pleadings, is briefly set forth below:

A. Motion of the Debtors for Entry of an Order Directing the Joint Administration of their Chapter 11 Cases ("Joint Administration Motion")

49. Through the Joint Administration Motion, the Debtors seek entry of an order directing joint administration of these bankruptcy cases for procedural purposes only. Given the integrated nature of the Debtors' operations, joint administration of these chapter 11 cases will provide significant administrative convenience without harming the substantive rights of any party in interest. Many of the motions, hearings and orders in these chapter 11 cases will affect each and every Debtor. To that end, I believe that joint administration will also save time and expenses, and avoid duplicative and potentially confusing filings by permitting counsel for all parties in interest to (a) use a single caption on the numerous documents that will be served and filed in these chapter 11 cases, and (b) file pleadings in one case rather than multiple cases. I

understand that joint administration will also protect all parties in interest by ensuring that creditors in each of the Debtors' respective bankruptcy cases will be informed of the various matters before the Court in these cases.

50. I have been advised that the rights of the Debtors' respective creditors and stakeholders will not be adversely affected by the joint administration of these cases inasmuch as the relief sought is purely procedural and in no way intended to affect substantive rights or permit substantive consolidation of the separate Debtors' estates. Accordingly, on behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be granted.

B. Motion of the Debtors for Entry of an Order Authorizing the Debtors to File a Consolidated List of Creditors in lieu of Submitting a Separate Mailing Matrix of Each Debtor (the "Consolidated Creditors List Motion")

51. Through the Consolidated Creditors List Motion, the Debtors request the entry of an order, authorizing them to prepare a consolidated list of creditors in the format currently maintained in the ordinary course of business in lieu of submitting any required mailing matrix for each Debtor. It is my belief that the relief requested by the Debtors is warranted here. The Debtors estimate that they have over 3,000 creditors on a consolidated basis. Given the size and scope of these chapter 11 cases and the number of Debtors' creditors, segregating the Debtors' records to a specific creditor matrix format would be an unnecessarily burdensome task that would result in duplicate mailings and increased costs. The Debtors believe that preparing the consolidated list in the format or formats currently maintained by the Debtors in the ordinary course of business will be sufficient to permit the proposed notice and claims agent, Prime Clerk LLC, to promptly provide notices to all parties in interest. The Debtors believe that maintaining their list of creditors and equity holders in a consolidated, electronic format rather than preparing and filing separate matrices will maximize efficiency, increase accuracy and reduce costs to the

benefit of these estates. Accordingly, on behalf of the Debtors, I respectfully submit that the Consolidated Creditors List Motion should be granted.

C. Motion of the Debtors for the Entry of Interim and Final Orders Authorizing the Debtors to (a) Pay Prepetition Claims of Shippers, Warehousemen and other Lien Claimants and (b) Satisfy Customs Duties Imposed on Shipments from Foreign Suppliers (the “Possessory Liens Motion”)

52. Through the Possessory Liens Motion, the Debtors seek authority to pay certain undisputed, liquidated, prepetition amounts owing to certain shippers, warehousemen, possessory and other lien claimants in the ordinary course of business, and to satisfy prepetition customs duties imposed on shipments of goods from foreign suppliers. I believe that the relief requested in the Possessory Liens Motion is in the best interests of the Debtors’ estates, their creditors, and all other parties in interest and will enable the Debtors to continue to operate their businesses in the ordinary course without disruption.

53. Because the Debtors depend on the timely delivery of goods and products to their customers and Shippers and Warehousemen may have physical possession over the Debtors’ goods and products, it is essential for the Debtors to incentivize their Shippers and Warehousemen to continue performing timely services and providing the goods and products to the Debtors. If the Debtors are unable to obtain certain goods that the Debtors’ customers expect on a timely basis, the Debtors will either be unable to meet their customer commitments or otherwise be forced to seek out the same or similar goods in the marketplace on an emergency basis, subject to unknown costs and availability. Similarly, other lien claimants, as further described in the Possessory Liens Motion, perform a number of services for the Debtors that are integral to the Debtors’ ongoing business operations and successful restructuring.

54. The value of the goods and products in the possession of the Shippers and Warehousemen, as the case may be, and the potential injury to the Debtors if they are not timely

released or delivered, are likely to exceed the amounts the Debtors are requesting to pay in the Possessory Liens Motion. Based on the above, I believe that it is necessary and essential that the relief requested in the Possession Liens Motion be granted to preserve the value of the Debtors' estates. Accordingly, on behalf of the Debtors, I respectfully submit that this Court should grant the Possessory Liens Motion.

D. Motion of the Debtors for Interim and Final Orders (a) Authorizing the Continued Use of the Debtors' Cash Management System, (b) Authorizing Continued Transfers Between Debtors and Non-Debtor Affiliates and (c) Scheduling a Final Hearing on the Motion ("Cash Management Motion")

55. Through the Cash Management Motion, the Debtors seek entry of an order authorizing the Debtors' continued use of their company-wide cash management system, including existing bank accounts, and approving continued transfers in the ordinary course of business between certain Debtors and certain non-debtor affiliates.

56. The Debtors' cash management system is a practical system of integrated bank accounts designed to efficiently collect, transfer and disburse funds for the Company. The Debtors use the cash management system in the ordinary course of their business to collect, transfer and disburse funds generated from their operations, manage cash flow to affiliated Debtors and facilitate cash monitoring, forecasting and reporting. The Debtors' corporate accounting department regularly reconciles the Debtors' books and records to ensure that all transfers are accounted for properly. I believe that the continuation of the Debtors' cash management system is essential to the Debtors' businesses, and that any disruption in the Debtors' use of the cash management system would severely disrupt, if not cripple, the Debtors' businesses.

57. In the ordinary course of business, the Debtors collect receipts and receivables into eighteen (18) domestic and foreign bank accounts. The amounts in the foreign bank

accounts are regularly swept into a zero-balance disbursement account held in the name of Appvion Canada and used to pay expenses denominated in Euros, Canadian Dollars and British Pounds. After expenses are paid, the amounts are converted to U.S. Dollars and swept into the Debtors' concentration account at Fifth Third Bank. Appvion transfers money, as necessary, to Appvion Canada in order to fund the Company's Canadian operations. The Debtors do not disburse funds to any foreign entities other than Appvion Canada. Through their Cash Management Motion, the Debtors request that this Court approve continued transfers to its non-debtor affiliate, Appvion Canada.

58. Based on the above, I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and will enable the Debtors to continue to operate their businesses in chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Management Motion should be granted.

E. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Wages and Compensation and Maintain and Continue Employee Benefits Programs in the Ordinary Course; and (II) Authorizing Banks to Honor and Process Checks and Transfers Related to Such Employee Obligations (the "Employee Wage Motion")

59. Through the Employee Wage Motion, the Debtors seek entry of interim and final orders, among other things, authorizing the Debtors to pay certain prepetition wages and compensation as well as to maintain and continue employee benefits and programs in the ordinary course of business. As of the Petition Date, the Debtors employed approximately 1,350 persons, located in Appleton, Wisconsin, Roaring Spring, Pennsylvania, West Carrollton, Ohio, Middletown, Pennsylvania; McDonough, Georgia; Cincinnati, Ohio; Kansas City, Missouri; Portland, Oregon; and Ontario, California.

60. Of the Debtors' employees, approximately 915 are covered by union contracts. Manufacturing employees at the manufacturing facilities in Appleton, Wisconsin, Roaring Spring, Pennsylvania and West Carrollton, Ohio and the distribution center in Appleton, Wisconsin are represented by the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the "USW"). The Company had labor agreements in effect with represented employees at the Appleton, Wisconsin plant through August 31, 2017 and is currently negotiating a new labor agreement with USW. Labor agreements are in effect with represented employees at the Roaring Spring, Pennsylvania mill through February 1, 2018; and at the West Carrollton, Ohio plant until through March 31, 2018.

61. Certain amounts remain due and owing to the Debtors' workforce because amounts related to prepetition services, while accrued in whole or in part, had not yet become due and payable by the Debtors; amounts deducted from employee's paychecks to make payments on behalf of the employees for or with respect to benefit programs or amounts due to third parties in connection therewith have not yet been remitted; and withholdings from employee's paychecks for various federal, state and local income taxes and other payments, employee wages, garnishments and unemployment insurance have not yet been remitted. The vast majority of employees rely in large part, if not exclusively, on their compensation and benefits to pay their daily living expenses and support their families and will be exposed to significant financial constraints if the Debtors are not permitted to continue paying compensation, provide employee benefits and maintain existing programs. The Debtors seek to minimize the personal hardship their workforce would suffer if the Debtors' obligations are not honored when due or as expected. The Debtors' business depends on the skills and institutional knowledge of their workforce. It is critical to the Debtors' business operations and their ability to

successfully reorganize their business that the Debtors' workforce remain largely unaffected as the result of the filing of these chapter 11 cases.

62. I believe that the employees provide the Debtors with services critical to conduct the Debtors' business and that absent the payment of the employee compensation and benefits owed to them, the Debtors may experience employee turnover and instability during this critical time. Additionally, I understand that a significant portion of the value of the Debtors' businesses is tied to their workforce, which cannot be replaced without significant efforts. I, therefore, believe that the payment of the obligations outlined in the Employee Wage Motion is a necessary and critical element of the Debtors' efforts to preserve value and will give the Debtors the greatest likelihood of retention of their employees as they seek to operate their businesses in these chapter 11 cases. Accordingly, on behalf of the Debtors, I respectfully submit that the Employee Wage Motion should be granted.

F. Motion of the Debtors for Entry of Interim and Final Orders Authorizing the Debtors to Pay Certain Prepetition Taxes (the "Tax Motion")

63. Through the Tax Motion, the Debtors seek authority to remit and pay certain taxes and fees that accrued before the Petition Date and are currently or will become payable during these chapter 11 cases, including any amounts subsequently determined upon audit or otherwise to be owed for periods prior to the Petition Date, not to exceed \$155,000 on a final basis.

64. In the ordinary course of business, the Debtors are subject to various tax and related obligations payable directly to taxing authorities, all as more fully described in the Tax Motion. As of the Petition Date, the Debtors were substantially current on the payment of assessed and undisputed taxes; however, certain taxes attributable to the pre-petition period were not yet due. Out of an abundance of caution, the Debtors are seeking authority to pay pre-petition taxes that may remain outstanding or are determined, upon audit, to be owed.

65. Payment of prepetition taxes is necessary to avoid disruption to the Debtors' business operations. Delayed payment may cause taxing authorities to take precipitous action, including a marked increase in state audits, a flurry of lien filings and significant administrative maneuvering at the expense of the Debtors' time and resources. Prompt and regular payment of prepetition taxes will avoid unnecessary government action. Accordingly, I respectfully submit that this Court should grant the Tax Motion.

G. Motion of the Debtors for Entry of an Order Extending the Debtors' Deadline to File Schedules of Assets and Liabilities and Statements of Financial Affairs (the "Extension Motion")

66. The Debtors seek an extension of time to file the required Schedules and Statement of Financial Affairs until November 15, 2017. The Debtors provided a list to the Claims Agent of over 3,000 creditors. The preparation of the Schedules and SOFAs will require time and human resources. During the days leading up to the Petition Date, the Debtors have worked tirelessly to address critical operational matters and meet the demands and pressures incident to the commencement of a chapter 11 case. Given the volume of material that must be compiled and reviewed by the Debtors' professionals and the work required to stabilize the Debtors' business operations, the Debtors believe that they should be granted a fifteen (15) day extension to file their Schedules and SOFAs.

H. Motion of the Debtors for Entry of an Order Authorizing the Debtors to Pay Prepetition and Postpetition Claims of Spring Mill Contractors (the "Outage Motion")

67. Through the Outage Motion, the Debtors request an order authorizing the Debtors to pay certain accrued and unpaid prepetition claims and to continue to pay postpetition amounts owed to certain contractors that are critical to ensuring the operation of one of their key facilities. The Debtors were required to shut down the pulp and paper mill located in Roaring Spring, Pennsylvania ("Spring Mill") in order to repair and restore certain critical machinery and

features, which work began prepetition on September 18, 2017. The contractors, who may be unfamiliar with chapter 11 or uncertain that the Debtors will continue to pay contractors for work performed, may discontinue working on the repairs and restorations at Spring Mill if they are not paid on account of their prepetition claims or uncertain about the Debtors' ability to pay them postpetition.

68. While the Debtors have paid the contractors in the ordinary course as payments were due, certain required, undisputed amounts for prepetition work prior to the Petition Date were not paid prior to the Petition Date. An estimated \$3 million for prepetition work is owed by the Debtors. The Debtors also estimate that they will owe approximately \$1.5 million for postpetition work. The continued work of the Spring Mill contractors is critical to re-opening Spring Mill as planned and therefore to the Debtors' continued operations. Accordingly, I submit that this Court should grant the Outage Motion.

I. Motion of the Debtors for Entry of Interim and Final Orders Authorizing the Debtors to Continue their Insurance Policies and Pay Prepetition and Postpetition Obligations in Respect Thereof (the "Insurance Motion")

69. Through the Insurance Motion, the Debtors seek entry of interim and final orders, authorizing them to continue their insurance policies, pay prepetition and ongoing ordinary course postpetition obligations in connection with such insurance policies and continue to honor their obligations in connection with certain premium financing arrangements.

70. In the ordinary course of their business, through various carriers, the Debtors maintain numerous Insurance Policies that provide coverage for, among other things, casualty liability, property damage, workers' compensation, umbrella/excess liability, and director and officer liability. The Insurance Policies are essential for the preservation of the Debtors' businesses and are, in some cases, required by various laws, regulations or contracts that govern

such businesses, including the requirements of the United States Trustee for the District of Delaware.

71. Prepayment of insurance policies is not always economically advantageous in that it would reduce the Debtors' working capital. Therefore, the Debtors finance, and wish to continue to finance, certain of their insurance premiums through premium finance arrangements. Specifically, the Debtors use Aon Premium Finance, LLC to finance premiums associated with the Debtors' Property Policy.

72. I believe that continuation and renewal of insurance policies and related premium financing arrangements, entry into new insurance policies and premium financing agreements and continuing to pay claims that come due are essential to preserve the value of the Debtors' businesses, properties and assets and are, therefore, in the best interest of the Debtors' estates, their creditors and all other parties in interest. The relief requested in the Insurance Motion will enable the Debtors to continue to operate their businesses in chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Insurance Motion should be granted.

J. Motion of the Debtors for Interim and Final Orders Authorizing the Debtors to (i) Honor Certain Prepetition Obligations to Customers and (ii) Continue Customer Programs in the Ordinary Course of Business (the "Customer Programs Motion")

73. Through the Customer Programs Motion, the Debtors request authority to (i) honor prepetition obligations to customers arising under customer-related programs, practices and policies in the ordinary course of business and in a manner consistent with the Debtors' past practices and (ii) continue, renew, replace, implement, modify or terminate any such customer programs, in each case, as the Debtors deem appropriate in their business judgement and in the ordinary course of business. To maintain their reputation and loyal customer base, as well as

support their local, regional, and national sales efforts, the Debtors, in the ordinary course of business, maintain programs to drive sales, meet competitive pressures, build key relationships, and develop and sustain customer loyalty (the “Customer Programs”).

74. Overall, the Customer Programs are calibrated to nurture customer loyalty and encourage customers to increase the volume of products purchased over a period-over-period basis, all aimed at increasing Debtors’ profitability, ultimately benefiting the Debtors’ key stakeholders. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Customer Programs Motion should be granted.

K. Motion of the Debtors for Entry of Interim and Final Orders (a) Authorizing the Debtors to Pay or Honor Prepetition Obligations to Certain Critical Foreign Vendors and (b) Authorizing Banks to Honor and Process Checks and Transfers Related to Such Critical Foreign Vendors Obligations (the “Foreign Vendors Motion”)

75. Through the Foreign Vendors Motion, the Debtors seek the entry of interim and final orders authorizing the Debtors to pay and honor, in their discretion, prepetition claims of foreign contractual sales representatives and critical foreign vendors up to a maximum court-approved amount. To service their international customer base, the Debtors have three international distribution centers in St. Helens, England and Utrecht, Netherlands and engage contractual sales representatives to sell its paper products to international merchants and distributors. The Debtors’ international distribution centers distribute 8,500 tons of paper annually to customers, representing 2.7% of the Debtors’ annual revenue. Further, included in the Debtors’ supply chain are critical foreign vendors that supply critical components for the Debtors’ manufacturing processes (the “Critical Foreign Vendors”).

76. The Debtors believe that the Critical Foreign Vendors could not be replaced within a reasonable time or on terms as beneficial to the Debtors as those already in place. Moreover, if a Critical Foreign Vendor were to refuse to do business with the Debtors, the

resulting disruption in supply would ripple through the Debtors' business and manufacturing processes, idling production of certain product lines or, in some cases, entire production facilities, and damaging the Debtors' ability to produce final products (and, therefore, generate revenue), all to the detriment of their estates and their creditors. The Critical Foreign Vendors' offshore domiciles make it more likely that they may decline to deliver critical supplies, goods and services and do so with impunity.

77. Even the slightest interruption in the supply of goods and services from the Critical Foreign Vendors would severely impact the Debtors' business. I believe that without uninterrupted access to the goods and services of the Critical Foreign Vendors, the Debtors will be unable to continue operating in the ordinary course, which would result in substantial loss of value to their estates, if not irreparable harm to their businesses. Accordingly, I respectfully submit that relief requested in the Foreign Vendors Motion should be granted.

L. Motion of the Debtors for Entry of Interim and Final Orders (a) Authorizing the Debtors to Pay or Honor Prepetition Obligations to Certain Critical Vendors and (b) Authorizing Banks to Honor and Process Checks and Transfers Related to Such Critical Vendor Obligations (the "Critical Vendors Motion")

78. Through the Critical Vendors Motion, the Debtors seek authority to pay prepetition claims of certain critical vendors ("Critical Vendors") in aggregate amounts of up to \$3.9 million on an interim basis and \$5.9 million on a final basis.

79. The Debtors' ongoing business is dependent upon their ability to timely fulfill orders and provide prompt shipment of products to their customers who require a continuous supply of components that are contained in the Debtors' products. The Debtors' ability to provide their products to their customers is dependent upon continuous access to the goods and services that are essential to the production of the Debtors' products, including from their Critical Vendors. The Debtors' Critical Vendors come from various segments of the industry,

and include certain high-quality base paper providers, chemical producers and capsule manufacturers. It would be difficult and time consuming to replace certain of the Critical Vendors, and finding replacement suppliers would necessitate a lengthy process of approval from the Debtors' key customers. Disruption from, or losses of, Critical Vendors would immediately put the Debtors' relationships with their key customers in serious jeopardy. It is quite possible that the Debtors' key customers would find an alternative supplier to the detriment of the Debtors and their estates, should the flow of the Debtors' products be disrupted.

80. Maintaining an unbroken supply chain is critical to the preservation of value in these chapter 11 cases. The need for the flexibility to pay Critical Vendors is particularly acute in the period immediately following the Petition Date. During this period, the Debtors and their advisors will be focusing on stabilizing operations and working towards the reorganization of the Debtors. After the filing, the Debtors will need to satisfy certain Critical Vendors that could attempt to assert their leverage by halting the delivery of goods or services, suddenly and without notice if not paid, which could completely cripple the Debtors' operations. Accordingly, on behalf of the Debtors, I respectfully submit that the Critical Vendor Motion should be granted.

M. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Secured Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Adequate Protection to Prepetition Secured Parties, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief (the "DIP and Cash Collateral Motion")

81. In the DIP and Cash Collateral Motion, the Debtors request entry of interim and final orders, among other things, authorizing the Debtors to obtain postpetition financing in the form of a secured, superpriority debtor in possession term loan provided by the DIP Lenders in the aggregate principal amount of \$325.2 million, with new money financing of \$85 million and up to \$65 million to be funded on an interim basis and also to use cash collateral.

82. The proceeds of the DIP Facility will be used for (i) general working capital and operational expenses, (ii) administration of these chapter 11 cases, (iii) payment of certain professional fees, and (iv) costs, expenses and all other payment amounts contemplated by the DIP Credit Agreement, in accordance with the DIP Budget, subject to the Permitted Variances, including, to pay in full on the date of the entry of the interim order the obligations owing under the Accounts Receivable Securitization facility, to cash collateralize letters of credit outstanding under the Senior Secured Credit Facility, and to refinance the other obligations under the Senior Secured Credit Facility.

83. In the ordinary course of business, the Debtors use cash on hand, cash flow from their operations and proceeds of their secured loans to fund their liquidity needs and operate their businesses. The Debtors require access to sufficient liquidity to fund these chapter 11 cases and their ongoing operations. Postpetition financing and the use of cash collateral are necessary to provide the Debtors with liquidity to maintain ongoing day-to-day operations, ensure proper and timely fulfillment of customer orders and fund working capital needs. Absent authority to use cash collateral and funds available under the DIP Facility, the Debtors would be required to liquidate their assets, which would be to the substantial detriment of all constituencies.

84. As mentioned above, in the months leading up to the Petition Date, the Debtors engaged Guggenheim to provide investment banking services in connection with the Debtors' exploration of a range of strategic alternatives, including a restructuring and deleveraging transaction. Prior to the Petition Date, as more fully described in the DIP and Cash Collateral Motion, no proposals emerged as viable alternatives to a chapter 11 restructuring. Accordingly, at the direction of the Board, the Debtors, with the assistance of Guggenheim solicited proposals for postpetition financing from the First Lien Lenders as well as from holders of the Second Lien

Noteholders and also from a number of third-parties, most of which were familiar with the Company as a result of their involvement in the refinancing process earlier in the year. After conducting diligence, the Company received preliminary proposals from the First Lien Lenders and the Second Lien Noteholders, as well as from three of the third-parties. Of these proposals, only those involving the First Lien Lenders and the Second Lien Noteholders were deemed to be viable based on, among other things, costs, timing, the existence of other senior financing and the ability to provide sufficient liquidity to the Debtors based on the DIP budget.

85. Thereafter, the Company, with the assistance of Guggenheim and its advisors, engaged in extensive arms-length negotiation and advanced diligence with the advisors to both the First Lien Lenders and the Second Lien Noteholders. These negotiations resulted in material concessions, including: (i) reduced interest rates and fees; (ii) additional financial covenant flexibility; (iii) expanded case milestones; and (iv) an extended maturity date.

86. After carefully weighing both financial considerations and other relevant factors, I believe that the DIP Facility provided by the DIP Lenders represents the best overall financing proposal available to allow the Debtors to operate during these chapter 11 cases. The proposed DIP Facility is a vital component in preserving the going concern value of the Debtors and, as such, is in the best interests of the Debtors' estates and creditors.

87. As noted above, the DIP Facility is the result of extensive arm's-length negotiations between the Debtors and the DIP Lenders related to the Debtors' liquidity issues, financing needs and goals for these chapter 11 cases. Overall, I believe that the DIP Facility represents the Debtors' best alternative for postpetition financing on terms and conditions I believe to be reasonable. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the DIP and Cash Collateral Motion should be granted.

N. Motion of the Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors' Proposed Form of Adequate Assurance of Payment, (II) Establishing Procedures for Resolving Objections by Utility Companies, and (III) Prohibiting Utility Companies from Altering, Refusing or Discontinuing Service (the "Utilities Motion")

88. Through the Utilities Motion, the Debtors seek entry of interim and final orders (a) authorizing the Debtors' proposed form of adequate assurance of postpetition payment to the Debtors' utility providers of a two-week deposit for each utility provider, (b) approving procedures for resolving any objections by the utility provider relating to the proposed adequate assurance, and (c) prohibiting the utility providers from altering, refusing or discontinuing service to, or discriminating against, the Debtors solely on the basis of the commencement of these chapter 11 cases, a debt that is owed by the Debtors for services rendered prior to the Petition Date or on account of any perceived inadequacy of the adequate assurance proposed by the Debtors.

89. Preserving utility services on an uninterrupted basis, especially at the Debtors' manufacturing facilities, is critical to the Debtors ongoing operations and, therefore, to the successful restructuring of the Company. Indeed, I believe that any interruption, even for a brief period of time, would inhibit the Debtors' ability to continue operations, and impact customer relationships, resulting in a decline in the Debtors' revenues and profits. It is critical, therefore, that the utility providers continue to provide uninterrupted services during these chapter 11 cases. Accordingly, on behalf of the Debtors, I respectfully submit that the Utilities Motion should be granted.

O. Application of the Debtors for Appointment of Prime Clerk LLC as Claims and Noticing Agent (the "Claims Agent Retention Application")

90. Through the Claims Agent Retention Application, the Debtors seek entry of an order appointing Prime Clerk LLC ("Prime Clerk") as claims and noticing agent for the Debtors

in their chapter 11 cases. As the claims and noticing agent, Prime Clerk would assume full responsibility for the distribution of statutory notices to creditors and other parties in interest and the maintenance, processing and docketing of proofs of claim filed in these chapter 11 cases. Given the complexity of these chapter 11 cases and the number of creditors and other parties in interest involved, I believe that retaining Prime Clerk (which was selected following the Debtors' competitive solicitation of three separate proposals for potential claims and noticing agent) as the notice and claims agent in these chapter 11 cases will maximize the value of the Debtors' estates for all of its stakeholders. Accordingly, on behalf of the Debtors, I respectfully submit that the Claims Agent Application should be approved.

91. A number of the motions for first day relief seek the payment of prepetition amounts, and such amounts are as follows:

Motion	Interim Cap	Final Cap
Customer Programs Motion	\$8 million	\$8 million
Tax Motion	\$31,000	\$155,000
Possessory Liens Motion	\$3 million	\$4.5 million
Critical Vendors Motion	\$3.9 million	\$5.9 million
Foreign Vendors Motion	\$500,000	\$500,000
Outage Motion	\$3 million	\$3 million
Insurance Motion	\$475,000	\$3.5 million

Specifically, the Employee Wage Motion seeks prepetition employee compensation or benefits in the following amounts:

Prepetition Employee Compensation or Benefits	Amount
Unpaid Compensation	\$2,000,000
Employer Payroll Taxes	\$280,000
Payroll Tax Administrator Fees	\$1,500
Employment Agencies and Independent Contractors	\$35,000

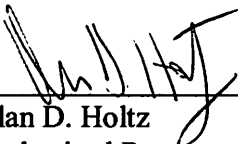
Prepetition Employee Compensation or Benefits	Amount
Incentive Plans	\$0
Business Expenses	\$250,000
Health Insurance Plans	\$1,212,200
Health Savings Plans	\$3,500
Authentic Occupational Medicine	\$5,000
HHH Tokio Marine	\$6,300
Additional Insurance Plans (Life, AD&D, Disability)	\$0
Retiree Benefit Obligations	\$16,000
Vacation Time & Additional PTO	\$0
Reimbursement Programs	\$15,000
Appleton Clinic	\$25,000
Appleton Health Facility	\$44,000
Employee Assistance Program	\$16,000
Scholarship Program	\$6,000
Miscellaneous Benefit Policies	\$20,000
Severance Obligations (non-insider)	\$50,000
401(k) Fund	\$0
Pension Plan Contributions	\$0
Supplemental Executive Retirement Plan	\$0
Nonqualified Excess Plan	\$0
Total	\$3,985,500.00

I have reviewed all of these amounts and believe that all are appropriate and necessary to ensure a smooth transition into chapter 11, continuation of the business and a maximization of the value of the Debtors' business.

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I have reviewed each of the First Day Pleadings, the facts stated therein and the descriptions of the relief they request. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the contents of the First Day Pleadings and the contents of the foregoing declaration are true and correct to the best of my information and belief.

October 1, 2017



Alan D. Holtz
Authorized Representative, AP Services, LLC

Signature Page to First Day Declaration