

WAUSAU PAPER CORP.  
Form 10-K  
March 02, 2015

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-K**

(Mark  
One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2014**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number 1-13923**

**WAUSAU PAPER CORP.**

(Exact name of registrant as specified in charter)

**100 Paper Place**  
**Mosinee, Wisconsin 54455**  
(Address of principal executive office)

**Wisconsin**  
(State of incorporation)

**39-0690900**

(I.R.S. Employer Identification Number)

Registrant's telephone number, including area code: **715-693-4470**

Securities registered pursuant to Section 12(b) of the Act:

|   |   |
|---|---|
| Title of each class   | Name of each exchange on which registered |
| <b>Common stock, no par value</b>                                       | <b>New York Stock Exchange</b>            |
| Securities registered pursuant to Section 12(g) of the Act: <b>None</b> |   |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

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Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

|  |   |
|--|---|
| Large accelerated filer                        | Accelerated filer <input checked="" type="checkbox"/> |
| <input type="checkbox"/>                       |   |
| Non-accelerated filer <input type="checkbox"/> | Smaller reporting company                             |
|  | <input type="checkbox"/>                              |

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of June 30, 2014, the aggregate market value of the common stock shares held by non-affiliates was approximately \$520,876,845. For purposes of this calculation, the registrant has assumed its directors and executive officers are affiliates. As of February 28, 2015, 50,055,547 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

**Proxy Statement for use in connection with 2015 annual meeting of shareholders  
(to the extent noted herein): Part III**

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## Forward-Looking Statements

*This Annual Report on Form 10-K includes forward-looking statements. A cautionary statement regarding forward-looking statements is set forth under the caption "Information Concerning Forward-Looking Statements" in Item 7. This report should be considered in light of such cautionary statement and the risk factors disclosed in Item 1A.*

## PART I

### Item 1. BUSINESS

#### GENERAL

Wausau Paper Corp. manufactures, converts, and sells a complete line of towel and tissue products that are marketed along with soap and dispensing systems for the commercial and industrial away-from-home market. At December 31, 2014, we employed approximately 870 employees primarily at two operating facilities located in two states. Our products are primarily sold within the United States and Canada.

Wausau Paper Corp. manufactured, converted, and sold specialty paper products for industrial and commercial end markets and premium printing and writing papers within the former Paper segment. The premium Print & Color brands were sold in January of 2012 and we ceased papermaking operations at the Brokaw, Wisconsin, mill in February 2012. In January 2013, we announced our intent to focus our management efforts and future investments on our tissue business. In March 2013, we permanently closed our Brainerd, Minnesota, mill and on June 26, 2013, completed the sale of our specialty paper business, ending our participation in the markets in which our former Paper segment competed. Refer to Note 2 of the Notes to Consolidated Financial Statements for further information regarding discontinued operations. Descriptions of the business below exclude discontinued operations unless explicitly stated.

For additional information regarding our financial results, see Item 6, Selected Consolidated Financial Data; Item 7, Management's Discussion & Analysis of Financial Condition and Results of Operations; and Item 8, Financial Statements and Supplementary Data.

#### NARRATIVE DESCRIPTION OF BUSINESS

We produce a broad line of paper towel and tissue products, which are marketed along with soap and dispensing system products for the commercial and industrial away-from-home market.

Under the Wausau Paper® trademark, towel and tissue products, made primarily from recycled material, are marketed under a number of brands including Alliance , Artisan®, DublSoft®, DublNature®, EcoSoft®, OptiCore®, and Revolution®. These products include washroom roll and folded towels, tissue products, a variety of towel, tissue, and soap dispensers, industrial wipers, dairy towels, household roll towels, and other premium towel and tissue products. Products are sold to paper and sanitary supply distributors in North America that serve factories and other commercial and industrial locations, health service facilities, office buildings, restaurants, theme parks, airports, and hotels. We operate a paper mill located in Middletown, Ohio, and a paper mill and converting facility with a distribution warehouse in Harrodsburg, Kentucky. In addition, we currently maintain distribution warehouses in Danville,

Kentucky.

Competition comes from major integrated paper companies and smaller converters who primarily service consumer and food service markets as well as industrial and institutional markets. Our major competitors include Georgia-Pacific LLC, Kimberly Clark Corporation, and SCA Hygiene Products.

#### INTERNATIONAL SALES

Currently, foreign sales represent approximately 10% of our net sales, with sales to Canada representing approximately 9% of this amount. Refer to Note 13 of the Notes to Consolidated Financial Statements for our geographic data.

#### RAW MATERIALS

Recycled wood fiber is the basic raw material used in the manufacture of our finished products and includes the following categories: market and internally produced deinked pulp from wastepaper and purchased towel and tissue parent rolls. Fiber represents approximately 73% of our total raw materials or 28% of our total cost of sales in 2014. Market pulp (an aggregate of approximately 70,000 air-dried metric tonnes in 2014) was purchased on the open market and under contract, principally from producers in the United States and Canada.

During 2014 we purchased approximately 144,000 standard tons of wastepaper from domestic suppliers, some of which is under contract, at prevailing market prices. This wastepaper represented approximately 59% of the fiber required to manufacture 90% of our 2014 parent roll requirement. The balance of our parent roll requirements, or approximately 21,000 tons, was purchased from other towel and tissue manufacturers, some of which is under contract, at market prices.

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Various chemicals are used in the papermaking processes. These industrial chemicals are purchased from a number of suppliers, some of which are under contract, at current market prices.

### ENERGY

Our paper mills consume significant amounts of energy in the form of electrical, steam, and natural gas, which are adequately supplied by public utilities, energy marketers, or generated at facilities operated by us.

We contract for the supply and delivery of natural gas at both of our manufacturing facilities. Under some of these contracts, we are committed to the transportation of a fixed volume of natural gas from our natural gas transporters to our facilities. We are not required to buy or sell minimum gas volumes under the agreements but are required to pay a minimum transportation fee for the contracted period. Contracts expire at various times between 2015 and 2019. At December 31, 2014, we also have volume commitments for the supply of natural gas. These obligations expire between 2015 and 2016. We may also purchase, from time to time, natural gas contracts with fixed prices for a certain portion of our facility requirements.

### PATENTS AND TRADEMARKS

Wausau Paper develops and maintains trademarks and patents in the conduct of our business. Trademarks include Wausau Paper®, Artisan®, DublSoft®, DublNature®, EcoSoft®, Bay West®, Alliance , OptiCore®, OptiServ®, Revolution®, Dubl-Serv®, and Wave 'N Dry®, among others. Our patents cover various paper towel and tissue dispensers, metering or other mechanisms for towel and tissue dispensers and cabinets. We consider our trademarks and patents, in the aggregate, to be material to our business, although we believe the loss of any one such mark or patent right would not have a material adverse effect on our business. We do not own or hold material licenses, franchises, or concessions.

### SEASONAL NATURE OF BUSINESS

We generally experience moderately lower sales volume in the first quarter, in comparison to the rest of the year, primarily due to reduced business activity for many customers during this period.

### WORKING CAPITAL

As is customary in the paper industry, we carry adequate amounts of raw materials and finished goods inventory to facilitate the manufacture and rapid delivery of paper products to our customers.

### MAJOR CUSTOMERS

One customer accounted for approximately 14% of our net sales.

### BACKLOG

Order backlogs, at December 31, 2014, decreased to approximately 2,800 tons, representing \$6.8 million in sales, compared to 3,900 tons, or \$9.1 million in sales, at December 31, 2013. Order backlogs at December 31, 2012, were approximately 4,200 tons, or \$9.9 million in sales. A change in customer backlog does not necessarily indicate a change in business conditions, as a large portion of orders are shipped directly from inventory upon receipt and do not impact backlog numbers. The entire backlog at December 31, 2014, is expected to be shipped during the first quarter of 2015.

## RESEARCH AND DEVELOPMENT

Research and development projects for the last three fiscal years primarily involved our new product offerings utilizing substrates from our new paper machine, as well as, new towel, tissue, and soap dispensers. Expenditures for product development were \$0.7 million, \$1.4 million, and \$0.8 million in 2014, 2013, and 2012, respectively.

## ENVIRONMENT

We are subject to extensive regulation by various federal, state, and local agencies concerning compliance with environmental control statutes and regulations. These regulations impose limitations, including effluent and emission limitations, on the discharge of materials into the environment, as well as require us to obtain and operate in compliance with conditions of permits and other governmental authorizations. Future regulations could materially increase our capital requirements and certain operating expenses in future years.

We have a strong commitment to protecting the environment. Like our competitors in the paper industry, we face ongoing capital investments and operating expenses to comply with expanding and more stringent environmental regulations. We believe that capital expenditures related to compliance with environmental regulations will not have a material adverse effect on our competitive position, consolidated financial condition, liquidity, or results of operations.

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Note 10 of the Notes to Consolidated Financial Statements discusses our policies with respect to the accrual of remediation costs. Estimates of costs for future remediation are necessarily imprecise due to, among other things, the identification of presently unknown remediation sites and the allocation of costs among potentially responsible parties. As is the case with most manufacturing and many other entities, there can be no assurance that we will not be named as a potentially responsible party at sites in the future or that the costs associated with such sites would not be material.

## EMPLOYEES

We employed approximately 870 employees at the end of 2014. Less than one-third of our hourly mill employees are covered under a collective bargaining agreement. We negotiated a five-year umbrella agreement with the United Steelworkers that was ratified on February 4, 2011. The agreement covers all of our collectively bargained employees and includes competitive increases in wages and retirement income benefits. We maintain good labor relations at our only remaining location with a collective bargaining agreement, our Middletown, Ohio, facility, and expect that any future contracts will be negotiated at competitive rates.

On December 20, 2011, the Company and the United Steelworkers Local 1381 signed a closure agreement for the Brokaw, Wisconsin, paper mill. Similarly, on March 18, 2013, we signed a closure agreement for the Brainerd, Minnesota, paper mill with the United Steelworkers Local 11-0022. In addition, on May 9, 2013, we signed an effects agreement with the United Steelworkers Locals 2-15, 2-1778, 2-316, and 2-221 related to the sale of our specialty paper business, including the Mosinee and Rhinelander, Wisconsin, paper mills.

## EXECUTIVE OFFICERS OF THE COMPANY

The following information relates to executive officers of Wausau Paper as of March 2, 2015.

### **Michael C. Burandt, 70**

Chairman of the Board and Chief Executive Officer since April 2014. Mr. Burandt has been a member of the Company's Board of Directors since February 2012. From 1988 to 2007, Mr. Burandt held various senior positions at Georgia Pacific Corporation and has been President and CEO of Cantina Holdings, LLC since September 2007.

### **Matthew L. Urmanski, 42**

President and Chief Operating Officer since April 2014. Previously, Senior Vice President and General Manager (2013-2014), Senior Vice President, Tissue (2011-2013), Vice President, Administration, Tissue (2009-2011), Vice President, Financial Analysis and Business Support, Corporate (2006-2009), and Vice President Finance, Specialty Products (2002-2006).

### **Sherri L. Lemmer, 47**

Senior Vice President and Chief Financial Officer since May 2012. Previously, Vice President, Finance and Information Technology (2012), and Vice President, Corporate Controller (2006-2011).

## AVAILABLE INFORMATION

Information regarding our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports, are available, free of charge, on our website by going to "Investors SEC Filings" at [wausaupaper.com](http://wausaupaper.com). These reports are available as soon as reasonably practicable after we electronically file such reports with or furnish them to the Securities and Exchange Commission ("SEC").





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## Item 1A. Risk Factors

*An investment in Wausau Paper stock involves risk. You should carefully consider the following risk factors and the other information contained in this Annual Report on Form 10-K and in other reports that we file from time to time with the SEC. Our business, financial condition and results of operations could be harmed if any of the following risks occur. In that case, the trading price of our common stock may decline. In addition to the following risk factors, you should carefully review the cautionary statement made under "Information Concerning Forward-Looking Statements" in Item 7.*

### **THE INDUSTRIAL AND COMMERCIAL AWAY-FROM-HOME MARKET IN WHICH WE OPERATE IS HIGHLY COMPETITIVE, AND INCREASED COMPETITION COULD REDUCE OUR SALES AND PROFITABILITY.**

We compete on the basis of the quality and performance of our products, customer service, product development activities, price, and distribution. All of our markets are highly competitive. Our competitors vary in size, and many have greater financial and marketing resources than we do. See Item 1 of this report for information regarding the number and identities of our competitors.

### **OUR BUSINESS AND FINANCIAL PERFORMANCE MAY BE ADVERSELY AFFECTED BY DOWNTURNS IN THE TARGET MARKETS THAT WE SERVE OR REDUCED DEMAND FOR THE TYPES OF PRODUCTS WE SELL.**

Demand for our products is often affected by general economic conditions as well as product-use trends in our target markets. These changes may result in decreased demand for our products. There may be periods during which demand for our products is insufficient to enable us to operate our production facilities in an economical manner. The occurrence of these conditions is beyond our ability to control and, if they occur, may have a significant impact on our sales and results of operations.

### **CHANGES WITHIN THE PAPER INDUSTRY MAY ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE.**

Changes in the identity, ownership structure, and strategic goals of our competitors and the emergence of new competitors in our target markets may harm our financial performance. New competitors may include foreign-based companies and commodity-based domestic producers who could enter our markets if they are unable to compete in their traditional markets.

### **THE COST OF RAW MATERIALS AND ENERGY USED TO MANUFACTURE OUR PRODUCTS COULD INCREASE.**

Raw materials and packaging comprise approximately 39% of our cost of sales, with wastepaper, purchased parent rolls, and market pulp accounting for over 73% of this total. Raw material prices will change based on worldwide supply and demand. Market pulp price changes can occur due to worldwide consumption levels of wastepaper, market pulp production capacity, expansions or curtailments, inventory building or depletion, and market pulp changes related to wastepaper availability, environmental issues, or other variables.

We purchase the majority of our energy needs. Energy costs may fluctuate significantly due to increased worldwide consumption levels, disruptions in supply due to natural catastrophes or political turmoil, or decreased production capacity.

We may not be able to pass increased cost for raw materials or energy on to our customers if the market or existing agreements with our customers do not allow us to raise the prices of our finished products. Even if we are able to pass through increased cost of raw materials or energy, the resulting increase in the selling prices for our products could

reduce the volume of products we sell and decrease our revenues. While we may try, from time to time, to hedge against price increases, we may not be successful in doing so.

**THE FAILURE TO DEVELOP NEW PRODUCTS COULD REDUCE THE OVERALL DEMAND FOR OUR PRODUCTS AND OUR NET INCOME.**

Our sales volume and net earnings may decrease if we do not satisfy new customer product preferences or fail to meet new technology demands of our customers.

**IF WE FAIL TO MAINTAIN SATISFACTORY RELATIONSHIPS WITH OUR LARGER CUSTOMERS, OUR BUSINESS MAY BE HARMED.**

We do not have long-term, fixed quantity supply agreements with our customers. Due to competition or other factors we may lose business from our customers, either partially or completely. The loss of one or more of our significant customers, or a substantial reduction of orders by any of our significant customers, could harm our business and results of operations. Moreover, our customers may vary their order levels significantly from period to period, and customers may not continue to place orders with us in the future at the same levels as in prior periods. In the event we lose any of our larger customers, we may not be able to replace that revenue source, which could harm our financial results.

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**WE MAY BE UNABLE TO MAINTAIN OUR RELATIONSHIPS WITH ORGANIZED LABOR UNIONS.**

Some of our hourly production workforce is represented by labor unions. While we believe we have satisfactory relationships with the labor organizations that represent our employees, we cannot guarantee that labor-related disputes will not arise. Labor disputes could result in disruptions in production and could also cause increases in production costs, which could damage our relationships with our customers and adversely affect our business and financial results.

**IF WE ARE UNABLE TO RECRUIT AND RETAIN KEY PERSONNEL, WE MAY NOT BE ABLE TO EXECUTE OUR BUSINESS PLAN.**

Our business is dependent on our ability to recruit, hire, motivate, and retain talented, highly skilled personnel. Accomplishing this may be affected by fluctuations in global economic and industry conditions, changes in our management or leadership, and the effectiveness of our compensation programs. If we do not succeed in recruiting, retaining, and motivating our key employees and in attracting new key personnel, we may be unable to meet our business plan and, as a result, our revenue and profitability may decline. In addition, effective succession planning for our key personnel is important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution.

**THE COSTS OF COMPLYING WITH ENVIRONMENTAL REGULATIONS MAY INCREASE SUBSTANTIALLY AND ADVERSELY AFFECT OUR CONSOLIDATED FINANCIAL CONDITION, LIQUIDITY, OR RESULTS OF OPERATIONS.**

We are subject to various environmental laws and regulations that govern discharges into the environment and the handling and disposal of hazardous substances and wastes. Environmental laws impose liability and clean-up responsibility for releases of hazardous substances into the environment. We will continue to incur substantial capital and operating expenses in order to comply with current laws. Any changes in these laws or their interpretation by government agencies or the courts may significantly increase our capital expenditures and operating expenses and decrease the amount of funds available for investment in other areas of operation. In addition, we may be required to eliminate or mitigate any adverse effects on the environment caused by the release of hazardous materials, whether or not we had knowledge of, or were responsible for, such release. We may also incur liability for personal injury and property damages as a result of discharges into the environment. If costs or liabilities related to environmental compliance increase significantly, our consolidated financial condition, liquidity, or results of operations may be adversely affected.

**WE MAY BE UNABLE TO GENERATE SUFFICIENT CASH FLOW OR SECURE SUFFICIENT CREDIT TO SIMULTANEOUSLY FUND OUR OPERATIONS, FINANCE CAPITAL EXPENDITURES, AND SATISFY OTHER OBLIGATIONS.**

Our business is capital-intensive and requires significant expenditures for dispensers, manufacturing equipment, maintenance and new or enhanced equipment for environmental compliance matters, and to otherwise support our business strategies. We expect to meet all of our near- and longer-term cash needs from a combination of operating cash flows, cash and cash equivalents, our existing credit facility or other bank lines of credit, and other long-term debt. If we are unable to generate sufficient cash flow from these sources or if we are unable to secure needed credit due to our performance or tighter credit markets, we could be unable to meet our near- and longer-term cash needs.

**THE FLUCTUATIONS IN CANADIAN EXCHANGE RATE MAY ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.**

Approximately 9% of our sales volume ships to Canada, a portion of which is invoiced in Canadian dollars, while our costs of sales are U.S. dollar denominated. Consequently, we are exposed to fluctuations in exchange rate on the translation of Canadian dollar-based revenues to U.S. dollars. We use market price adjustments on our Canadian-based business to partially offset these exchange rate fluctuations.

**IF WE HAVE A CATASTROPHIC LOSS OR UNFORESEEN OR RECURRING OPERATIONAL PROBLEMS AT ANY OF OUR FACILITIES, WE COULD SUFFER SIGNIFICANT LOST PRODUCTION AND/OR COST INCREASES.**

Our papermaking and converting facilities and distribution warehouses may suffer catastrophic loss due to fire, flood, terrorism, mechanical failure, or other natural or man-made events. If any of these facilities were to experience a catastrophic loss, it could disrupt our operations, delay production, delay or reduce shipments, reduce revenue, and result in significant expenses to repair or replace the facility. These expenses and losses may not be adequately covered by property or business interruption insurance. Even if covered by insurance, our inability to deliver our products to customers, even on a short-term basis, may cause us to lose market share on a more permanent basis.

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**ANY ACQUISITIONS, MAJOR CAPITAL INVESTMENTS, FACILITY CLOSINGS, OR OTHER STRUCTURAL CHANGES MAY RESULT IN FINANCIAL RESULTS THAT ARE DIFFERENT THAN EXPECTED.**

In the normal course of business, we engage in discussions with third parties relating to the possible acquisition of additional facilities and may consider, from time to time, the acquisition or disposition of businesses. We may have difficulty integrating the acquisition of a newly acquired company in a way that enhances the performance of our combined businesses or product lines to realize the value from expected synergies. We may also have difficulty integrating a new manufacturing facility into current operations. These difficulties can arise for a variety of reasons, including, the size and complexity of the acquisition, the retention of key employees, the retention of key customers, and the ability to integrate manufacturing systems and transfer our corporate culture to new employees and facilities.

We also continually review and may implement structural changes or invest in major capital projects designed to improve our operations or to reflect anticipated changes in long-term market conditions. In 2013, we completed an expansion project at our Harrodsburg, Kentucky manufacturing facility. As a result of this or similar future investments, our financial results may differ from the investment community's expectations in a given quarter, or over the long term.

**IF WE INCUR A MATERIAL WEAKNESS IN OUR INTERNAL CONTROL OVER FINANCIAL REPORTING, IT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, OPERATING RESULTS, AND STOCK PRICE.**

Section 404 of the Sarbanes-Oxley Act of 2002 and related rules and regulations promulgated by the SEC (collectively, "Section 404") require us to assess and report on our internal control over financial reporting as of the end of each fiscal year. In our most recent report under Section 404, which is included in Item 8 of this report, we have concluded that our internal control over financial reporting is effective. Our independent registered public accounting firm has concurred with that assessment.

If we should develop a material weakness in our internal control over financial reporting, it could have a material adverse effect on the Company. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. If a material weakness occurs, it could adversely affect our financial reporting process and our financial statements. If we fail to maintain effective internal control over financial reporting it could have a material adverse effect on our business, operating results, and our stock price.

**FUTURE CHANGES IN FINANCIAL ACCOUNTING STANDARDS MAY ADVERSELY AFFECT OUR REPORTED RESULTS OF OPERATIONS.**

A change in financial accounting standards can have a significant effect on our reported results. New accounting pronouncements may adversely affect our reported financial results in the future or require us to restate results we have already reported. New financial accounting standards or interpretations may require us to recognize additional expenses in the future or change the manner in which revenue or expense amounts currently recognized are determined. Such changes in recognition may result in lower reported net earnings and decreased equity or increased balance sheet liabilities, any of which may reduce the market price of our common stock or affect our compliance with various covenants relating to our indebtedness.

**FUTURE CHANGES IN TAX LAW OR OUR ABILITY TO REALIZE TAX CREDITS AND LOSS CARRYOVERS MAY ADVERSELY AFFECT OUR REPORTED RESULTS.**

A change in tax law or our ability to realize tax credits and loss carryovers may have a significant effect on our reported results. Deferred tax assets are regularly reviewed for recoverability, and a valuation allowance is established if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The determination of whether a valuation allowance is required is based on an analysis of all positive and negative evidence, including

future earnings, changes in operations, the expected timing of the reversals of existing temporary differences, and tax strategies that could potentially change the likelihood of recoverability of a deferred tax asset.

**WE MAY INCUR SIGNIFICANT, UNEXPECTED LIABILITIES FROM CURRENT OR FUTURE CLAIMS, INCLUDING MATTERS NOW THREATENED OR IN LITIGATION.**

We deal with claims that are threatened or made by third parties in the normal course of our business. Some claims result in formal administrative or legal proceedings in which the amounts claimed are significant. We assess each claim and make a judgment whether the claim will have a material adverse effect on our consolidated financial condition, liquidity, or results of operations. Claims that we believe could have material adverse effect if not resolved in our favor, or other claims that we believe to be significant, are discussed in Item 3 of this report and in Note 10 of the Notes to Consolidated Financial Statements for the most recent fiscal year. Our reports do not disclose or discuss all claims of which we are aware. Our assessment of the materiality of any claim is based upon the amount involved, the underlying facts, and our assessment of the likelihood of a material adverse outcome. If our assessment of a claim as immaterial is not correct, we may not have

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made adequate provision for such loss and our consolidated financial condition, liquidity, or results of operations could be impacted.

**THE INCREASING COSTS OF CERTAIN EMPLOYEE AND RETIREE BENEFITS COULD ADVERSELY AFFECT OUR RESULTS.**

Our net earnings and cash flow may be impacted by the amount of income or expense we expend for employee benefit plans. This is especially true for pension and other post-retirement benefit plans, which are dependent on such elements as actual plan asset returns and factors used to determine the value and current costs of plan benefit obligations. In addition, if medical costs were to rise at significantly faster rates than inflation, we may not be able to mitigate the rising costs of medical benefits. Increases to the costs of pensions, other post-retirement and medical benefits could have an adverse effect on our financial results.

**WE MAY BECOME INVOLVED IN CLAIMS CONCERNING INTELLECTUAL PROPERTY RIGHTS, AND WE COULD SUFFER SIGNIFICANT LITIGATION OR RELATED EXPENSES IN DEFENDING OUR OWN INTELLECTUAL PROPERTY RIGHTS OR DEFENDING CLAIMS THAT WE INFRINGED THE RIGHTS OF OTHERS.**

None of our product trademarks or patents are independently considered to be material to our business. However, taken together, we consider our intellectual property to be a material asset. We may lose market share and suffer a decline in our revenue and net earnings if we cannot successfully defend one or more trademarks or patents.

We do not believe that any of our products infringe the valid intellectual property rights of third parties. However, we may be unaware of intellectual property rights of others that may cover some of our products or services. In that event, we may be subject to significant claims for damages.

Any litigation regarding patents or other intellectual property could be costly and time-consuming and could divert our management and key personnel from our business operations. Claims of intellectual property infringement might also require us to enter into license agreements, which would reduce our operating margins, or in some cases, we may not be able to obtain license agreements on terms acceptable to us.

**WE RELY EXTENSIVELY ON COMPUTER SYSTEMS TO PROCESS TRANSACTIONS, MAINTAIN INFORMATION AND MANAGE OUR BUSINESSES. DISRUPTIONS IN THE AVAILABILITY OF OUR COMPUTER SYSTEMS COULD IMPACT OUR ABILITY TO SERVICE OUR CUSTOMERS AND ADVERSELY AFFECT OUR SALES AND RESULTS OF OPERATIONS.**

We have information technology controls in place to protect our proprietary information, employee, and customer data. Our business model does not include direct sales, so we do not have consumer credit card information. In the event the controls and protections we have in place fail to protect our information technology systems, disclosure or misuse of confidential or proprietary information, including sensitive customer, vendor, employee or investor information maintained in the ordinary course of our business, may occur. Any such event could cause damage to our reputation, loss of valuable information or loss of revenue and could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events.

**SIGNIFICANT SHAREHOLDERS OR POTENTIAL SHAREHOLDERS MAY ATTEMPT TO EFFECT CHANGES AT THE COMPANY OR ACQUIRE CONTROL OVER THE COMPANY, WHICH COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.**

Shareholders of the Company may engage in proxy solicitations, advance shareholder proposals, or otherwise attempt to effect changes or acquire control over the Company. Campaigns by shareholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term shareholder value through actions such as financial restructuring, increased debt, special dividends, stock repurchases, or sales of assets or the entire Company. Responding to proxy contests and other actions by activist shareholders can be costly and time-consuming,



potentially disrupting operations and diverting the attention of our Board of Directors and senior management from the pursuit of business strategies. In addition, certain events, such as significant changes in our Board of Directors, may trigger change of control provisions under the terms of our credit facilities and certain agreements that we have in place with our executive officers. These change of control provisions, if triggered, could require us to immediately repay debt under our credit agreements and make significant payments to executive officers whose employment by the Company is terminated. As a result, shareholder campaigns could adversely affect our results of operations and financial condition.

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**SOME ANTI-TAKEOVER PROVISIONS IN OUR ARTICLES OF INCORPORATION AND BYLAWS, AS WELL AS PROVISIONS OF WISCONSIN LAW, COULD IMPAIR A TAKEOVER ATTEMPT.**

Our articles of incorporation and bylaws, could have the effect of rendering more difficult or discouraging an acquisition of Wausau Paper that is deemed undesirable by our Board of Directors. These include provisions that:

permit our Board of Directors to issue one or more series of preferred stock with rights and preferences designated by our board, including stock with voting, liquidation, dividend, and other rights superior to our common stock;

impose advance notice requirements for shareholder proposals and nominations of directors to be considered at shareholder meetings;

divide our Board of Directors into three classes of directors serving staggered terms;

allow the Board of Directors to fill any vacancies on our board;

under our articles of incorporation, prohibit us from entering into a "business combination" transaction with any person who acquires 10% of our voting stock at any time (an "interested 10% shareholder") unless certain "fair price" requirements are met or, in the alternative, either (a) two-thirds of the shares entitled to vote that are not held by the interested shareholder are voted for the transaction, or (b) the Board of Directors has approved the transaction;

under Wisconsin law, require that two-thirds of our voting stock must vote to approve any merger with another corporation, a share exchange, or the sale of substantially all of our assets;

under Wisconsin law, prohibit us from entering into a "business combination" transaction with an interested 10% shareholder for a period of three years from the date such person makes such an acquisition unless our Board of Directors had approved the business combination or the acquisition of shares before the date of the acquisition;

under Wisconsin law, prohibit us from entering into a "business combination" transaction with an interested 10% shareholder at any time after a period of three years from the date of becoming an interested 10% shareholder unless our Board of Directors had approved the acquisition of shares before the date of the acquisition, the business combination meets certain "fair price" requirements, or the business combination is approved by a majority of the shares entitled to vote which are not beneficially owned by the interested 10% shareholder;

under Wisconsin law, reduce the voting power of any shares held by a shareholder who holds in excess of 20% of the shares outstanding to 10% of the full voting power of the excess shares; and

require a vote by the holders of four-fifths of our outstanding shares to amend the provisions of our articles or bylaws described above.

These provisions and similar provisions that could apply to us in the future may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price, or otherwise adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for shareholders to elect directors other than the candidates nominated by our Board of Directors.

## **Item 1B. Unresolved Staff Comments**

Not applicable

Table of Contents**Item 2. Properties**

Executive officers and staff who perform accounting, finance, information technology, and human resource services are located in Mosinee, Wisconsin, an owned property. Our operating facilities, all of which are owned properties, consist of the following:

| Facility        | Product             | Number<br>of<br>Paper<br>Machines | Practical<br>Capacity(1)<br>(tons) | 2014<br>Actual<br>(tons) |
|-----------------|---------------------|-----------------------------------|------------------------------------|--------------------------|
| Middletown, OH  | Tissue              | 2                                 | 120,000                            | 114,500                  |
|                 | Deink Pulp          | n/a                               | 114,000                            | 111,000                  |
| Harrodsburg, KY | Tissue              | 1                                 | 70,000                             | 60,800                   |
|                 | Converted<br>Tissue | n/a                               | 214,000                            | 182,700                  |

(1) "Practical capacity" is the amount of finished product a mill can produce with existing papermaking equipment, grade mix and workforce and usually approximates maximum, or theoretical, capacity.

We currently maintain warehouse distribution facilities in order to provide prompt delivery of our products. The facilities are:

| Location        | Square<br>Feet | Owned or Leased<br>(Expiration Date) |
|-----------------|----------------|--------------------------------------|
| Harrodsburg, KY | 561,000        | Owned                                |
| Danville, KY    | 630,000        | Leased (December 2017)               |
|                 | 134,000        | Leased (May 2016)                    |
|                 | 110,000        | Leased (February 2016)               |

We also lease limited space in various warehouses to facilitate deliveries to customers.

**Item 3. Legal Proceedings**

We strive to maintain compliance with applicable environmental discharge regulations at all times. However, from time to time, our operating facilities may exceed permitted levels of materials into the environment or inadvertently

discharge other materials. Such discharges may be caused by equipment malfunction, prevailing environmental conditions, or other factors. It is our policy to report any violation of environmental regulations to the appropriate environmental authority as soon as we become aware of such an occurrence and to work with such authorities to take appropriate remedial or corrective actions.

We may be involved from time to time in various other legal and administrative proceedings or subject to various claims in the normal course of business. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, in the opinion of management, the ultimate disposition of any threatened or pending matters, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial condition, liquidity, or results of operations. See Item 1A concerning the possible effect of unexpected liabilities from current or future claims.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

Table of Contents**PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities****MARKET AND DIVIDEND INFORMATION**

Wausau Paper common stock is listed on the New York Stock Exchange under the symbol "WPP."

As of February 28, 2015, there were approximately 1,600 holders of record of Wausau Paper common stock. As of February 28, 2015, there were 50,055,547 shares of common stock outstanding.

The following table sets forth the range of high and low sales price information of Wausau Paper common stock and the dividends declared on the common stock, for the calendar quarters indicated.

| Calendar Quarter      | Market Price |          | Cash Dividend Declared |
|-----------------------|--------------|----------|------------------------|
|                       | High         | Low      |                        |
| <b>2014(1)</b>        |              |          |                        |
| <b>First Quarter</b>  | \$ 14.04     | \$ 12.08 |                        |
| <b>Second Quarter</b> | \$ 12.99     | \$ 10.00 | \$ .06                 |
| <b>Third Quarter</b>  | \$ 11.06     | \$ 7.91  |                        |
| <b>Fourth Quarter</b> | \$ 11.49     | \$ 7.76  | \$ .06                 |
| <b>2013(1)</b>        |              |          |                        |
| First Quarter         | \$ 11.09     | \$ 8.69  |                        |
| Second Quarter        | \$ 12.00     | \$ 9.57  | \$ .06                 |
| Third Quarter         | \$ 13.01     | \$ 10.80 |                        |
| Fourth Quarter        | \$ 13.78     | \$ 11.11 | \$ .06                 |
| <b>2012(1)</b>        |              |          |                        |
| First Quarter         | \$ 9.86      | \$ 8.16  |                        |
| Second Quarter        | \$ 9.81      | \$ 8.45  | \$ .06                 |
| Third Quarter         | \$ 9.92      | \$ 7.48  |                        |
| Fourth Quarter        | \$ 9.32      | \$ 7.46  | \$ .06                 |

(1)

Two cash dividends of \$.03 per share were declared in the second and fourth quarters in 2014, 2013 and 2012.

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## Item 6. Selected Consolidated Financial Data

### Wausau Paper Corp. and Subsidiaries Selected Financial Data

For the Year Ended December 31,

(all amounts in thousands, except per share data)

|  | 2014(1)       | 2013(2)       | 2012(3)      | 2011(4)      | 2010(5)       |
|--|---------------|---------------|--------------|--------------|---------------|
| <b>FINANCIAL RESULTS</b>   |               |               |              |              |               |
| Net sales  | \$ 352,024    | \$ 348,584    | \$ 344,182   | \$ 335,230   | \$ 343,011    |
| Operating (loss) profit  | (2,762)       | (2,584)       | 1,137        | 50,004       | 27,724        |
| Interest expense   | 10,679        | 8,802         | 3,330        | 6,850        | 6,587         |
| (Loss) earnings from continuing operations before income taxes                         | (27,818)      | (11,390)      | (2,244)      | 42,440       | 21,117        |
| Net (loss) earnings from continuing operations   | (17,534)      | (28,183)      | (1,562)      | 25,228       | 12,220        |
| Net (loss) earnings from discontinued operations                                       | (978)         | (69,082)      | 2,238        | (46,926)     | 24,636        |
| Net (loss) earnings  | (18,512)      | (97,265)      | 676          | (21,698)     | 36,856        |
| Cash dividends paid  | 5,982         | 5,929         | 5,918        | 5,905        | 1,475         |
| Cash flows (used in) provided by operating activities                                  | (6,068)       | (1,655)       | 35,928       | 64,484       | 22,753        |
| <b>PER SHARE</b>   |               |               |              |              |               |
| Net (loss) earnings from continuing operations-basic                                   | \$ (0.35)     | \$ (0.57)     | \$ (0.03)    | \$ 0.51      | \$ 0.25       |
| Net (loss) earnings from discontinued operations-basic                                 | (0.02)        | (1.40)        | 0.05         | (0.95)       | 0.50          |
| Cash dividends declared  | 0.12          | 0.12          | 0.12         | 0.12         | 0.06          |
| Stockholders' equity   | 2.54          | 3.40          | 4.17         | 3.99         | 5.30          |
| Basic average number of shares outstanding   | 50,173        | 49,411        | 49,312       | 49,160       | 48,965        |
| Price range (low and high closing)   | \$ 7.80-14.01 | \$ 8.73-13.70 | \$ 7.61-9.86 | \$ 5.86-8.96 | \$ 6.12-11.66 |
| <b>FINANCIAL CONDITION</b>   |               |               |              |              |               |
| Working capital  | \$ 608        | \$ 33,905     | \$ 67,837    | \$ 71,039    | \$ 109,139    |
| Total assets   | 463,862       | 481,563       | 700,715      | 678,830      | 677,609       |
| Long-term debt   | 170,868       | 150,000       | 196,200      | 127,650      | 127,382       |
| Stockholders' equity   | 127,512       | 168,142       | 205,501      | 196,244      | 259,666       |
| Capital expenditures   | 16,449        | 37,466        | 149,424      | 78,063       | 42,990        |
| <b>RATIOS</b>  |               |               |              |              |               |
| Percent net (loss) earnings from continuing operations to sales                        | (5.0%)        | (8.1%)        | (0.0%)       | 7.5%         | 3.6%          |
| Percent net (loss) earnings from continuing operations to average stockholders' equity | (11.9%)       | (15.1%)       | (0.8%)       | 11.1%        | 5.0%          |
| Ratio of current assets to current liabilities   | 1 to 1        | 1.5 to 1      | 1.7 to 1     | 1.5 to 1     | 1.8 to 1      |

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|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Percent of long-term debt to total capitalization | 57.3% | 47.2% | 48.8% | 39.4% | 32.9% |
| Within Continuing Operations:                     |       |       |       |       |       |

- (1) In 2014, includes after-tax loss of \$9.0 million (\$14.4 million pre-tax) or \$0.18 per share related to early extinguishment of debt, after-tax expense of \$1.0 million (\$1.5 million pre-tax) or \$0.02 per share related to defined benefit retirement plan settlement charges, after-tax expense of \$0.9 million (\$1.4 million pre-tax) or \$0.02 per share related to change in control provisions, after-tax expense of \$1.0 million (\$1.6 million pre-tax) or \$0.02 per share related to the severance benefit of the former CEO, and after-tax expense of \$0.7 million (\$1.2 million pre-tax) or \$0.01 per share related to proxy settlement charges.
- (2) In 2013, includes after-tax expense of \$1.9 million (\$3.0 million pre-tax) or \$0.04 per share related to defined benefit retirement plan settlement charges, and after-tax credit of \$2.1 million (\$3.3 million pre-tax) or \$0.04 per share related to a charge associated with a contract for a closed manufacturing facility. In addition, 2013 includes a tax valuation allowance loss of \$21.0 million or \$0.42 per share.
- (3) In 2012, includes after-tax expense of \$4.5 million (\$7.1 million pre-tax) or \$0.09 per share related to defined benefit retirement plan settlement charges, after-tax expense of \$5.3 million (\$8.4 million pre-tax) or \$0.11 per share related to an expansion project, and after-tax expense of \$2.1 million (\$3.3 million pre-tax) or \$0.04 per share related to a charge associated with a contract for a closed manufacturing facility.
- (4) In 2011, includes after-tax gains of \$23.3 million (\$36.0 million pre-tax) or \$0.47 per share related to timberland sales, and after-tax expenses of \$1.4 million (\$2.2 million pre-tax) or \$0.03 per share related to the tissue expansion project.
- (5) In 2010, includes after-tax gains of \$5.0 million (\$7.9 million pre-tax) or \$0.10 per share related to timberland sales, after-tax expense of \$2.4 million (\$3.8 million pre-tax) or \$0.05 per share related to a rate adjustment associated with a contract for a closed manufacturing facility, and after-tax expense of \$1.9 million (\$3.1 million pre-tax) or \$0.04 per share related to the freezing of benefits associated with a cash balance pension plan.



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Within Discontinued Operations:

- (1) In 2014, includes after-tax expense of \$1.3 million (\$2.1 million pre-tax) or \$0.02 per share related to the closure of the Brainerd mill and the sale of the specialty paper business.
- (2) In 2013, includes after-tax expense of \$74.4 million (\$118.1 million pre-tax) or \$1.51 per share related to the closure of the Brainerd mill and the sale of the specialty paper business.
- (3) In 2012, includes after-tax expense of \$4.9 million (\$7.7 million pre-tax) or \$0.10 per share related to defined benefit retirement plan settlement charges, includes after-tax expense of \$4.2 million (\$6.7 million pre-tax) or \$0.09 per share of closure costs associated with the closure of the Brokaw, Wisconsin mill, and includes after-tax gain of \$7.9 million (\$12.5 million pre-tax) or \$0.16 per share related to the sale of the premium Print & Color brands, select paper inventory, and long-lived assets.
- (4) In 2011, includes after-tax expense of \$52.9 million (\$81.8 million pre-tax) or \$1.08 per share of closure costs associated with the 2012 closure of the Brokaw, Wisconsin mill, and after-tax expenses of \$2.6 million (\$4.0 million pre-tax) or \$0.05 per share related to the paper machine rebuild at Paper's Brainerd, Minnesota mill.

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## **Item 7. Management's Discussion & Analysis of Financial Condition and Results of Operations**

### **INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS**

The following discussion and analysis of our financial condition and results of operations contain forward-looking statements that involve risks, uncertainties, and assumptions. Forward-looking statements are not guarantees of performance. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Wausau Paper and our consolidated subsidiaries may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. Forward-looking statements may be identified by, among other things, beliefs or expectations that certain events may occur or are anticipated and projections or statements of expectations with respect to various aspects of our business, our plans or intentions, our stock performance, the industry within which we operate, the markets in which we compete, the economy, and any other expressions of similar import or covering other matters relating to our business and operations. Risks, uncertainties, and assumptions relating to our forward-looking statements include the level of competition for our products, downturns in our target markets, changes in the North American away-from-home towel and tissue industry, changes in the price or availability of raw materials and energy, the failure to develop new products that meet customer needs, adverse changes in our relationships with large customers and labor unions, the failure to recruit and retain key personnel, costs of compliance with environmental regulations, our ability to fund our operations, unforeseen operating problems, changes in strategic plans or our ability to execute such plans, maintenance of adequate internal controls, changes in financial accounting standards, changes in tax laws, increasing costs of certain employee and retiree benefits, unforeseen liabilities arising from current or prospective claims, unforeseen claims concerning intellectual property rights, unexpected disruptions in the availability of our computer systems, attempts by shareholders to effect changes at or acquire control over the Company, and the effect of certain organizational anti-takeover provisions. These and other risks, uncertainties, and assumptions are described under the caption "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014, and from time to time in our other filings with the Securities and Exchange Commission after the date of such annual report. We assume no obligation, and do not intend, to update these forward-looking statements.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. We believe the following are the accounting policies which could have the most significant effect on our reported results and require subjective or complex judgments by management.

### **SALES REBATES**

In certain circumstances, we will grant sales rebates to help stimulate sales of certain products. The expense for such rebates is accrued for and recorded as a deduction in arriving at our net sales at the time of the sale of the product to the customer. The amount of rebates to be paid is estimated based upon historical experience, announced rebate programs, and competitive pricing, among other things.

### **IMPAIRMENT OF LONG-LIVED AND OTHER ASSETS**

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 360-10, "Property, Plant, and Equipment", we evaluate the recoverability of the carrying amount of long-lived and other assets, including dispenser systems, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable and exceeds its fair value. The carrying amount of an asset may not be fully recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. We use judgment when applying the impairment rules to determine when an impairment test is necessary. Factors we consider that could trigger an impairment review include significant underperformance relative to historical or forecasted operating results, a significant decrease in the market value of an asset, a significant change in the extent or manner in which an asset is used, and significant negative or industry trends.

Impairment losses are measured as the amount by which the carrying value of an asset exceeds its estimated fair value. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows, which requires us to make estimates of our future cash flows related to the asset subject to review. These estimates require assumptions about demand for our products, future market conditions, and technological developments. Other assumptions in determining fair value include determining the discount rate and future growth rates. Within discontinued operations in the years ended December 31, 2014, December 31, 2013 and 2012, we recorded pre-tax impairment losses of \$0.2 million, \$64.5 million, and \$2.1 million, respectively. Additional information regarding impairment losses is available in "Note 2 Discontinued Operations and Other" in the Notes to Consolidated Financial Statements.

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### PENSION BENEFITS

Defined benefit pension costs and obligations are actuarially determined and are affected by assumptions including discount rate, the expected rate of return on plan assets, participant mortality, among other factors. Changes in discount rate and differences from actual and assumed asset returns as well as changes in other assumptions will affect the amount of pension expense recognized in future periods. For example, fluctuation in the discount rate assumption of 25 basis points would have impacted 2014 defined benefit pension obligations by approximately \$7.2 million. Additional information regarding pension benefits is available in "Note 7 Pension and Other Post-retirement Benefit Plans" in the Notes to Consolidated Financial Statements.

### OTHER POST-RETIREMENT BENEFITS

The costs and obligations for post-retirement benefits other than pension are also actuarially determined and are affected by assumptions including the discount rate, participant mortality, and expected future increase in per capita costs of covered post-retirement health care benefits. Changes in the discount rate and differences between actual and assumed per capita health care costs may affect the recorded amount of the expense in future periods. For example, fluctuation in the discount rate assumption of 25 basis points would have impacted the 2014 obligations for other post-retirement benefits by approximately \$0.5 million. In addition, a one percentage point increase in the assumed health care cost trend rate would impact obligations for other post-retirement benefits by approximately \$0.9 million, while a decrease of one percentage point would impact the same obligations by approximately \$0.8 million. Additional information regarding other post-retirement benefits is available in "Note 7 Pension and Other Post-retirement Benefit Plans" in the Notes to Consolidated Financial Statements.

### ENVIRONMENTAL MATTERS

We record environmental liabilities based on estimates for known environmental remediation exposure utilizing information received from third-party experts and our past experience with these matters. At third-party sites where more than one potentially responsible party has been identified, we record a liability for an estimated allocable share of costs related to our involvement with the site as well as an estimated allocable share of costs related to the involvement of insolvent or unidentified parties. Environmental liability estimates may be affected by changing determinations of what constitutes an environmental exposure or acceptable level of cleanup. To the extent that remediation procedures change or the financial condition of other potentially responsible parties is adversely affected, the estimate of our environmental liabilities may change. Additional information regarding environmental matters is available in "Note 10 Commitments and Contingencies" in the Notes to Consolidated Financial Statements.

### TAX MATTERS

Under the provisions of FASB ASC Subtopic 740-10, "Income Taxes", the benefits of tax losses and credits are recognized as deferred tax assets, subject to appropriate valuation allowances. At the end of 2014, we had federal and state net operating loss carryovers of \$126.0 million and \$231.3 million, respectively. At the end of 2014, we also had federal and state tax credit carryovers of \$12.9 million and \$10.8 million, respectively. These loss and credit carryovers may be used to reduce future federal and state income tax liabilities. If not utilized, the carryover amounts will expire from 2015 through 2037.

Tax valuation allowances totaled \$20.5 million at the end of 2014. Of this amount, \$8.1 million relates to the federal cellulosic biofuel credit carryover, and \$12.4 million relates to state loss and credit carryovers, primarily in the state of Wisconsin. Deferred tax assets are regularly reviewed for recoverability, and a valuation allowance is established if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The determination of whether a valuation allowance is required is based on an analysis of all positive and negative evidence, including

future earnings, changes in operations, the expected timing of the reversals of existing temporary differences, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

Other significant accounting policies, not involving the same level of uncertainties as those previously discussed, are important to an understanding of the consolidated financial statements. Additional information regarding significant accounting policies is available in "Note 1 Description of the Business and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements.

## **OPERATIONS REVIEW**

### **OVERVIEW**

Following a year of significant change and transformation in 2013, the year ended December 31, 2014 was the first full year of operating as a company 100% focused on away-from-home towel and tissue markets. This focus allowed us to dedicate more resources to executing our strategy which is driven by innovative, differentiated products and a unique dealer-

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centric distribution model. We continue to build momentum as we shift our product mix towards premium, 100% recycled fiber towel and tissue products. We made significant progress during the year supporting our strategic direction:

We achieved 1.6% case volume growth for the full year, more than twice the away-from-home tissue market growth rate of 0.7%.

We were awarded PPI's "Most Innovative Product" for our new DublNature® line of premium 100% recycled fiber products.

We launched our new line of 100% recycled premium Artisan® towel products.

We launched our new Alliance high-capacity electronic roll towel dispensing system featuring twice the capacity of typical roll towel dispensers.

We refinanced our company debt structure.

We demonstrated continued operational improvement in papermaking and converting, which supported improving bottom-line results.

## CONSOLIDATED

(all dollar amounts in thousands, except per share data)

|  | <b>2014</b> | 2013        | 2012       |
|--|-------------|-------------|------------|
| Loss from continuing operations  | \$ (17,534) | \$ (28,183) | \$ (1,562) |
| Net loss from continuing operations per share basic and diluted              | \$ (0.35)   | \$ (0.57)   | \$ (0.03)  |
| (Loss) earnings from discontinued operations, net of taxes                   | \$ (978)    | \$ (69,082) | \$ 2,238   |
| Net (loss) earnings from discontinued operations per share basic and diluted | \$ (0.02)   | \$ (1.40)   | \$ 0.05    |

In 2014, we reported a net loss from continuing operations of \$17.5 million, or \$0.35 per share, compared to a prior-year net loss from continuing operations of \$28.2 million, or \$0.57 per share. The net loss from continuing operations in 2014 included an after-tax loss of \$9.0 million or \$0.18 per share related to early extinguishment of debt, after-tax charges of \$1.0 million, or \$0.02 per share, related to settlement expenses associated with our defined benefit retirement plans, after-tax expense of \$0.9 million or \$0.02 per share related to certain change in control provisions, after-tax expense of \$1.0 million or \$0.02 per share related to the severance benefit of the former Chief Executive Officer, and after-tax expense of \$0.7 million or \$0.01 per share related to proxy settlement charges.

In 2013, we reported a net loss from continuing operations of \$28.2 million, or \$0.57 per share, compared to a prior-year net loss from continuing operations of \$1.6 million, or \$0.03 per share. The net loss from continuing operations in 2013 included after-tax charges of \$1.9 million, or \$0.04 per share, related to settlement expenses associated with our defined benefit retirement plans, and an after-tax credit of \$2.1 million, or \$0.04 per share, related

to a contract at a former manufacturing facility. Also included in 2013, was a provision for income taxes of \$21.0 million, or \$0.42 per share, related to an income tax valuation allowance for a portion of an existing cellulosic biofuels credit and certain state income tax carryforwards that will likely not be utilized to offset taxable income in the future.

In 2012, we reported a net loss from continuing operations of \$1.6 million, or \$0.03 per share, compared to prior-year net earnings from continuing operations of \$25.2 million, or \$0.51 per share. The net loss from continuing operations in 2012 included after-tax charges of \$5.3 million, or \$0.11 per share, related to the tissue expansion project, after-tax charges of \$4.5 million, or \$0.09 per share, related to settlement expenses associated with our defined benefit retirement plans, and after-tax charges of \$2.1 million, or \$0.04 per share, related to a charge for a contract at a former manufacturing facility.

#### DISCONTINUED OPERATIONS

In May 2013, we announced that our Board of Directors had approved the sale of our specialty paper business. The sale of the specialty paper business and substantially all related assets and selected liabilities, excluding the Brainerd, Minnesota paper mill, closed on June 26, 2013. In February 2013, we announced the planned closure of our Brainerd mill. The Brainerd mill permanently closed in March 2013. In 2014, we sold the group of assets held for sale associated with the Brainerd mill.

In December 2011, we announced that our Board of Directors had approved the sale of our premium Print & Color brands, and the closure of our Brokaw, Wisconsin paper mill. The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment closed on January 31, 2012. We permanently ceased papermaking operations at the Brokaw mill on February 10, 2012.

We determined that the sale of the specialty paper business, the closure of the Brainerd mill, and the closure of the Brokaw mill, met the criteria for discontinued operations presentation as established in ASC Subtopic 205-20, "Discontinued Operations". The results of operations of the specialty paper business, Brainerd, and Brokaw mills have been reported as discontinued operations in the Consolidated Statements of Comprehensive Income (Loss) for all periods presented. The corresponding assets and liabilities of the discontinued operations were reclassified in accordance with authoritative

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literature on discontinued operations when the respective component met the criteria for discontinued operations presentation. The Statements of Cash Flows for all periods presented have not been adjusted to separately disclose cash flows related to discontinued operations. Please refer to "Note 2 Discontinued Operations and Other" in the Notes to Consolidated Financial Statements for additional information.

**OUTLOOK**

In the near term, the pace of growth in the overall United States and global economies is expected to remain slow. With our 2012 exit from the Print & Color markets and 2013 exit from the technical specialty paper business, we narrowed our focus to the comparatively stable and growing away-from-home tissue market category. We believe our narrowed focus will allow us to capitalize on our participation within the growing tissue market where our growth is presently exceeding overall market rates. Although our economic outlook continues to be cautious, we are focused and determined to achieve sales growth in our target markets. Our ability to achieve sales growth will continue to be influenced by general economic conditions, competitive factors, and changes in market demand and product pricing.

**NET SALES AND GROSS PROFIT ON SALES**

| (all dollar amounts in thousands) | <b>2014</b>       | 2013       | 2012       |
|-----------------------------------|-------------------|------------|------------|
| Net sales                         | \$ <b>352,024</b> | \$ 348,584 | \$ 344,182 |
| Tons shipped                      | <b>181,504</b>    | 181,046    | 177,458    |
| Cases shipped                     | <b>16,988,436</b> | 16,728,540 | 16,021,000 |
| Gross profit on sales             | \$ <b>51,319</b>  | \$ 49,602  | \$ 63,740  |
| Gross profit margin               | <b>15%</b>        | 14%        | 19%        |

Net sales for the year ended December 31, 2014 were \$352.0 million, compared with net sales of \$348.6 million for the year ended December 31, 2013. Total shipments in tons remained flat with 181,504 tons in 2014 and 181,046 in 2013 while 2014 cases shipped of 17.0 million increased 1.6% from the 16.7 million shipped in 2013. Net sales in 2012 were \$344.2 million, consisting of shipments of 177,458 tons, or 16.0 million cases.

Comparing 2014 to 2013, average net selling price per case decreased approximately 1%, or over \$4 million, with favorable product mix on the growth of ATMOS enabled Artisan® and DublNature® products partially offsetting actual net selling price decreases and Canadian exchange rate fluctuations. During mid-2014, all major away-from-home towel and tissue suppliers, including Wausau Paper, announced a market price increase. Consequently, the unfavorable price variance is concentrated in the first three quarters of 2014, and the fourth quarter shows significant pricing improvement. Compared to 2012, 2013 average net selling price decreased 4%, or over \$15 million, with actual net selling price decreases contributing to over three-quarters of the decline, and the remaining decrease a result of the composition of overall product mix.

Gross profit margin increased to \$51.3 million, or 15% of net sales, in 2014 compared with \$49.6 million, or 14% of net sales, in 2013. Gross profit margin in 2012 was \$63.7 million, or 19% of net sales.

During the year ended December 31, 2014, as compared to the same period in 2013, volume and improved product mix generated over \$2 million of gross profit improvement. Additionally, manufacturing cost decreases were realized as we optimized production on our new paper machine in Harrodsburg, Kentucky, as well as improvements in our other operations. These improvements were roughly offset by decreases in net selling prices. Comparing the year ended December 31, 2013, to the same period in 2012, a decrease in fiber-related costs of more than \$1 million was more than offset by a decrease in average net selling price and significant increases in manufacturing costs, including



a \$8 million increase in depreciation expense and a \$10 million increase in utilities primarily due to the addition of the new paper machine in Harrodsburg, Kentucky, resulting in a decline in gross profit. Gross profit in 2013 and 2012 was impacted by capital expenses totaling \$0.1 million and \$6.6 million, respectively, due to the expansion project at our Harrodsburg facility.

During the year ended December 31, 2014, raw materials and packaging comprised approximately 39% of our total cost of sales, with market pulp, wastepaper, and purchased towel and tissue parent rolls accounting for over 73% of this total. Labor and fringe were approximately 18% of our total cost of sales, while utilities accounted for approximately 9%. Net other operating expenses, including outbound freight, depreciation, and maintenance, comprised the remaining 34% of our cost of sales.

Combined fiber prices, consisting of market pulp, wastepaper, and purchased towel and tissue parent rolls, increased during 2014. As compared to 2013, 2014 fiber costs increased approximately \$1 million, after decreasing approximately \$1 million in 2013 as compared with 2012. In 2014, wastepaper prices increased a modest amount in the first three quarters, then declined slightly in the fourth quarter. In 2012, pulp and wastepaper prices declined at moderate rates, leveling off near the end of the year.

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In 2014, we consumed approximately 144,000 standard tons of wastepaper, 70,000 air-dried metric tons of market pulp, and 21,000 standard tons of purchased parent rolls. Approximately 141,000 standard tons of wastepaper, 67,000 air-dried metric tons of market pulp, and 36,000 standard tons of purchased parent rolls were consumed in 2013. The average price of wastepaper, used in the production of towel and tissue products, increased less than \$2 per standard ton, or approximately \$0.2 million in 2014 as compared to 2013. As compared with 2012, the average price of wastepaper decreased \$19 per standard ton, or nearly \$3 million, in 2013. Purchased pulp increased \$11 per metric ton, or \$1 million in 2014 compared to 2013 while the price had decreased \$37 per metric ton, or \$3 million from 2013 compared to 2012. Purchased towel and tissue parent rolls, used in our converting operations, increased \$21 per standard ton, or approximately even with 2014 as compared to 2013, after decreasing \$100 per standard ton, or approximately \$1 million, in 2013 as compared to 2012.

Energy-related prices, consisting primarily of natural gas, electricity, coal, fuel oil, and transportation, increased in 2014 as compared to 2013, primarily driven by increases in natural gas and transportation. In total, energy-related costs, including transportation, increased approximately \$2 million in 2014 as compared with 2013, after increasing approximately \$1 million in 2013 as compared with 2012.

During 2014, the average price of natural gas increased 20%, or approximately \$1 million, as compared with 2013. During 2013, the average price of natural gas increased 38%, or approximately \$2 million, as compared with 2012. As compared with 2013, 2014 transportation costs increased approximately \$1 million. Comparing 2013 with 2012, electricity prices decreased approximately 5%, or approximately \$1 million, while combined coal, transportation, and fuel oil price increases had less than a \$1 million impact.

As previously discussed, in 2011 our Board of Directors approved plans to expand our production capabilities in response to growing demand for its environmentally friendly, strategic products. The expansion included the construction of a state-of-the-art paper machine, located at our Harrodsburg, Kentucky converting facility, and is capable of producing premium towel and tissue products from 100% recycled fiber. We successfully started production on the new paper machine in December 2012 and introduced new premium recycled towel and tissue products during 2013 and 2014. Within cost of sales, labor and fringe costs remained relatively flat while comparing 2014 to 2013, while they increased 5% in 2013 as compared to 2012, primarily due to increases in headcount due to the start-up of the new paper machine at the Harrodsburg facility. Depreciation expense increased 80% in 2013 as compared to 2012, also due to the new paper machine.

Estimated market demand for away-from-home towel and tissue products increased by approximately 0.7% in 2014 as compared to 2013 after a similar increase in 2013 as compared to 2012.

## BACKLOGS

Customer order backlogs were approximately 2,800 tons, representing \$6.8 million in sales at December 31, 2014. Customer backlogs, excluding discontinued operations, were approximately 3,900 tons, or \$9.1 million in sales, as of December 31, 2013, and approximately 4,200 tons, or \$9.9 million in sales, as of December 31, 2012. Changes in customer backlog do not necessarily indicate a change in business conditions, as a large portion of orders are shipped directly from inventory upon receipt and do not impact backlog numbers. The entire backlog at December 31, 2014 is expected to be shipped during the first quarter of 2015.

## LABOR

We employed approximately 870 employees at the end of 2014. Less than one-third of our hourly mill employees are covered under collective bargaining agreements. We negotiated a five-year umbrella agreement with the United Steelworkers that was ratified on February 4, 2011. The agreement covers all collectively bargained employees and

includes competitive increases in wages and retirement income benefits.

On December 20, 2011, the Company and the United Steelworkers Local 1381 signed a closure agreement for the Brokaw, Wisconsin, paper mill. Similarly, on March 18, 2013, we signed a closure agreement for the Brainerd, Minnesota, paper mill with the United Steelworkers Local 11-0022. In addition, on May 9, 2013, we signed an effects agreement with the United Steelworkers Locals 2-15, 2-1778, 2-316, and 2-221 related to the sale of our specialty paper business, including the Mosinee and Rhinelander, Wisconsin, paper mills.

**SELLING AND ADMINISTRATIVE EXPENSES**

| (all dollar amounts in thousands)  | <b>2014</b>      | 2013      | 2012      |
|------------------------------------|------------------|-----------|-----------|
| Selling and administrative expense | \$ <b>54,081</b> | \$ 52,186 | \$ 62,603 |
| Percent increase (decrease)        | <b>4%</b>        | (17%)     | 52%       |
| As a percent of net sales          | <b>15%</b>       | 15%       | 18%       |

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Selling and administrative expenses for the year ended December 31, 2014 were \$54.1 million, compared to \$52.2 million in the same period of 2013. Selling and administrative expenses were \$62.6 million for the year ended December 31, 2012. In 2014, stock-based incentive compensation programs resulted in expense of \$2.4 million, compared to expense of \$1.8 million in 2013 and \$2.0 million in 2012. For additional information on our stock incentive programs, refer to "Note 9 Stock Compensation Plans" in the Notes to Consolidated Financial Statements.

In 2014, selling and administrative expenses were impacted by expense of \$1.4 million related to change in control provisions, expense of \$1.6 million related to the severance benefit of the former Chief Executive Officer, expense of \$1.2 million related to proxy settlement charges, and expense of \$1.5 million related to settlement charges associated with certain defined benefit retirement plans. These expenses were partially offset by a decrease in administrative headcount and a decrease in management and sales incentives and other restructuring activities.

In 2013, selling and administrative expenses were impacted by \$3.0 million related to charges associated with certain defined benefit retirement plans, offset by \$3.3 million related to a credit for a natural gas transportation contract associated with a closed facility. In 2012, selling and administration expenses were impacted by expenses of \$7.1 million related to charges associated with certain defined benefit retirement plans, and \$3.3 million related to a charge for a natural gas transportation contract associated with a closed facility.

## OTHER INCOME AND EXPENSE

| (all dollar amounts in thousands)    | 2014      | 2013     | 2012     |
|--------------------------------------|-----------|----------|----------|
| Interest expense                     | \$ 10,679 | \$ 8,802 | \$ 3,330 |
| Loss on early extinguishment of debt | 14,350    |          |          |
| Other, net                           | 27        | 4        | 51       |

Interest expense increased for the year ended December 31, 2014, to \$10.7 million compared to \$8.8 million for the year ended December 31, 2013. The increase in interest expense is due to an increase in interest rates on our former debt and higher interest rates on our new debt, a higher average outstanding balance and the amortization of original interest discount on our new debt since the July 30, 2014 debt refinancing. Additional information regarding long term debt is available in "Note 5 Debt" in the Notes to Consolidated Financial Statements. In 2013 as compared with 2012, the increase in interest expense is due to reduced capitalized interest as a result of the start-up new paper machine at our Harrodsburg, Kentucky facility. Interest capitalized during the year ended December 31, 2014 was \$0.3 million, compared with \$0.4 million in the year ended December 31, 2013, and \$4.8 million in the year ended December 31, 2012. Total debt was \$170.9 million (net of unamortized discount of \$3.2 million) at December 31, 2014 compared to \$150.0 million and \$196.2 million at December 31, 2013 and 2012, respectively.

## INCOME TAXES

| (all dollar amounts in thousands)                        | 2014        | 2013      | 2012     |
|--|-------------|-----------|----------|
| Income tax (credit) provision from continuing operations | \$ (10,284) | \$ 16,793 | \$ (682) |
| Effective tax rate                                       | 37.0%       | (147.4%)  | 30.4%    |

Our effective income tax rate related to earnings (loss) from continuing operations before income taxes of 37.0% was impacted in 2014 by an adjustment of \$0.5 million to reflect the expiration of the statute of limitations on certain tax positions. During the year ended December 31, 2013, our effective income tax rate related to the loss from continuing

operations before income taxes was impacted by adjustments made to our provision for taxes of approximately \$21.0 million. The adjustments were related to income tax valuation allowances for a portion of an existing cellulosic biofuels credit and certain state income tax carryforwards that will likely not be utilized to offset taxable income in the future.

**LIQUIDITY AND CAPITAL RESOURCES**

The following discussions regarding liquidity and capital resources include discontinued operations in all periods presented.

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## CASH FLOWS AND CAPITAL EXPENDITURES

| (all dollar amounts in thousands)               |    | <b>2014</b>    | 2013       | 2012       |
|---|----|----------------|------------|------------|
| Cash (used in) provided by operating activities | \$ | <b>(6,068)</b> | \$ (1,655) | \$ 35,928  |
| Working capital                                 | \$ | <b>608</b>     | \$ 33,905  | \$ 67,837  |
| Percent decrease                                |    | <b>(98%)</b>   | (50%)      | (5%)       |
| Current ratio                                   |    | <b>1:1</b>     | 1.5:1      | 1.7:1      |
| Capital expenditures                            | \$ | <b>16,449</b>  | \$ 37,466  | \$ 149,424 |
| Percent (decrease) increase                     |    | <b>(56%)</b>   | (75%)      | 91%        |

Cash used in operating activities was \$6.1 million during the year ended December 31, 2014, compared to \$1.7 million for the year ended December 31, 2013. Cash used in operating activities increased in 2014 as compared to 2013, primarily due to increased contributions to defined benefit pension plans as described in "Note 7 Pension and Other Post-retirement Benefit Plans" to the Consolidated Financial Statements. Cash provided by operating activities decreased in 2013 as compared to 2012, primarily due to significant benefits achieved during 2012 as working capital, primarily related to the sale of the Print & Color brands, was liquidated.

Capital expenditures totaled \$16.4 million, \$37.5 million, and \$149.4 million in 2014, 2013, and 2012, respectively. It is expected that capital spending will be approximately \$13 million in 2015. The decrease in capital expenditures in 2014 as compared to 2013 is primarily due to the completion of spending on the expansion project that occurred at Harrodsburg, Kentucky, between 2011 and 2013. The major element of this expansion, the new ATMOS enabled paper machine began operating in December 2012. Similarly the decrease in capital expenditures from 2012 to 2013 was due to the completion of the major expenditure phase of this expansion. Capital spending related to this project was \$15 million and \$131 million in 2013 and 2012, respectively. We began production of certain conventional grades on the new paper machine in December 2012, and produced and commercialized premium products in 2013.

In May 2013, we announced that our Board of Directors had approved the sale of our specialty paper business. In 2014, we sold the assets held for sale associated with Brainerd and realized proceeds on the sale of \$7.0 million. The sale of the specialty paper business and primarily all related assets and selected liabilities, excluding the Brainerd mill, closed on June 26, 2013, generating proceeds of approximately \$105.1 million after settlement of transaction-related liabilities, transaction costs, and taxes.

In December 2011, we announced that our Board of Directors had approved the sale of our premium Print & Color brands, and the closure of our Brokaw, Wisconsin paper mill. The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment closed on January 31, 2012, generating proceeds of \$20.5 million. During the third quarter of 2012, we completed the sale and disposal of the remaining long-lived assets of the Brokaw mill, generating proceeds of \$4.8 million.

We believe that the available credit under our credit agreements and cash provided by operations will be sufficient to meet our cash flow needs for debt maturities, capital, working capital, and investing activities in 2015.

## DEBT AND EQUITY

| (all dollar amounts in thousands) | <b>2014</b> | 2013 | 2012 |
|-----------------------------------|-------------|------|------|
|-----------------------------------|-------------|------|------|

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|                                     |    |         |    |         |    |         |
|-------------------------------------|----|---------|----|---------|----|---------|
| Long-term debt                      | \$ | 170,868 | \$ | 150,000 | \$ | 196,200 |
| Total capitalization                |    | 298,380 |    | 318,142 |    | 401,701 |
| Long-term debt/capitalization ratio |    | 57%     |    | 47%     |    | 49%     |

At December 31, 2014, total debt was \$170.9 million (gross debt of \$174.1 million less unamortized discount of \$3.2 million), an increase of \$20.9 million from the \$150.0 million reported at December 31, 2013. The increase is due to the July 30, 2014 debt refinancing as discussed in "Note 5 Debt" to the Consolidated Financial Statements. At December 31, 2012, total debt was \$196.2 million. During the first half of 2013, total debt increased to \$217.0 million. We used \$67.0 million of cash proceeds from the sale of our specialty paper business, which totaled \$105.1 million, to pay down outstanding debt.

On July 30, 2014, the Company prepaid \$150 million of outstanding obligations with various maturities under our former note purchase and private-shelf agreement utilizing proceeds received under a \$175 million secured term loan facility. Also, on July 30, 2014, we terminated the \$80 million revolving credit agreement expiring June 2015, and entered into a \$50 million secured revolving credit facility which provides for borrowings up to \$50 million based on certain borrowing base requirements. In addition to the prepayment of the outstanding obligations under the note purchase and private-shelf notes, net proceeds of \$171.5 million under the term loan facility were used to pay \$14.4 million in accrued interest and make-whole payments to the note holders and \$3.4 million of transaction-related fees and expenses. The remainder of the net proceeds was used for general corporate purposes.

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The \$50 million secured revolving credit facility matures in July 2019 and the \$175 million term loan facility has a final maturity in July 2020. The secured debt agreements contain various restrictive covenants, including fixed charge coverage ratios in the case of the secured revolving credit facility and leverage ratios in the case of the term loan facility, and contain restrictions on dividends and other restricted payments. Both agreements are secured by substantially all of the assets of the Company. At December 31, 2014, we were in compliance with all required covenants.

The \$175 million secured term loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount, with the remainder due at maturity. In addition to the annual amortization, the secured term loan is subject to mandatory prepayments subject to excess cash flow requirements. The annual interest rate is based on LIBOR, subject to a 1% floor, plus 5.5%, or at the option of the Company, a base rate as defined in the agreement, plus 4.5%. The interest rate at December 31, 2014 was 6.5%.

Borrowings under the \$50 million secured revolving credit facility bear interest at a rate equal to LIBOR or a base rate plus an applicable margin determined on the first day of the calendar month following each fiscal quarter end. At December 31, 2014, the applicable margin for LIBOR-based borrowings is 1.75% and, for base rate borrowings is 0.75%. The revolving credit facility is subject to an unused line fee that ranges from 25 to 37.5 basis points.

Availability under the \$50 million secured revolving credit facility is subject to customary conditions and is limited by the Company's borrowing base determined by the amount of accounts receivable and inventory. At December 31, 2014, there were no amounts outstanding under the revolving credit agreement and the Company had a borrowing base of unused availability of \$36.5 million.

Early in 2014 and during prior years, we had an unrated commercial paper placement agreement with a bank to issue up to \$50 million of unsecured debt obligations. The agreement required unused credit availability under our revolving credit agreement equal to the amount of outstanding commercial paper. On February 24, 2014, we terminated this commercial paper placement agreement. There were no outstanding borrowings under this agreement as of the date of termination or at December 31, 2013.

At December 31, 2014, payments due within the next year on our secured term loan facility have been classified as long-term on our Consolidated Balance Sheets as we have the ability and intent to refinance these payments under our revolving-credit agreement.

We do not have material market risk associated with derivative instruments.

In February 2008, our Board of Directors authorized the repurchase of 2,500,000 shares of Wausau Paper common stock. There were no repurchases of common stock during 2014, 2013, or 2012. Repurchases may be made from time to time in the open market or through privately negotiated transactions. At December 31, 2014, there were 2,009,774 shares available for purchase under the existing authorization.

In 2014, 2013 and 2012, the Board of Directors declared cash dividends of \$0.12 per share of common stock.

## COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of our contractual obligations and payments due by period subsequent to December 31, 2014:

### Payments Due by Period



| (all dollar amounts in thousands) | Total      | 2015       | 2016      | 2017      | 2018      | 2019      | Thereafter |
|-----------------------------------|------------|------------|-----------|-----------|-----------|-----------|------------|
| Long-term debt                    | \$ 174,125 | \$ 1,750   | \$ 1,750  | \$ 1,750  | \$ 1,750  | \$ 1,750  | \$ 165,375 |
| Interest on debt                  | 61,464     | 11,432     | 11,348    | 11,201    | 11,086    | 10,970    | 5,427      |
| Operating leases                  | 5,917      | 2,258      | 1,926     | 1,733     |           |           |            |
| Capital spending commitments      | 1,453      | 1,453      |           |           |           |           |            |
| Retirement plan contributions     | 10,848     | 10,848     |           |           |           |           |            |
| Post-retirement benefit plan      | 2,583      | 2,583      |           |           |           |           |            |
| Purchase obligations              | 238,189    | 86,181     | 74,877    | 67,275    | 3,478     | 2,923     | 3,455      |
|                                   | \$ 494,579 | \$ 116,505 | \$ 89,901 | \$ 81,959 | \$ 16,314 | \$ 15,643 | \$ 174,257 |

As discussed in "Note 8 Income Taxes" in the Notes to Consolidated Financial Statements, under the provisions of FASB ASC Subtopic 740-10, at December 31, 2014, we had a liability for unrecognized tax benefits, including related interest and penalties, totaling \$1.3 million. Due to the uncertainties related to these tax matters, we are unable to make a reasonably reliable estimate when cash settlement with a taxing authority will occur.

Interest on debt is variable; future interest payments have been calculated utilizing the December 31, 2014 interest rate of 6.5%. For additional information on debt and interest obligations, please refer to "Note 5 Debt" in the Notes to Consolidated Financial Statements. For additional information on operating leases, please refer to "Note 6 Lease Commitments" in the Notes to Consolidated Financial Statements. Commitments for capital spending and additional information with respect to the purchase obligations are described in "Note 10 Commitments and Contingencies" in the Notes to Consolidated Financial Statements. We also have various employee benefit plan obligations that are described in "Note 7 Pension and Other Post-retirement Benefit Plans."

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**Item 7A. Quantitative and Qualitative Disclosure About Market Risk**

We do not have a material market risk associated with derivative instruments. We generally conduct U.S. dollar-denominated international transactions, and our currency fluctuation risk for transactions denominated in foreign currency is not material. On July 30, 2014, we entered into a \$175.0 million secured term loan facility. At December 31, 2014, the estimated fair value of this fixed-rate debt was \$187 million.

The potential loss in fair value on such variable-rate debt obligations from a hypothetical 10% increase in market interest rates is estimated to be \$1.2 million, and would not be material to the overall fair value of the debt. We currently have no plans to repurchase our outstanding variable-rate instruments and, therefore, fluctuations in market interest rates would not have an effect on our results of operations or stockholders' equity.

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## **Item 8. Financial Statements and Supplementary Data**

### **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

We are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013).

Based on our assessment, we believe that, as of December 31, 2014, our internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm has issued a report on internal control over financial reporting. This report appears on page 23.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Wausau Paper Corp.  
Mosinee, Wisconsin

We have audited the internal control over financial reporting of Wausau Paper Corp. and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our

report dated March 2, 2015 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

March 2, 2015

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Wausau Paper Corp.  
Mosinee, Wisconsin

We have audited the accompanying consolidated balance sheets of Wausau Paper Corp. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wausau Paper Corp. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin  
March 2, 2015

Table of Contents**Wausau Paper Corp. and Subsidiaries  
Consolidated Balance Sheets**

|   | As of<br>December 31, |                   |
|---|-----------------------|-------------------|
| (all dollar amounts in thousands)                 | <b>2014</b>           | 2013              |
| <b>ASSETS</b>                                     |                       |                   |
| Current assets:                                   |                       |                   |
| Cash and cash equivalents                         | \$ 2,675              | \$ 19,594         |
| Receivables, net                                  | 23,198                | 29,106            |
| Refundable income taxes                           | 1,487                 | 1,927             |
| Inventories                                       | 31,824                | 35,718            |
| Spare parts                                       | 11,729                | 10,607            |
| Other current assets                              | 1,576                 | 2,243             |
| Assets of discontinued operations                 | 1,050                 | 8,587             |
| <br>  |                       |                   |
| Total current assets                              | 73,539                | 107,782           |
| Property, plant, and equipment net                | 289,840               | 298,964           |
| Deferred income taxes                             | 43,386                | 20,470            |
| Other assets                                      | 57,097                | 54,347            |
| <br>  |                       |                   |
| <b>Total Assets</b>                               | <b>\$ 463,862</b>     | <b>\$ 481,563</b> |
| <br>  |                       |                   |
| <b>LIABILITIES</b>                                |                       |                   |
| Current liabilities:                              |                       |                   |
| Accounts payable                                  | \$ 22,740             | \$ 29,900         |
| Deferred income taxes                             | 11,844                | 10,118            |
| Accrued and other liabilities                     | 35,556                | 31,965            |
| Liabilities of discontinued operations            | 2,791                 | 1,894             |
| <br>  |                       |                   |
| Total current liabilities                         | 72,931                | 73,877            |
| Long-term debt                                    | 170,868               | 150,000           |
| Post-retirement benefits                          | 21,647                | 30,247            |
| Pension   | 55,075                | 38,838            |
| Other noncurrent liabilities                      | 15,829                | 19,470            |
| Noncurrent liabilities of discontinued operations |                       | 989               |
| <br>  |                       |                   |
| <b>Total liabilities</b>                          | <b>336,350</b>        | <b>313,421</b>    |
| <br>  |                       |                   |
| Commitments and contingencies                     |                       |                   |
| <br>  |                       |                   |
| <b>STOCKHOLDERS' EQUITY</b>                       |                       |                   |

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|   |                   |                   |
|---|-------------------|-------------------|
| Preferred stock, no par value (500,000 shares authorized; no shares issued)                           |                   |                   |
| Common stock, no par value (100,000,000 shares authorized; 60,122,812 shares issued in 2014 and 2013) | 172,311           | 178,342           |
| Retained earnings   | 126,767           | 151,485           |
| Accumulated other comprehensive loss  | (43,975)          | (27,220)          |
| Treasury stock, at cost (10,121,717 and 10,667,058 shares in 2014 and 2013, respectively)             | (127,591)         | (134,465)         |
| Total stockholders' equity  | 127,512           | 168,142           |
| <b>Total Liabilities and Stockholders' Equity</b>   | <b>\$ 463,862</b> | <b>\$ 481,563</b> |

See accompanying Notes to Consolidated Financial Statements.



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## Wausau Paper Corp. and Subsidiaries

### Consolidated Statements of Comprehensive Income (Loss)

|  | For the Year Ended<br>December 31, |             |            |
|--|------------------------------------|-------------|------------|
| (all amounts in thousands, except per share data)          | <b>2014</b>                        | 2013        | 2012       |
| Net sales  | \$ 352,024                         | \$ 348,584  | \$ 344,182 |
| Cost of sales  | 300,705                            | 298,982     | 280,442    |
| Gross profit   | 51,319                             | 49,602      | 63,740     |
| Selling and administrative                                 | 54,081                             | 52,186      | 62,603     |
| Operating (loss) profit                                    | (2,762)                            | (2,584)     | 1,137      |
| Other income (expense):                                    |                                    |             |            |
| Interest expense   | (10,679)                           | (8,802)     | (3,330)    |
| Loss on early extinguishment of debt                       | (14,350)                           |             |            |
| Other, net   | (27)                               | (4)         | (51)       |
| Loss from continuing operations before income taxes        | (27,818)                           | (11,390)    | (2,244)    |
| (Credit) provision for income taxes                        | (10,284)                           | 16,793      | (682)      |
| Loss from continuing operations                            | (17,534)                           | (28,183)    | (1,562)    |
| (Loss) earnings from discontinued operations, net of taxes | (978)                              | (69,082)    | 2,238      |
| Net (loss) earnings  | \$ (18,512)                        | \$ (97,265) | \$ 676     |
| Net (loss) earnings per share basic and diluted:           |                                    |             |            |
| Continuing operations                                      | \$ (0.35)                          | \$ (0.57)   | \$ (0.03)  |
| Discontinued operations                                    | (0.02)                             | (1.40)      | 0.05       |
| Net (loss) earnings  | \$ (0.37)                          | \$ (1.97)   | \$ 0.01    |
| Weighted average shares outstanding basic                  | 50,173                             | 49,411      | 49,312     |
| Weighted average shares outstanding diluted                | 50,173                             | 49,411      | 49,312     |
| Dividends declared per common share                        | \$ 0.12                            | \$ 0.12     | \$         |

|  |    |          |             |           |
|--|----|----------|-------------|-----------|
| Other comprehensive (loss) income:                     |    |          |             |           |
| Retirement and other post-retirement plans, net of tax | \$ | (16,755) | \$ 63,876   | \$ 12,981 |
| Other comprehensive (loss) income                      |    | (16,755) | 63,876      | 12,981    |
| Comprehensive (loss) income                            | \$ | (35,267) | \$ (33,389) | \$ 13,657 |

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**Wausau Paper Corp. and Subsidiaries  
Consolidated Statements of Cash Flows**

|   | For the Year Ended December 31, |             |           |
|---|---------------------------------|-------------|-----------|
| (all dollar amounts in thousands)                       | <b>2014</b>                     | 2013        | 2012      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>            |                                 |             |           |
| Net (loss) earnings                                     | \$ (18,512)                     | \$ (97,265) | \$ 676    |
| Provision for depreciation, depletion, and amortization | 41,252                          | 82,048      | 47,642    |
| Credit for losses on accounts receivable                | (69)                            | (100)       | (165)     |
| Loss on early extinguishment of debt                    | 14,350                          |             |           |
| Gain on sale of business                                |                                 |             | (12,515)  |
| (Gain) loss on sale of assets                           | (214)                           | 882         | (960)     |
| Impairment of long-lived assets                         | 211                             | 64,548      | 2,075     |
| Non-cash inventory, spare parts and other writedowns    |                                 | 6,653       |           |
| Compensation expense for stock-based awards             | 2,396                           | 1,773       | 2,021     |
| Deferred income taxes                                   | (10,684)                        | (25,373)    | (2,077)   |
| Changes in operating assets and liabilities:            |                                 |             |           |
| Receivables   | 8,115                           | (972)       | 21,726    |
| Inventories   | 4,043                           | (2,393)     | 18,235    |
| Other assets  | (21,536)                        | (22,793)    | (20,568)  |
| Accounts payable and other                              | (24,876)                        | (9,469)     | (11,153)  |
| Accrued and refundable income taxes                     | (544)                           | 806         | (9,009)   |
| Net cash (used in) provided by operating activities     | (6,068)                         | (1,655)     | 35,928    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>            |                                 |             |           |
| Capital expenditures                                    | (16,449)                        | (37,466)    | (149,424) |
| Grants received for capital expenditures                |                                 |             | 236       |
| Proceeds from sale of business                          |                                 | 105,067     | 20,817    |
| Proceeds from sale of assets                            | 7,111                           | 1,243       | 7,194     |
| Net cash (used in) provided by investing activities     | (9,338)                         | 68,844      | (121,177) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>            |                                 |             |           |
| Net (payments) issuances of commercial paper            |                                 | (40,700)    | 32,050    |
| Borrowings under credit agreements                      | 171,500                         | 65,000      | 8,500     |
| Payments under credit agreements                        | (150,875)                       | (70,500)    | (3,000)   |
| Issuances of notes payable                              |                                 |             | 50,000    |
| Payments of debt issuance costs                         | (3,773)                         |             |           |
| Payments of industrial development bond agreement       |                                 |             | (19,000)  |
| Payment of premium on early extinguishment of debt      | (13,833)                        |             |           |

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|  |          |           |          |
|--|----------|-----------|----------|
| Dividends paid                                       | (5,982)  | (5,929)   | (5,918)  |
| Proceeds from stock option exercises                 | 1,450    | 490       |          |
| Net cash (used in) provided by financing activities  | (1,513)  | (51,639)  | 62,632   |
| Net (decrease) increase in cash and cash equivalents | (16,919) | 15,550    | (22,617) |
| Cash and cash equivalents at beginning of year       | 19,594   | 4,044     | 26,661   |
| Cash and cash equivalents at end of year             | \$ 2,675 | \$ 19,594 | \$ 4,044 |

SUPPLEMENTAL CASH FLOW INFORMATION:

|   |           |          |          |
|---|-----------|----------|----------|
| Interest paid net of amount capitalized | \$ 10,675 | \$ 7,606 | \$ 2,012 |
| Income taxes paid                       | \$ 51     | \$ 224   | \$ 3,145 |

Noncash investing activities: For the years ended December 31, 2014, 2013, and 2012, capital expenditures included in accounts payable were \$3.7 million, \$7.1 million, and \$4.7 million, respectively. There were capital grants receivable of \$1.0 million for the year ended December 31, 2013.

See accompanying Notes to Consolidated Financial Statements.

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## Wausau Paper Corp. and Subsidiaries

### Consolidated Statements of Stockholders' Equity

| (all dollar amounts in thousands)  | Common<br>Stock   | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Treasury<br>Stock   | Total<br>Stockholders'<br>Equity |
|--|-------------------|----------------------|---|---------------------|----------------------------------|
| Balances December 31, 2011   | \$ 178,315        | \$ 260,016           | \$ (104,077)                                  | \$ (138,010)        | \$ 196,244                       |
| Net earnings   |                   | 676                  |   |                     | 676                              |
| Retirement and other post-retirement<br>plans (Net of \$7,975 deferred tax)    |                   |                      | 12,981  |                     | 12,981                           |
| Cash dividends declared  |                   | (5,960)              |   |                     | (5,960)                          |
| Settlement of performance unit grant   | (2,331)           |                      |   | 1,870               | (461)                            |
| Stock-based award compensation   | 2,021             |                      |   |                     | 2,021                            |
| <br>   |                   |                      |   |                     |                                  |
| Balances December 31, 2012   | 178,005           | 254,732              | (91,096)                                      | (136,140)           | 205,501                          |
| Net loss   |                   | (97,265)             |   |                     | (97,265)                         |
| Retirement and other post-retirement<br>plans (Net of \$38,603 deferred tax)   |                   |                      | 63,876  |                     | 63,876                           |
| Cash dividends declared  |                   | (5,982)              |   |                     | (5,982)                          |
| Stock options exercised  | (203)             |                      |   | 693                 | 490                              |
| Settlement of performance unit grant   | (1,233)           |                      |   | 982                 | (251)                            |
| Stock-based award compensation   | 1,773             |                      |   |                     | 1,773                            |
| <br>   |                   |                      |   |                     |                                  |
| <b>Balances December 31, 2013</b>  | <b>178,342</b>    | <b>151,485</b>       | <b>(27,220)</b>                               | <b>(134,465)</b>    | <b>168,142</b>                   |
| Net loss   |                   | (18,512)             |   |                     | (18,512)                         |
| Retirement and other post-retirement<br>plans (Net of \$(10,052) deferred tax) |                   |                      | (16,755)                                      |                     | (16,755)                         |
| Cash dividends declared  |                   | (6,206)              |   |                     | (6,206)                          |
| Stock options exercised  | (403)             |                      |   | 1,853               | 1,450                            |
| Settlement of performance unit grant   | (8,024)           |                      |   | 5,021               | (3,003)                          |
| Stock-based award compensation   | 2,396             |                      |   |                     | 2,396                            |
| <br>   |                   |                      |   |                     |                                  |
| <b>Balances December 31, 2014</b>  | <b>\$ 172,311</b> | <b>\$ 126,767</b>    | <b>(43,975)</b>                               | <b>\$ (127,591)</b> | <b>\$ 127,512</b>                |

See accompanying Notes to Consolidated Financial Statements.

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**Wausau Paper Corp. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**NOTE 1 DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Wausau Paper Corp. manufactures, converts, and sells a complete line of towel and tissue products that are marketed along with soap and dispensing systems for the industrial and commercial away-from-home market. Our products are primarily sold within the United States and Canada.

Wausau Paper Corp. manufactured, converted, and sold specialty paper products for industrial and commercial end markets and premium printing and writing papers within the former Paper segment. The premium Print & Color brands were sold in January of 2012 and the Brokaw, Wisconsin mill was closed in February 2012. In January 2013, we announced our intent to focus our management efforts and future investments on our Tissue business. In March 2013, we permanently closed our Brainerd, Minnesota, mill and on June 26, 2013, completed the sale of our specialty paper business, ending our participation in the markets in which our former Paper segment competed. See Note 2 for further information regarding discontinued operations.

**BASIS OF PRESENTATION**

The consolidated financial statements include the accounts of Wausau Paper Corp. and our subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

The results of operations of our specialty paper and printing and writing business are reported as discontinued operations in the Consolidated Statements of Comprehensive Income (Loss) for all periods presented. The corresponding assets and liabilities of the discontinued operations in the Consolidated Balance Sheets have been reclassified in accordance with authoritative literature on discontinued operations. Also, in accordance with the authoritative literature, we have elected to not separately disclose the cash flows related to the discontinued operation. See Note 2 for further information regarding discontinued operations.

**USE OF ESTIMATES**

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

**CASH AND CASH EQUIVALENTS**

We define cash equivalents as highly liquid, short-term investments with an original maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates market. There were approximately \$2.6 million and \$18.3 million of cash and cash equivalents on deposit with one bank at December 31, 2014 and 2013, respectively.

**INVENTORIES**

Finished paper products and raw materials are valued at the lower of cost, determined on the last-in, first-out ("LIFO") method, or market. As of December 31, 2014 and December 31, 2013, 97%, and 96% of inventory, respectively, was valued on a LIFO basis. Liquidations in individual LIFO inventory pools, excluding the impact of discontinued operations, decreased cost of sales by less than \$0.1 million for the years ended December 31, 2014 and 2013.

## PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost and are depreciated over the estimated useful lives of the assets using the straight-line method for financial statement purposes. Land and construction in progress are stated at cost. The cost and related accumulated depreciation of all plant and equipment retired or otherwise disposed of are removed from the accounts, and any resulting gains or losses are included in the Consolidated Statements of Comprehensive Income (Loss).

Buildings are depreciated over a 20 to 45 year period; machinery and equipment over a 3 to 20 year period. Maintenance and repair costs are charged to expense as incurred. Improvements that extend the useful lives of the assets are added to the property, plant, and equipment accounts.

Excluding discontinued operations, interest capitalized on long-term projects in 2014, 2013, and 2012 totaled \$0.3 million, \$0.4 million, and \$4.8 million, respectively.

We assess the recoverability of assets to be held and used by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets, generally based on a discounted cash flow analysis. Included in discontinued operations in 2014, 2013, and 2012, we recorded impairment losses of \$0.2 million, \$64.5 million, and \$2.1 million, respectively. See Note 2 for a further discussion on impairment losses.

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### INCOME TAXES

Estimates of income taxes refundable and payable, deferred income tax assets and liabilities, and the effective tax rate are based on an analysis of many factors including interpretations of Federal, state, and foreign income tax laws, the difference between tax and financial reporting basis of assets and liabilities, estimates of amounts currently due or owed, realization of income tax benefits in future years, and current accounting standards. Estimates are reviewed and updated on a quarterly basis as facts and circumstances change and actual results are known. Adjustments to the effective income tax rate and recorded assets and liabilities may occur in future periods if actual results differ significantly from original estimates and interpretations.

### TREASURY STOCK

Common stock purchased for treasury is recorded at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on the weighted-average cost basis.

### ACCUMULATED OTHER COMPREHENSIVE LOSS

For all periods presented, the accumulated other comprehensive loss is comprised of cumulative net actuarial losses and prior service cost not yet recognized as a component of net periodic benefit costs for retirement plans and other post-retirement benefit plans, net of tax of \$27.6 million, \$17.6 million, and \$56.2 million at December 31, 2014, 2013, and 2012, respectively.

### REVENUE RECOGNITION

Revenue is recognized, net of estimated discounts, allowances and returns, at the time title passes to the customer, which is typically upon the shipment of goods. We grant credit to customers in the ordinary course of business.

Shipping and handling costs billed to customers are included in net sales, and the related costs are included in cost of sales in the Consolidated Statements of Comprehensive Income (Loss).

In certain circumstances, we will enter into agreements to sell dispenser systems to our customers at a reduced cost. These agreements contain specific provisions, among which the customer must maintain the dispenser system and utilize our products in the dispenser over the term of the agreement. We evaluate the recoverability of the carrying amount of the dispenser systems whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. We use judgment to determine when an impairment test is necessary. No impairment losses related to dispenser systems were recorded in 2014, 2013, or 2012. The net costs associated with providing the dispenser system at a discount are recorded in other assets on our Consolidated Balance Sheets, and are amortized as a reduction of net sales over the term of the agreement. There were approximately \$47.4 million and \$47.2 million recorded in other assets for dispenser systems at December 31, 2014 and 2013, respectively. In the years ended December 31, 2014, 2013, and 2012, deferred costs related to dispenser systems were approximately \$18.6 million, \$20.7 million, and \$19.1 million, respectively. In the years ended December 31, 2014, 2013, and 2012, amortization of deferred costs related to dispenser systems was approximately \$18.4 million, \$18.0 million, and \$17.2 million, respectively.

### STOCK-BASED COMPENSATION PLANS

The provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 718-10, "Compensation - Stock Compensation", require that certain share-based compensation awards be remeasured at their fair value at each interim reporting period until final settlement. See Note 9 for a further



discussion on stock-based compensation plans.

#### EARNINGS PER SHARE

We present both basic and diluted net earnings (loss) per share ("EPS") amounts. Basic EPS is calculated based on the weighted average number of common shares outstanding during the respective year, while diluted EPS is calculated based on the weighted average number of common shares and common stock equivalents outstanding during the respective year. The difference between basic and diluted EPS is solely attributable to stock-based compensation plans. See Note 9 for information on stock-based compensation plans. We use the treasury-stock method to calculate the impact of outstanding awards of stock options, restricted stock, and restricted stock unit awards, referred to as performance units. Stock options for which the exercise price exceeds the average market price over the period have an antidilutive effect on EPS and, accordingly, are excluded from the calculation.

Due to the net loss from continuing operations for the years ended December 31, 2014, 2013, and 2012, all stock-based grants were considered to be antidilutive.

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Basic and diluted net (loss) earnings per share are reconciled as follows:

| (all amounts in thousands, except per share data)                             | <b>2014</b>   | 2013        | 2012       |
|---|---------------|-------------|------------|
| Basic weighted average common shares outstanding                              | <b>50,173</b> | 49,411      | 49,312     |
| Dilutive securities:  |               |             |            |
| Stock compensation plans  |               |             |            |
| Diluted weighted average common shares outstanding                            | <b>50,173</b> | 49,411      | 49,312     |
| Loss from continuing operations, net of tax                                   | \$ (17,534)   | \$ (28,183) | \$ (1,562) |
| (Loss) earnings from discontinued operations, net of tax                      | (978)         | (69,082)    | 2,238      |
| Net (loss) earnings   | \$ (18,512)   | \$ (97,265) | \$ 676     |
| Net loss from continuing operations, per share basic and diluted              | \$ (0.35)     | \$ (0.57)   | \$ (0.03)  |
| Net (loss) earnings from discontinued operations, per share basic and diluted | (0.02)        | (1.40)      | 0.05       |
| Net (loss) earnings per share basic and diluted                               | \$ (0.37)     | \$ (1.97)   | \$ 0.01    |

## DERIVATIVES

At December 31, 2014 and 2013, there were no derivative instruments outstanding.

## RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are expensed as incurred. Expenditures for product development, excluding discontinued operations, were \$0.7 million, \$1.4 million, and \$0.8 million in 2014, 2013, and 2012, respectively.

## NEW ACCOUNTING PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists". This guidance requires unrecognized tax benefits to be presented as a decrease in net operating loss, similar tax loss or tax credit carryforward if certain criteria are met. The guidance was applied prospectively beginning January 1, 2014. The adoption of ASU No. 2013-11 did not have an impact on our results of operations or financial position.

On September 13, 2013, the Internal Revenue Service released final tangible property regulations under Sections 162(a) and 263(a) of the Internal Revenue Service Code ("IRC") and proposed regulations under Section 168 of the IRC. These regulations generally apply to taxable years beginning on or after January 1, 2014 and affect all taxpayers that acquire, produce, or improve tangible property. The adoption of these regulations did not have a material impact on our Consolidated Financial Statements.

On April 10, 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This guidance changes the definition of a discontinued operation to a strategic shift that has or will have a major impact on an entity's operations or financial results. Additionally, there are new disclosure requirements to enhance transparency for reporting purposes. ASU 2014-08 is to be applied prospectively to all disposals that occur in annual periods beginning on or after December 15, 2014. We do not expect the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

On May 28, 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This standard provides companies with a single model for use in accounting for revenue arising from contracts with customers. The core principle of this model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU No. 2014-09 is effective with annual periods beginning after December 15, 2016, with early adoption not permitted. The guidance allows companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption through a cumulative adjustment. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements.

On June 19, 2014, the FASB issued ASU No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." For share-based payments with a performance target that could be achieved after the requisite vesting period, the guidance requires the target be treated as a performance condition under FASB ASC Topic 718, "Compensation - Stock Compensation," and, as a result, should not be included in the estimation of the grant-date fair value of the award. Instead, ASU No. 2014-12 requires companies to

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recognize compensation expense for the award when it becomes probable that the performance target will be achieved. ASU No. 2014-12 is effective for annual periods beginning after December 15, 2015, and may be applied either prospectively or retrospectively. We do not expect the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

On August 27, 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern." This standard provides guidance on management's responsibility to evaluate whether there is substantial doubt about a company's ability to continue as a going concern and related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. ASU No. 2014-15 is effective for annual periods ending after December 15, 2016, and for interim and annual periods thereafter, with early adoption permitted. We do not expect the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

### **NOTE 2 DISCONTINUED OPERATIONS AND OTHER**

We determined that as of June 30, 2013, the sale of the specialty paper business and the closure of the Brainerd mill, and as of March 31, 2012, the closure of the Brokaw mill, met the criteria for discontinued operations presentation as established ASC Subtopic 205-20, "Discontinued Operations". The results of operations of the specialty paper business, Brainerd, and Brokaw mills have been reported as discontinued operations in the Consolidated Statements of Comprehensive Income (Loss) for all periods presented. The corresponding assets and liabilities of the discontinued operations have been reclassified in accordance with authoritative literature on discontinued operations when the respective component met the criteria for discontinued operations presentation. The statements of cash flows for the years ended December 31, 2014, 2013, and 2012 have not been adjusted to separately disclose cash flows related to discontinued operations.

We evaluated the recoverability of the carrying amount of the long-lived assets of the discontinued operation. As part of the evaluation, we estimated the future cash flows related to the long-lived assets using a probability weighted estimate and determined those cash flows were not sufficient to recover the carrying value of the long-lived assets. As there were no quoted market prices available for these or similar assets, we used our best estimates in determining the fair value of the long-lived assets of the discontinued operation based upon a range of anticipated sales prices for these assets. The use of these unobservable inputs, or level 3 inputs, resulted in pre-tax impairment charges as detailed below.

The sale of the specialty paper business and primarily all related assets and selected liabilities, excluding the Brainerd mill, closed on June 26, 2013, resulting in net cash proceeds, subject to certain post-closing adjustments, of approximately \$105.1 million after settlement of transaction-related liabilities, transaction costs, and taxes. The sale generated a pre-tax impairment charge of \$64.5 million. Included in the impairment charge is a net pre-tax credit of approximately \$5.9 million related to pension and other postretirement plan settlements, curtailments, and special termination benefits resulting from modifications made to the plans in connection with the transaction. Additional pre-tax charges recorded for the years ended December 31, 2014 and 2013 related to the sale of the specialty paper business were severance and benefit continuation costs of \$0.2 million and \$2.0 million, respectively, and other associated costs of \$1.2 million and \$5.2 million, respectively.

The agreement to sell the specialty paper business also includes a provision whereby we would receive a contingent payment from the buyer if certain performance thresholds and other events occur. At December 31, 2014, no amounts have been recognized related to this provision, as we are not able to determine whether such events will occur.

In February 2013, we announced the planned closure of our Brainerd paper mill and the facility permanently closed on March 29, 2013. Pre-tax charges related to other associated closure costs recorded for the year ended December 31, 2014 were \$0.7 million. These amounts include \$0.2 million to writedown the value of assets held for sale. Related pre-tax charges recorded for the year ended December 31, 2013 were accelerated depreciation on long lived assets of \$35.7 million; inventory and spare parts write downs of \$6.7 million; severance and benefit continuation costs of \$1.4 million; and other associated costs of \$2.6 million. The sale of Brainerd mill inventory, not included within the sale of the specialty paper business, caused liquidation in individual LIFO inventory pools during the years ended December 31, 2014 and December 31, 2013, resulting in pre-tax income of approximately \$0.2 million and \$1.7 million, respectively.

During 2014, we sold the assets held for sale associated with the Brainerd paper mill and realized proceeds on the sale of \$7.0 million for the year ended December 31, 2014. There was a gain of \$0.5 million recognized in the year ended December 31, 2014, on the disposal of the Brainerd asset group.

In December 2011, we announced that our Board of Directors had approved the sale of our premium Print & Color brands, and the closure of our Brokaw, Wisconsin paper mill. The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment closed on January 31, 2012. We permanently ceased papermaking operations at the mill on February 10, 2012. The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment generated a pre-tax gain of \$12.5 million. During the third quarter of 2012, we completed the sale and disposal of the remaining long-lived assets of the Brokaw mill, generating proceeds of \$4.8 million and a pre-tax gain of approximately \$0.2 million. Related pre-tax charges recorded for the year ended December 31, 2012 were impairment charges of \$2.1 million; inventory and spare parts write downs of \$1.0 million; severance and benefit continuation costs of

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\$1.8 million; and other associated costs of \$1.8 million. The sale of select Print & Color paper inventory caused liquidation in individual LIFO inventory pools during the year ended December 31, 2012, resulting in pre-tax income of approximately \$12.1 million, which is recorded in earnings from discontinued operations in the Consolidated Statements of Comprehensive Income (Loss).

At December 31, 2014, there was \$1.1 million in assets of discontinued operations, comprised primarily of deferred tax assets and land held for sale. Also at December 31, 2014, there were \$2.8 million in current liabilities primarily related to contract termination costs and are classified as discontinued operations in the Consolidated Balance Sheets. At December 31, 2013, there was \$8.6 million in current assets of discontinued operations, comprised primarily of \$6.7 million related to assets held for sale of Brainerd. Also at December 31, 2013, there were \$1.9 million in current liabilities and \$1.0 million in other noncurrent liabilities that are primarily related to contract termination costs and were classified as discontinued operations in the Consolidated Balance Sheets.

The following table summarizes certain Consolidated Statements of Comprehensive Income (Loss) information for discontinued operations:

| (all amounts in thousands, except per share data)                | 2014       | 2013         | 2012       |
|--|------------|--------------|------------|
| Net sales  | \$ 428     | \$ 211,250   | \$ 524,078 |
| (Loss) earnings from discontinued operations before income taxes | \$ (2,033) | \$ (111,719) | \$ 1,910   |
| Credit for income taxes  | (1,055)    | (42,637)     | (328)      |
| (Loss) earnings from discontinued operations, net of taxes       | \$ (978)   | \$ (69,082)  | \$ 2,238   |
| Net (loss) earnings per share basic and diluted                  | \$ (0.02)  | \$ (1.40)    | \$ 0.05    |

We executed restructuring activities related to our discontinued operations, and have recognized net pre-tax charges of \$2.1 million, \$118.1 million, and \$6.7 million related to discontinued operations, including the impairment charges discussed above for the years ended December 31, 2014, 2013 and 2012, respectively. These charges, which are detailed in the following table, are recorded in (loss) earnings from discontinued operations in the Consolidated Statements of Comprehensive Income (Loss).

| (all dollar amounts in thousands)             | 2014     | 2013       | 2012     |
|---|----------|------------|----------|
| Impairment of long-lived assets               | \$ 211   | \$ 64,548  | \$ 2,075 |
| Accelerated depreciation on long-lived assets |          | 35,716     |          |
| Inventory and spare parts write-downs         |          | 6,712      | 985      |
| Severance and benefit continuation costs      | 208      | 3,392      | 1,819    |
| Other associated costs, net                   | 1,703    | 7,751      | 1,771    |
| Total   | \$ 2,122 | \$ 118,119 | \$ 6,650 |

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No additional significant pre-tax closure charges related to discontinued operations are expected to be incurred in 2015. Following is a summary of the liabilities for discontinued operations through December 31, 2014:

| (all dollar amounts in thousands)  | December 31,<br>2013 | Reserve<br>Provisions | Payments/<br>Usage | December 31,<br>2014 |
|------------------------------------|----------------------|-----------------------|--------------------|----------------------|
| Severance and benefit continuation | \$ 434               | \$ 201                | \$ (635)           | \$                   |
| Contract termination               | 2,901                | 123                   | (665)              | 2,359                |
| Other                              | 33                   | 1,482                 | (1,475)            | 40                   |
| Total                              | \$ 3,368             | \$ 1,806              | \$ (2,775)         | \$ 2,399             |

| (all dollar amounts in thousands)  | December 31,<br>2012 | Reserve<br>Provisions | Payments/<br>Usage | December 31,<br>2013 |
|------------------------------------|----------------------|-----------------------|--------------------|----------------------|
| Severance and benefit continuation | \$ 26                | \$ 3,393              | \$ (2,985)         | \$ 434               |
| Contract termination               |                      | 3,717                 | (816)              | 2,901                |
| Other                              | 22                   | 5,359                 | (5,348)            | 33                   |
| Total                              | \$ 48                | \$ 12,469             | \$ (9,149)         | \$ 3,368             |

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During the year ended December 31, 2013, we recorded a pre-tax credit of \$3.3 million, \$0.2 million of which related to refunds of previous payments, related to a previously terminated contract for our previously closed Groveton, New Hampshire mill compared to pre-tax charges of \$3.3 million in the year ended December 31, 2012. These charges are included in selling and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss). During the year ended December 31, 2014, we recorded expense of approximately \$0.7 million and made payments of \$0.7 million related to this contract compared to expenses of \$0.7 million and payments of \$1.2 million during the year ended December 31, 2013. During the year ended December 31, 2012, we recorded expense of approximately \$0.6 million and payments of \$2.0 million. We will continue to make payments related to the contract over the original contractual term which expires in 2019. At December 31, 2014, \$1.8 million and \$6.8 million are included in current liabilities and noncurrent liabilities, respectively, consisting of contract termination costs associated with the Groveton mill. At December 31, 2013, \$0.8 million and \$7.8 million are included in current liabilities and noncurrent liabilities, respectively, consisting of contract termination costs associated with the Groveton mill.

**NOTE 3 ACCUMULATED OTHER COMPREHENSIVE LOSS**

For all periods presented in the consolidated financial statements, accumulated other comprehensive loss is comprised solely of cumulative net actuarial losses and prior service cost not yet recognized as a component of net periodic benefit costs for retirement and other post-retirement plans. During the years ended December 31, 2014 and 2013, the changes in accumulated other comprehensive loss, net of tax, were as follows:

(all dollar amounts in thousands)

|  |    |          |
|--|----|----------|
| Balance at December 31, 2013                       | \$ | (27,220) |
| Amounts reclassified from other comprehensive loss |    | (16,755) |
| Balance at December 31, 2014                       | \$ | (43,975) |
| Balance at December 31, 2012                       | \$ | (91,096) |
| Amounts reclassified from other comprehensive loss |    | 63,876   |
| Balance at December 31, 2013                       | \$ | (27,220) |

Following are details of the amounts reclassified out of accumulated other comprehensive loss during the years ended December 31, 2014 and 2013:

|                                   | December 31,<br>2014 | December 31,<br>2013 | Affected Line<br>Item in the<br>Consolidated<br>Statements<br>of<br>Comprehensive<br>Loss |
|-----------------------------------|----------------------|----------------------|---|
| (all dollar amounts in thousands) |                      |                      |   |



## Pension and other post-retirement benefit obligation changes:

|   |    |          |    |          |     |
|---|----|----------|----|----------|-----|
| Amortization of prior service cost, net       | \$ | 2,842    | \$ | 13,110   | (a) |
| Amortization of actuarial (losses) gains, net |    | (29,649) |    | 68,055   | (a) |
| Curtailments                                  |    |          |    | 21,314   | (a) |
| Reclassification before tax                   |    | (26,807) |    | 102,479  |     |
| Tax provision (credit)                        |    | 10,052   |    | (38,603) |     |
| Reclassifications for the period, net of tax  | \$ | (16,755) | \$ | 63,876   |     |

(a)

These accumulated other comprehensive income components are included in the computation of net periodic benefit costs. See Note 7 regarding pension and other post-retirement net periodic benefit costs.

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As discussed in Note 2, the corresponding assets and liabilities of the discontinued operations have been reclassified in accordance with authoritative literature on discontinued operations when the respective component met the criteria for discontinued operations presentation and prior periods were not restated. As such, the balance sheet amounts below exclude all discontinued operations for December 31, 2014 and 2013.

| (all dollar amounts in thousands)      | <b>2014</b>       | 2013       |
|--|-------------------|------------|
| Receivables                            |                   |            |
| Trade                                  | \$ 22,934         | \$ 28,549  |
| Other                                  | 364               | 708        |
|  | <b>23,298</b>     | 29,257     |
| Less: allowances for doubtful accounts | <b>(100)</b>      | (151)      |
|  | <b>\$ 23,198</b>  | \$ 29,106  |
| Inventories                            |                   |            |
| Raw materials                          | \$ 17,969         | \$ 25,714  |
| Work in process and finished goods     | 20,074            | 17,087     |
| Supplies                               | 2,189             | 1,992      |
| Inventories at cost                    | <b>40,232</b>     | 44,793     |
| LIFO reserve                           | <b>(8,408)</b>    | (9,075)    |
|  | <b>\$ 31,824</b>  | \$ 35,718  |
| Property, plant, and equipment         |                   |            |
| Buildings                              | \$ 82,021         | \$ 82,610  |
| Machinery and equipment                | 459,170           | 447,396    |
|  | <b>541,191</b>    | 530,006    |
| Less: accumulated depreciation         | <b>(256,173)</b>  | (239,983)  |
| Net depreciated value                  | <b>285,018</b>    | 290,023    |
| Land                                   | 1,697             | 1,734      |
| Construction in progress               | 3,125             | 7,207      |
|  | <b>\$ 289,840</b> | \$ 298,964 |
| Accrued and other liabilities          |                   |            |
| Payroll                                | \$ 3,415          | \$ 4,307   |
| Vacation pay                           | 4,505             | 4,624      |
| Compensation plans                     | 88                | 485        |
| Employee retirement plans              | 14,492            | 8,765      |
| Rebates                                | 4,480             | 4,671      |

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|                      |           |           |
|----------------------|-----------|-----------|
| Accrued income taxes | 419       | 965       |
| Other                | 8,157     | 8,148     |
|                      | \$ 35,556 | \$ 31,965 |

Table of Contents**NOTE 5 DEBT**

A summary of long-term debt as of December 31 is as follows:

| (all dollar amounts in thousands) | <b>2014</b>    | 2013       |
|-----------------------------------|----------------|------------|
| Secured term loan facility        | \$ 174,125     | \$         |
| Less unamortized discount         | (3,257)        |            |
|                                   | <b>170,868</b> |            |
| Unsecured private placement notes |                | 150,000    |
| Total long-term debt              | \$ 170,868     | \$ 150,000 |

On July 30, 2014, the Company prepaid \$150 million of outstanding obligations with various maturities under our former note purchase and private-shelf agreement utilizing proceeds received under a \$175 million secured term loan facility. Also, on July 30, 2014, we terminated the \$80 million revolving credit agreement expiring June 2015, and entered into a \$50 million secured revolving credit facility which provides for borrowings up to \$50 million based on certain borrowing base requirements. In addition to the prepayment of the outstanding obligations under the note purchase and private-shelf notes, net proceeds of \$171.5 million under the term loan facility were used to pay \$14.4 million in accrued interest and make-whole payments to the note holders and \$3.4 million of transaction-related fees and expenses. The remainder of the net proceeds was used for general corporate purposes.

The \$50 million secured revolving credit facility matures in July 2019 and the \$175 million term loan facility has a final maturity of July 2020. The secured debt agreements contain various restrictive covenants, including fixed charge coverage ratios in the case of the secured revolving credit facility and leverage ratios in the case of the term loan facility, and contain restrictions on dividends and other restricted payments. Both agreements are secured by substantially all of the assets of the Company. At December 31, 2014, we were in compliance with all required covenants.

The \$175 million secured term loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount, with the remainder due at maturity. In addition to the annual amortization, the secured term loan is subject to mandatory prepayments subject to excess cash flow requirements. The annual interest rate is based on LIBOR, subject to a 1% floor, plus 5.5%, or at the option of the Company, a base rate as defined in the agreement, plus 4.5%. The interest rate at December 31, 2014 was 6.5%.

Borrowings under the \$50 million secured revolving credit facility bear interest at a rate equal to LIBOR or a base rate plus an applicable margin determined on the first day of the calendar month following each fiscal quarter end. At December 31, 2014, the applicable margin for LIBOR-based borrowings is 1.75% and, for base rate borrowings is 0.75%. The revolving credit facility is subject to an unused line fee that ranges from 25 to 37.5 basis points.

Availability under the \$50 million secured revolving credit facility is subject to customary conditions and is limited by the Company's borrowing base determined by the amount of accounts receivable and inventory. At December 31, 2014, there were no amounts outstanding under the revolving credit agreement and the Company had a borrowing base and unused availability of \$36.5 million.

We have estimated the fair value of our long-term debt in accordance with FASB authoritative guidance. The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. Fair value information for long-term debt is within Level 2 of the fair value hierarchy and is based on current market interest rates and estimates of current market conditions for instruments with similar terms and maturities. At December 31, 2014, the estimated fair value of long-term debt is approximately \$187 million which compares to the carrying value of \$174 million.

Early in 2014 and during prior years, we had an unrated commercial paper placement agreement with a bank to issue up to \$50 million of unsecured debt obligations. The agreement required unused credit availability under our revolving credit agreement equal to the amount of outstanding commercial paper. On February 24, 2014, we terminated this commercial paper placement agreement. There were no outstanding borrowings under this agreement as of the date of termination or at December 31, 2013.

At December 31, 2014, payments due within the next year on our secured term loan facility have been classified as long-term on our Consolidated Balance Sheets as we have the ability and intent to refinance these payments under our revolving-credit agreement.

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The aggregate annual maturities of long-term debt are as follows:

| (all dollar amounts in thousands) | Annual<br>maturities |
|-----------------------------------|----------------------|
| 2015                              | \$ 1,750             |
| 2016                              | 1,750                |
| 2017                              | 1,750                |
| 2018                              | 1,750                |
| 2019                              | 1,750                |
| Thereafter                        | 165,375              |

**NOTE 6 LEASE COMMITMENTS**

Future minimum payments, by year and in the aggregate, under noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2014:

| (all dollar amounts in thousands) | Operating<br>Leases |
|-----------------------------------|---------------------|
| 2015                              | \$ 2,258            |
| 2016                              | 1,926               |
| 2017                              | 1,733               |
| 2018                              |                     |
| 2019                              |                     |
| Thereafter                        |                     |
| Total minimum payments            | \$ 5,917            |

Rental expense for all operating leases was as follows:

| (all dollar amounts in thousands) | <b>2014</b> | 2013     | 2012     |
|-----------------------------------|-------------|----------|----------|
| Rent expense                      | \$ 3,418    | \$ 2,921 | \$ 1,993 |

**NOTE 7 PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS**

We have sponsored defined benefit pension plans covering substantially all employees. Retirement benefits for salaried and nonunion employees are based on pay and years of service. Plans covering hourly employees provide benefits based on years of service and fixed benefit amounts for each year of service. The defined benefit pension plans are funded in accordance with federal laws and regulations.

We have supplemental retirement agreements with certain present and past key officers, directors, and employees. The principal cost of such plans is being or has been accrued over the period of active employment to the full eligibility date. The supplemental retirement agreements are unfunded.

A certain cash balance pension plan and certain defined benefit supplemental retirement plans have been amended to end annual credits based on compensation and close the plans to new participants.

We also provide certain defined benefit post-retirement health and life insurance plans that cover qualifying retirees. Benefits and eligibility for various employee groups vary by location and union agreements. The defined benefit post-retirement plans are unfunded.

On June 26, 2013, we finalized the sale of our specialty paper business and entered into an effects agreement with the unions representing the hourly employees affected by the sale. This agreement included the negotiation of certain pension and other-postretirement benefits for various employee groups. See Note 2 for additional information on the sale of the specialty paper business and facility closures.

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The changes in benefit obligations and plan assets at December 31, 2014 and 2013, are presented in the following schedule.

| (all dollar amounts in thousands)                                 | Retirement Benefits |             | Other Post-retirement Benefits |             |
|---|---------------------|-------------|--------------------------------|-------------|
|   | 2014                | 2013        | 2014                           | 2013        |
| Change in benefit obligation:                                     |                     |             |                                |             |
| Benefit obligation at beginning of year                           | \$ 233,042          | \$ 265,664  | \$ 34,097                      | \$ 96,291   |
| Service cost  | 593                 | 1,517       | 209                            | 1,236       |
| Interest cost   | 10,251              | 9,813       | 1,046                          | 2,618       |
| Amendments  |                     |             | (4,021)                        | (8,941)     |
| Net actuarial loss (gain)   | 33,158              | (27,636)    | (4,501)                        | (16,406)    |
| Participant contributions   |                     |             | 1,545                          | 2,837       |
| Curtailments  |                     |             |                                | (37,318)    |
| Special termination benefits                                      |                     | 4,721       |                                |             |
| Benefits paid   | (15,885)            | (21,037)    | (4,146)                        | (6,220)     |
| Benefit obligation at December 31                                 | \$ 261,159          | \$ 233,042  | \$ 24,229                      | \$ 34,097   |
| Change in plan assets:  |                     |             |                                |             |
| Fair value at beginning of year                                   | \$ 185,114          | \$ 177,590  | \$                             | \$          |
| Actual return on plan assets                                      | 8,377               | 27,713      |                                |             |
| Company contributions   | 12,938              | 848         | 2,601                          | 3,383       |
| Participant contributions   |                     |             | 1,545                          | 2,837       |
| Benefits paid   | (15,885)            | (21,037)    | (4,146)                        | (6,220)     |
| Fair value at December 31   | \$ 190,544          | \$ 185,114  | \$                             | \$          |
| Funded status at December 31                                      | \$ (70,615)         | \$ (47,928) | \$ (24,229)                    | \$ (34,097) |
| Amounts recognized in the Consolidated Balance Sheets consist of: |                     |             |                                |             |
| Current liabilities   | \$ (10,870)         | \$ (3,546)  | \$ (2,582)                     | \$ (3,850)  |
| Noncurrent liabilities  | (59,745)            | (44,382)    | (21,647)                       | (30,247)    |
| Amounts recognized at December 31                                 | \$ (70,615)         | \$ (47,928) | \$ (24,229)                    | \$ (34,097) |

Amounts recognized in Accumulated Other Comprehensive Loss, net of tax, consist of:

| (all dollar amounts in thousands) | Retirement Benefits |      | Other Post-retirement Benefits |      |
|-----------------------------------|---------------------|------|--------------------------------|------|
|                                   | 2014                | 2013 | 2014                           | 2013 |



|                                      |           |           |             |             |
|--------------------------------------|-----------|-----------|-------------|-------------|
| Prior service cost (credit)          | \$ 997    | \$ 1,205  | \$ (10,315) | \$ (8,748)  |
| Net loss (gain)                      | 59,246    | 38,361    | (5,953)     | (3,598)     |
| Net amount recognized at December 31 | \$ 60,243 | \$ 39,566 | \$ (16,268) | \$ (12,346) |

The total accumulated benefit obligation for qualified and non-qualified defined benefit pension plans was \$261.2 million and \$233.0 million at December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, the total accumulated benefit obligation for pension plans exceeded the plan assets for all of the qualified defined benefit pension plans.

Pension Benefits

|                   | Target Allocations | Percentage of Plan Assets at Measurement Date |      |
|-------------------|--------------------|---|------|
|                   |                    | 2014  | 2013 |
| Asset category    |                    |   |      |
| Equity securities | 60%                | 60%   | 63%  |
| Debt securities   | 40%                | 40%   | 37%  |
| Total             | 100%               | 100%  | 100% |

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Wausau Paper's Investment Committee, as established by the Board of Directors, monitors pension assets and the performance of pension investments. The Investment Committee generally manages toward an asset allocation consisting of approximately 60% equity securities and 40% debt securities. An external investment manager is used to assist us in establishing our investment strategies and policies. We consider the historical and projected returns for each asset category and believe that the investment strategy employed will provide a blended rate of return on pension assets consistent with current pension valuation assumptions.

The plan's assets are recorded at estimated fair value utilizing level 2 inputs (see Note 12). Level 2 inputs are inputs other than quoted market prices that are observable for securities, either directly or indirectly. All of the plan's assets are in pooled separate accounts and are stated at estimated fair value based on quoted market prices of the underlying investments held by the pooled separate accounts. Following is a summary, by asset category, of the fair value level 2 inputs of our plan assets at December 31, 2014 and 2013:

|                                   | <b>2014</b>       | 2013              |
|-----------------------------------|-------------------|-------------------|
| Asset category:                   |                   |                   |
| Domestic pooled separate accounts | \$ 163,338        | \$ 155,821        |
| Foreign pooled separate accounts  | 27,206            | 29,293            |
| <b>Total</b>                      | <b>\$ 190,544</b> | <b>\$ 185,114</b> |

As of December 31, 2014, each of our investments in pooled separate accounts is subject to immediate redemption and there are no significant restrictions on the ability to sell such investments. There are no circumstances in which an otherwise redeemable investment would not be redeemable. As of December 31, 2014, we had no unfunded commitments related to our pooled separate accounts.

Coincident with the third quarter 2014 refinancing of the Company's debt obligations, a settlement agreement was entered into with the Pension Benefit Guaranty Corporation (the "PBGC") with respect to the Company's unfunded defined benefit pension obligations. Under the agreement, the Company has agreed to grant a lien on substantially all of its assets to the PBGC that is junior and subordinate to the lien security interest on assets pledged under the secured term loan and revolving credit agreement. The Company has also agreed to make defined benefit pension plan contributions, up to a \$36 million cumulative total, during the period beginning 2014 and ending in 2018 in connection with the agreement. The first contribution under this agreement of \$7.5 million was made in August 2014.

During 2015, we anticipate making contributions of \$10.8 million directly to our defined benefit pension and retirement plans as a result of minimum funding requirements. Included in that defined benefit contribution amount is \$8.5 million required by the settlement agreement with the Pension Benefit Guaranty Corporation. We also expect to contribute \$2.6 million directly to other post-retirement plans.

Benefit payments expected to be paid in each of the next five years and in the aggregate for the five years thereafter are:

|                                   | Retirement<br>Benefit<br>Payments | Other<br>Post-retirement<br>Benefit<br>Payments |
|-----------------------------------|-----------------------------------|---|
| (all dollar amounts in thousands) |                                   |   |

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|           |    |        |    |       |
|-----------|----|--------|----|-------|
| 2015      | \$ | 14,456 | \$ | 2,583 |
| 2016      |    | 14,379 |    | 2,488 |
| 2017      |    | 15,759 |    | 2,176 |
| 2018      |    | 15,636 |    | 2,125 |
| 2019      |    | 15,729 |    | 1,958 |
| 2020-2024 |    | 75,367 |    | 7,101 |

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Inclusive of discontinued operations, the components of net periodic benefit costs recognized in the Consolidated Statements of Comprehensive Income (Loss) are as follows:

| (all dollar amounts in thousands)  | Retirement Benefits |             |           | Other Post-retirement Benefits |             |            |
|--|---------------------|-------------|-----------|--------------------------------|-------------|------------|
|  | 2014                | 2013        | 2012      | 2014                           | 2013        | 2012       |
| Components of net periodic benefit cost:                                   |                     |             |           |                                |             |            |
| Service cost   | \$ 593              | \$ 1,517    | \$ 2,494  | \$ 209                         | \$ 1,267    | \$ 2,030   |
| Interest cost  | 10,251              | 9,813       | 10,807    | 1,046                          | 2,618       | 4,157      |
| Expected return on plan assets   | (12,661)            | (12,947)    | (14,504)  |                                |             |            |
| Amortization of:   |                     |             |           |                                |             |            |
| Prior service cost (benefit)   | 309                 | 703         | 1,097     | (1,488)                        | (1,905)     | (3,078)    |
| Actuarial loss (gain)  | 2,537               | 4,888       | 5,337     | (760)                          | 1,318       | 3,152      |
| Curtailement losses (gains)  |                     | 5,369       |           |                                | (16,004)    | (634)      |
| Special termination benefits   |                     | 4,721       |           |                                |             |            |
| Settlements  | 1,516               | 3,011       | 14,835    |                                |             |            |
| Total net periodic benefit cost  | \$ 2,545            | \$ 17,075   | \$ 20,066 | \$ (993)                       | \$ (12,706) | \$ 5,627   |
| Recognized in other comprehensive loss (before tax effect):                |                     |             |           |                                |             |            |
| Net actuarial loss (gain)  | \$ 37,442           | \$ (42,403) | \$ 7,175  | \$ (4,501)                     | \$ (16,434) | \$ (7,452) |
| Prior service credit   |                     |             |           | (4,021)                        | (8,941)     |            |
| Amortization of:   |                     |             |           |                                |             |            |
| Net actuarial (loss) gain  | (4,052)             | (7,900)     | (20,173)  | 760                            | (1,318)     | (2,411)    |
| Prior service (cost) credit  | (309)               | (6,073)     | (1,097)   | 1,488                          | 1,904       | 2,971      |
| Curtailements  |                     |             |           |                                | (21,314)    |            |
| Total recognized in other comprehensive loss                               | 33,081              | (56,376)    | (14,095)  | (6,274)                        | (46,103)    | (6,892)    |
| Total recognized in net periodic benefit cost and other comprehensive loss | \$ 35,626           | \$ (39,301) | \$ 5,971  | \$ (7,267)                     | \$ (58,809) | \$ (1,265) |

The estimated prior service cost and net actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the year ending December 31, 2015, are expenses of \$0.3 million and \$3.6 million, respectively. The estimated prior service credit and net actuarial loss for the other post-retirement benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost for the year ending December 31, 2015, are a credit of \$1.8 million and a credit of \$0.4 million, respectively.

In 2014 and 2013, the settlements relate to benefits associated with a cash balance pension plan. Also in 2013, the curtailments and special termination benefits are a result of the sale of our specialty paper business. In 2012, the curtailments recognized relate to the closure of our Brokaw, Wisconsin mill. The Brokaw mill closed permanently in 2012. Also in 2012, the settlements relate to benefits associated with a cash balance pension plan and the payment of a

supplemental retirement liability to certain retired or terminated participants. See Note 2 for additional information on the sale of the specialty paper business and facility closures.

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The weighted average assumptions used in the calculation of the year-end obligation and net periodic benefit costs are as follows:

|  | Pension Benefits |       |       | Other Post-retirement Benefits |       |       |
|--|------------------|-------|-------|--------------------------------|-------|-------|
|  | 2014             | 2013  | 2012  | 2014                           | 2013  | 2012  |
| Weighted-average assumptions used to determine benefit obligations at the selected measurement dates:    |                  |       |       |                                |       |       |
| Discount rate  | 3.71%            | 4.58% | 3.67% | 3.50%                          | 4.25% | 3.50% |
| Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31: |                  |       |       |                                |       |       |
| Discount rate  | 4.58%            | 3.67% | 4.13% | 4.25%                          | 3.50% | 4.25% |
| Expected return on plan assets   | 7.50%            | 7.50% | 7.75% | n/a                            | n/a   | n/a   |
| Assumed health care cost trend rates at December 31:   |                  |       |       | 7.00%                          |       |       |
| Health care cost trend rate assumed  | n/a              | n/a   | n/a   | 7.50%                          | 7.75% | 7.50% |
| Ultimate trend rate  | n/a              | n/a   | n/a   | 5.0%                           | 5.0%  | 5.0%  |
| Year that the rate reaches the ultimate trend rate   | n/a              | n/a   | n/a   | 2022                           | 2020  | 2018  |

The discount rates set forth above were estimated based on available discount yield curves for each of our pension and other post-retirement plans. The expected return on plan assets reflects our expectations of average rates of return on funds invested to provide benefits included in the projected benefit obligations. The expected return is based on various factors, including estimated inflation, fixed income and equity returns, historical returns, and asset allocation and investment strategy. Differences between actual and expected returns on pension plan assets are recorded as an actuarial gain or loss and are amortized over the average remaining service period of active plan participants.

Assumed health care cost trend rates significantly affect reported amounts for retiree medical benefits. For 2014, the effect of a one-percentage-point change in the assumed health care cost trend rate would have had the following effects:

| (all dollar amounts in thousands)                             | One percentage point |          |
|---|----------------------|----------|
|   | Increase             | Decrease |
| Effect on the post-retirement benefit obligation              | \$ 927               | \$ (819) |
| Effect on the sum of the service and interest cost components | 77                   | (66)     |

We also sponsor defined contribution pension plans, several of which provide for company contributions based on a percentage of employee contributions. The cost of such plans, including discontinued operations, totaled \$2.8 million, \$2.8 million, and \$5.3 million in 2014, 2013, and 2012, respectively. In addition, we also have defined contribution supplemental retirement agreements with certain present and past key officers. The cost of such agreements totaled less than \$0.1 million, in 2014, 2013, and 2012, respectively. At December 31, 2014 and 2013, the amounts accrued under the defined contribution supplemental retirement agreements were \$0.2 million and \$0.4 million and are included in current and other noncurrent liabilities, respectively, on the Consolidated Balance Sheets.

We historically have had deferred-compensation agreements with certain present and past key officers, directors, and employees which allow participants to defer a portion of their compensation. The principal cost of such plans is being

or has been accrued over the period of active employment to the full eligibility date. We continue to maintain deferred-compensation agreements with certain present and past directors. The annual cost of the deferred-compensation agreements was expense of \$0.2 million, \$0.7 million, and \$0.1 million for the years ended December 31, 2014, 2013, and 2012, respectively. At December 31, 2014 and 2013, the amounts accrued under the deferred-compensation agreements were \$0.9 million and \$1.8 million, respectively, and are included in current and other noncurrent liabilities on the Consolidated Balance Sheets.

Table of Contents**NOTE 8 INCOME TAXES**

Deferred tax assets and liabilities are determined based on the estimated future tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by the current enacted tax rates. Deferred tax expense (credit) is the result of changes in the deferred tax asset and liability.

The consolidated (credit) provision for income taxes from continuing operations is comprised of the following:

| (all dollar amounts in thousands)         | <b>2014</b> | 2013      | 2012     |
|---|-------------|-----------|----------|
| Current tax (credit) expense:             |             |           |          |
| Federal                                   | \$ (378)    | \$ (151)  | \$ 322   |
| State                                     | 12          | 18        | 36       |
| Total current                             | (366)       | (133)     | 358      |
| Deferred tax (credit) expense:            |             |           |          |
| Federal                                   | (9,514)     | 4,108     | (894)    |
| State                                     | (404)       | 12,818    | (146)    |
| Total deferred                            | (9,918)     | 16,926    | (1,040)  |
| Total (credit) provision for income taxes | \$ (10,284) | \$ 16,793 | \$ (682) |

A reconciliation between taxes computed at the federal statutory rate and our effective tax rate follows:

| (all dollar amounts in thousands)         | <b>2014</b>       | 2013               | 2012           |
|---|-------------------|--------------------|----------------|
| Federal statutory tax rate                | \$ (9,737) 35.0%  | \$ (3,987) 35.0%   | \$ (786) 35.0% |
| State taxes (net of federal tax benefits) | (338) 1.3         | (431) 3.8          | (135) 6.0      |
| State taxes due to rate change            | 177 (0.6)         | 415 (3.6)          |                |
| Valuation allowance                       | 130 (0.5)         | 20,787 (182.5)     |                |
| Change in uncertain tax positions         | (506) 1.8         |                    |                |
| Other                                     | (10)              | 9 (0.1)            | 239 (10.6)     |
| Effective tax rate continuing operations  | \$ (10,284) 37.0% | \$ 16,793 (147.4)% | \$ (682) 30.4% |

At the end of 2014, the Company had federal and state net operating loss carryovers of \$126.0 million and \$231.3 million, respectively. At the end of 2014, the Company also had federal and state tax credit carryovers of \$12.9 million and \$10.8 million, respectively. These loss and credit carryovers may be used to reduce future federal and state income tax liabilities. If not utilized, the carryover amounts will expire from 2015 through 2037. Under the



provisions of FASB ASC Subtopic 740-10, "Income Taxes", the benefits of tax losses and credits are recognized as deferred tax assets, subject to appropriate valuation allowances.

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The major temporary differences that give rise to the deferred tax assets and liabilities at December 31, 2014 and 2013, are as follows:

| (all dollar amounts in thousands)                 | 2014      | 2013      |
|---|-----------|-----------|
| Deferred tax assets:                              |           |           |
| Accrued compensated absences                      | \$ 1,493  | \$ 1,565  |
| Pensions  | 21,574    | 14,964    |
| Post-retirement benefits                          | 9,263     | 12,817    |
| Federal net operating loss carry forward          | 42,746    | 14,177    |
| State net operating loss and credit carry forward | 17,500    | 15,510    |
| Cellulosic biofuel credit carry forward           | 12,830    | 12,830    |
| Other   | 10,248    | 14,035    |
| Gross deferred tax asset                          | 115,654   | 85,898    |
| Less valuation allowance                          | (20,456)  | (20,885)  |
| Net deferred tax assets                           | 95,198    | 65,013    |
| Deferred tax liabilities:                         |           |           |
| Property, plant, and equipment                    | (44,513)  | (36,042)  |
| Other   | (19,143)  | (18,619)  |
| Gross deferred tax liability                      | (63,656)  | (54,661)  |
| Net deferred tax asset                            | \$ 31,542 | \$ 10,352 |

The total deferred tax assets and (liabilities) as presented in the accompanying Consolidated Balance Sheets are as follows:

| (all dollar amounts in thousands)    | 2014        | 2013        |
|--------------------------------------|-------------|-------------|
| Net current deferred tax liabilities | \$ (11,844) | \$ (10,118) |
| Net noncurrent deferred tax assets   | 43,386      | 20,470      |
| Net deferred tax asset               | \$ 31,542   | \$ 10,352   |

Tax valuation allowances totaled \$20.5 million at the end of 2014. Of this amount, \$8.1 million relates to the federal cellulosic biofuel credit carryover, and \$12.4 million relates to state loss and credit carryovers, primarily in the state of Wisconsin. Deferred tax assets are regularly reviewed for recoverability, and a valuation allowance is established if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The determination of whether a valuation allowance is required is based on an analysis of all positive and negative evidence, including future earnings, changes in operations, the expected timing of the reversals of existing temporary differences, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

The following table summarizes the activity related to our liability for unrecognized tax benefits, all of which would impact our effective tax rate if recognized:

| (all dollar amounts in thousands)                 | <b>2014</b> | 2013     | 2012     |
|---|-------------|----------|----------|
| Balance at January 1                              | \$ 1,791    | \$ 1,049 | \$ 1,362 |
| Increases related to tax positions in prior years |             | 788      | 49       |
| Settlements                                       | (449)       |          |          |
| Expiration of statute of limitations              | (509)       | (46)     | (362)    |
| Balance at December 31                            | \$ 833      | \$ 1,791 | \$ 1,049 |

We record penalties and accrued interest related to uncertain tax positions in the provision for income taxes in the Consolidated Statements of Comprehensive Income (Loss). During 2014 and 2013 we accrued potential penalties and interest of less than \$0.1 million related to unrecognized tax benefits. In addition, during 2014 and 2013, as a result of the expiration of the statute of limitations, we reduced the amount accrued for potential penalties and interest by less than \$0.1 million. In total, as of December 31, 2014 and 2013, we have recorded liabilities for potential penalties and interest of approximately \$0.5 million, which are included in the liabilities for unrecognized tax benefits. The liability for uncertain tax positions at December 31, 2014 was \$1.3 million, with \$0.4 million of the liability recorded as a current liability and

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\$0.9 million recorded as a noncurrent liability. At December 31, 2013, the liability for uncertain tax positions was \$2.3 million, with \$0.9 million of the liability recorded as a current liability and \$1.4 million recorded as a noncurrent liability.

We are currently open to audit under the statute of limitations by the IRS for the year ended December 31, 2011, and years thereafter. We also file income tax returns in numerous state jurisdictions with varying statutes of limitations. We do not expect any significant changes to our unrecognized tax benefits during the next twelve months.

**NOTE 9 STOCK COMPENSATION PLANS**

The provisions of FASB ASC Subtopic 718-10, "Compensation – Stock Compensation" require that certain share-based compensation awards be remeasured at their fair value at each interim reporting period until final settlement.

**STOCK OPTIONS, RESTRICTED STOCK AWARDS, AND PERFORMANCE UNITS**

During the year ended December 31, 2014, awards were granted to grantees under the "2010 Stock Incentive Plan". Under the 2010 Plan, in addition to stock options, awards of restricted shares of common stock and restricted stock units, referred to as performance units, may be granted. We also maintain various other employee stock option plans under which options are outstanding. The plans provide for the determination of purchase price, time, and method of exercise. We are authorized to deliver up to 2.5 million shares of our common stock upon exercise of non-qualified stock options or incentive stock options, or upon grant or in payment of performance shares, performance units, and restricted stock under the various incentive plans. As of December 31, 2014, there were approximately 1.2 million shares available under the 2010 Stock Incentive Plan for future grant. We use treasury stock to deliver common stock shares under these plans.

For the years ended December 31, 2014 and 2013, we recognized approximately \$2.4 million and \$1.8 million, respectively, in share-based compensation expense which included fixed option grants and performance unit awards. The expense for the year ended December 31, 2014 includes approximately \$1.4 million related to vesting provisions in the outstanding awards being triggered during 2014 by certain change in control provisions contained in the award agreements. We recognize compensation expense on grants of stock options and performance unit share-based compensation awards on a straight-line basis over the requisite service period of each award. As of December 31, 2014, there was no unrecognized compensation cost related to share-based compensation awards due to vesting provisions in the outstanding awards being triggered during 2014 by certain change in control provisions contained in the award agreements.

**OPTIONS**

Non-qualified stock options are granted for terms up to 10 years from the grant date. The option price is equal to the fair market value of Wausau Paper common stock at the date of grant for incentive and non-qualified options. Fixed option grant agreements define service condition vesting requirements and other transferability restrictions on a grant-by-grant basis, and performance-based options vest in relation to defined performance.

The following table summarizes the status of all outstanding stock options as of December 31, 2014, 2013, and 2012, and changes during those years:

| <b>2014</b> | <b>2014</b>         | 2013   | 2013                | 2012   | 2012                |
|-------------|---------------------|--------|---------------------|--------|---------------------|
| Shares      | Weighted<br>Average | Shares | Weighted<br>Average | Shares | Weighted<br>Average |

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|  |              | <b>Exercise<br/>Price</b> |              | Exercise<br>Price |              | Exercise<br>Price |
|--|--------------|---------------------------|--------------|-------------------|--------------|-------------------|
| Outstanding at January 1                         | 1,443,580 \$ | 11.27                     | 1,547,748 \$ | 11.28             | 1,828,636 \$ | 11.43             |
| Granted  |              |                           |              |                   |              |                   |
| Exercised  | (147,000)    | 9.87                      | (55,000)     | 8.90              |              |                   |
| Terminated/canceled                              | (274,580)    | 14.05                     | (49,168)     | 14.15             | (280,888)    | 12.29             |
| Outstanding at December 31                       | 1,022,000 \$ | 10.73                     | 1,443,580 \$ | 11.27             | 1,547,748 \$ | 11.28             |
| Exercisable at December 31                       | 1,022,000 \$ | 10.73                     | 1,443,580 \$ | 11.27             | 1,542,748 \$ | 11.29             |
| Fair value of options granted<br>during the year |              | n/a                       |              | n/a               |              | n/a               |

The preceding table includes performance-based options that vested in relation to achieving defined performance criteria. There were no performance-based options granted during 2014, 2013, or 2012.

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The following table summarizes the status of outstanding performance-based stock options as of December 31, 2014, 2013, and 2012, and changes during those years:

|                               | 2014<br>Shares | 2014<br>Weighted<br>Average<br>Exercise<br>Price | 2013<br>Shares | 2013<br>Weighted<br>Average<br>Exercise<br>Price | 2012<br>Shares | 2012<br>Weighted<br>Average<br>Exercise<br>Price |
|-------------------------------|----------------|--|----------------|--|----------------|--|
| Outstanding at January 1      | 30,000         | \$ 10.71   | 33,000         | \$ 10.71   | 42,000         | \$ 10.71   |
| Exercised                     | (3,000)        | 10.71  | (3,000)        | 10.71  |                |  |
| Terminated/canceled           | (6,000)        | 10.71  |                |  | (9,000)        | 10.71  |
| Outstanding at<br>December 31 | 21,000         | \$ 10.71   | 30,000         | \$ 10.71   | 33,000         | \$ 10.71   |
| Exercisable at<br>December 31 | 21,000         | \$ 10.71   | 30,000         | \$ 10.71   | 33,000         | \$ 10.71   |

Additional information regarding all grants outstanding and exercisable at December 31, 2014, is as follows:

(all dollar amounts in thousands, except per share data)

| Range of Exercise<br>Prices  | Outstanding<br>Options | Weighted<br>Average<br>Remaining<br>Contractual<br>Life (years) | Weighted<br>Average<br>Exercise<br>Price | Exercisable<br>Options | Weighted<br>Average<br>Exercise<br>Price |
|------------------------------|------------------------|---|--|------------------------|--|
| \$6.54 \$11.66               | 846,000                | 5.93  | \$ 9.97                                  | 846,000                | \$ 9.97                                  |
| \$12.36 \$18.50              | 176,000                | 9.58  | 14.39                                    | 176,000                | 14.39                                    |
| Total                        | 1,022,000              |   |  | 1,022,000              |  |
| Aggregate intrinsic<br>value | \$ 1,259               |   |  | \$ 1,259               |  |

During the years ended December 31, 2014 and 2013, there were no stock options that vested. The total value of stock options vested during the year ended December 31, 2012 was \$1.0 million.

**RESTRICTED STOCK**

There was no activity related to restricted stock during the years ended December 31, 2014, 2013, and 2012.

Under the 2010 Stock Incentive Plan, we may grant shares of restricted stock. The shares are valued based upon the closing price of Wausau Paper's common stock on the date of the grant and reflected in equity as a reduction in treasury stock outstanding. Compensation expense is recognized for the restricted stock award on a straight-line basis over the vesting period of the entire award with the balance of unearned compensation reflected in the equity section of the balance sheet. Under the plan, shares of restricted stock have voting rights. Cash dividends on the restricted shares are deferred and held by us until satisfaction of the vesting requirements.

#### PERFORMANCE UNITS

Under the 2010 Stock Incentive Plan, we may grant performance units comprised of three types of awards. The first type of award consists of performance unit awards with vesting based upon the completion of a requisite period of service. The second type of award provides that vesting is contingent on (1) achieving certain operating profit levels and (2) completion of a service requirement. The third type of award specifies vesting of the award subject to achievement of a targeted shareholder return ("TSR") on our common stock over a three-year period. Upon satisfaction of the vesting requirements, the performance units and a dividend equivalent calculated based upon shares earned are paid out in whole shares of our common stock, with fractional shares paid in cash. Prior to vesting, no shares are issued and performance units have no voting rights.

Compensation expense for performance awards, other than TSR awards, is determined based upon the closing sales price of our common stock on the date of the award and is recognized over the requisite service period of the grant once we have determined that achievement of the performance condition is probable. If it is improbable that the performance condition will be met, no compensation cost is recognized. For performance unit grants that vest only in relation to the completion of a service requirement, compensation expense is recognized over the requisite service period of the grant. Service condition vesting ranges from zero to two years.

Compensation expense for TSR awards, which contain a market condition, is fixed at the date of the grant and recognized over the requisite service period based upon the value determined under the Monte Carlo simulation valuation model. Compensation expense for TSR awards will not be adjusted in future periods based upon the achievement of the TSR

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performance goal. The weighted average grant date fair value of the TSR awards granted during 2014 was \$6.06, utilizing weighted average assumptions including a 0.75% risk-free interest rate and a 35.35% expected volatility rate.

The following table summarizes the activity relating to performance unit grants:

|  | <b>2014</b>      | 2013      | 2012      |
|--|------------------|-----------|-----------|
| Outstanding at January 1 (number of units)   | <b>1,053,934</b> | 1,174,928 | 1,262,574 |
| Granted                                      | <b>296,616</b>   | 619,834   | 946,107   |
| Terminated                                   | <b>(163,408)</b> | (633,276) | (828,473) |
| Settled                                      | <b>(681,967)</b> | (107,552) | (205,280) |
| Outstanding at December 31 (number of units) | <b>505,175</b>   | 1,053,934 | 1,174,928 |

The aggregate intrinsic value of performance units outstanding at December 31, 2014, was approximately \$5.7 million. Total compensation expense recognized for performance units for the years ended December 31 totaled \$2.4 million in 2014, \$1.8 million in 2013, and \$2.0 million in 2012.

**STOCK APPRECIATION RIGHTS**

We maintain various stock appreciation rights plans that entitle certain management employees to receive cash equal to the sum of the appreciation in the value of the stock and the hypothetical value of cash dividends that would have been paid on the stock covered by the grant assuming reinvestment in Wausau Paper stock. The stock appreciation rights granted may be exercised in whole or in such installments and at such times as specified in the grant.

The following table summarizes the activity relating to our stock appreciation rights plans:

|   | <b>2014</b>     | 2013   | 2012     |
|---|-----------------|--------|----------|
| Outstanding at January 1 (number of shares)                   | <b>10,000</b>   | 10,000 | 40,800   |
| Exercised   |                 |        | (30,800) |
| Expired   | <b>(10,000)</b> |        |          |
| Outstanding and exercisable at December 31 (number of shares) |                 | 10,000 | 10,000   |
| Price of outstanding and exercisable rights:<br>\$17.16       |                 | 10,000 | 10,000   |

In the year ended December 31, 2012, \$0.2 million was paid to a participant in settlement of outstanding stock appreciation rights.

**DIVIDEND EQUIVALENTS**

We maintain a Dividend Equivalent Plan. Upon termination of employment, or at the time of exercise of options granted in tandem with the dividend equivalents, participants are entitled to receive the cash value of the dividend



equivalent grant. The cash value is determined by the sum of the value of cash dividends that would have been paid on the stock covered by the grant had it been actual stock and assuming all such hypothetical dividends had been reinvested in Wausau Paper stock. There were no outstanding dividend equivalents at December 31, 2014.

The following table summarizes the activity relating to our dividend equivalent plan:

|   | <b>2014</b> | 2013   | 2012    |
|---|-------------|--------|---------|
| Outstanding at January 1 (number of shares)                   | 41,375      | 41,375 | 46,263  |
| Expired   | (41,375)    |        |         |
| Settled   |             |        | (4,888) |
| Outstanding and exercisable at December 31 (number of shares) |             | 41,375 | 41,375  |

During the year ended December 31, 2012, less than \$0.1 million was paid to participants in settlement of outstanding dividend equivalent awards.

Share-based compensation provisions or credits related to stock appreciation rights and dividend equivalents are determined based upon a remeasurement to their fair value at each reporting period in accordance with the provisions of

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FASB ASC 718-10. The provision (credit) for stock appreciation rights and dividend equivalents is shown in the following table.

| (all dollar amounts in thousands) | 2014    | 2013  | 2012  |
|-----------------------------------|---------|-------|-------|
| Stock appreciation rights         | \$ (17) | \$ 7  | \$ 14 |
| Dividend equivalents              | (17)    | 78    | 14    |
| Total                             | \$ (34) | \$ 85 | \$ 28 |

**NOTE 10 COMMITMENTS AND CONTINGENCIES****LITIGATION AND OTHER CLAIMS**

We may be involved from time to time in various legal and administrative proceedings or be subject to various claims in the normal course of business. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, in the opinion of management, the ultimate disposition of any threatened or pending matters, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial condition, liquidity, or results of operations.

**ENVIRONMENTAL MATTERS**

We are subject to extensive regulation by various federal, state, and local agencies concerning compliance with environmental control statutes and regulations. These regulations impose limitations, including effluent and emission limitations, on the discharge of materials into the environment, as well as require us to obtain and operate in compliance with conditions of permits and other governmental authorizations. Future regulations could materially increase our capital requirements and certain operating expenses in future years.

It is our policy to accrue remediation costs when it is probable that such costs will be incurred and when a range of loss can be reasonably estimated. Estimates of loss are developed based on currently available information including environmental studies performed by third-party experts and our past experience with these matters. Our accrued environmental liabilities, including all remediation and landfill care costs, totaled \$1.5 million at December 31, 2014 and 2013. The provision for remediation and landfill costs was not significant for the years ended December 31, 2014, 2013, or 2012. We periodically review the status of all significant existing or potential environmental issues and adjust our accruals as necessary. The accruals do not reflect any possible future insurance recoveries. Estimates of costs for future remediation are necessarily imprecise due to, among other things, the identification of presently unknown remediation sites and the allocation of costs among potentially responsible parties. As is the case with most manufacturing and many other entities, there can be no assurance that we will not be named as a potentially responsible party at additional previously or currently owned sites in the future or that the costs associated with such additional sites would not be material.

**OTHER COMMITMENTS**

As of December 31, 2014, we were committed to spend approximately \$1.5 million, on capital projects, which were in various stages of completion.

We contract for the supply and delivery of natural gas at some of our facilities. Under some of these contracts, we are committed to the transportation of a fixed volume of natural gas from our natural gas transporters to our facilities. We are not required to buy or sell minimum gas volumes under the agreements but are required to pay a minimum transportation fee for the contracted period. We may also purchase, from time to time, natural gas contracts with fixed prices for a certain portion of our facility requirements. Energy related contracts expire at various times between 2015 and 2022. At December 31, 2014, our total energy related commitments are \$37.4 million.

At December 31, 2014, we also have commitments for the purchase of certain raw materials from various suppliers in the amount of \$176.5 million expiring between 2015 and 2017 and other purchase commitments of \$24.3 million expiring between 2015 and 2017.

**NOTE 11 PREFERRED SHARE PURCHASE RIGHTS PLAN**

Prior to December 15, 2014, we maintained a rights plan with an expiration date of October 31, 2018. On December 15, 2014, the Board of Directors approved the redemption of the rights accompanying our common stock, which effectively terminated the plan. The redemption price of \$0.01 per share will be paid as part of the \$0.03 per share dividend on February 17, 2015, to shareholders of record as of February 2, 2015.

Under the rights plan one preferred share purchase right was allocated for each outstanding share of common stock. Each right entitled its holder to purchase 1 one-thousandth of a share of Series A Junior Participating Preferred Stock, at an

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exercise price of \$60 per 1 one-thousandth of a preferred share, subject to adjustment. The rights were exercisable only if a person or group (with certain exceptions) acquired beneficial ownership of 15% or more of the outstanding common stock (an "Acquiring Person"). Once exercisable, each holder of a right, other than the Acquiring Person, thereafter would have the right to receive common stock having a market value of two times the exercise price of the right. Upon the occurrence of certain events, each holder of a right, other than an Acquiring Person, would have the right to receive (in lieu of preferred shares) our common stock (or a successor company) with a market value of two times the exercise price of the right. Until exercisable, the rights would not have been issued or traded in separate form from the common stock.

### **NOTE 12 FAIR VALUE MEASUREMENTS**

The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The FASB's guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs, other than quoted market prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 Unobservable inputs based on the reporting entity's own assumptions.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. We did not have any financial assets or liabilities measured on a recurring basis during the years ended December 31, 2014 or 2013. Assets and liabilities measured at fair value on a nonrecurring basis include long-lived assets. We have determined that the fair value measurements related to long-lived assets rely primarily on company specific inputs and our assumptions about the use of the assets, as observable inputs are not available. Therefore, we have determined these fair value measurements reside within level 3 of the fair value hierarchy. See Note 2 for a further discussion on fair value measurements related to long-lived assets.

The carrying amounts and fair values of our financial instruments are described below:

#### **CASH AND CASH EQUIVALENTS**

The carrying amount approximates fair value due to the relatively short period to maturity for these instruments.

#### **ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, AND ACCRUED LIABILITIES**

The carrying amounts approximate fair value due to the relatively short-term nature of these instruments.

#### **LONG-TERM DEBT**

We have estimated the fair value of our long-term debt in accordance with FASB authoritative guidance. Fair value information for long-term debt is within Level 2 of the fair value hierarchy and is based on current market interest rates and estimates of current market conditions for instruments with similar terms and maturities. At December 31, 2014 and 2013, the estimated fair value of the long-term debt exceeded the carrying value by approximately

\$12.4 million and \$8.3 million, respectively. These fair value estimates do not necessarily reflect the amounts we would realize in a current market exchange.

**NOTE 13 SEGMENT DATA**

**FACTORS USED TO IDENTIFY REPORTABLE SEGMENTS**

We have evaluated our disclosures of our business segments in accordance with FASB ASC Subtopic 280-10, "Segment Reporting", and as a result we have classified our operations into one reportable segment.

**PRODUCTS FROM WHICH REVENUE IS DERIVED**

We produce a complete line of towel and tissue products that are marketed along with soap and dispensing systems for the away-from-home market. We operate a paper mill in Middletown, Ohio, and a manufacturing and converting facility in Harrodsburg, Kentucky.

Our former Paper segment produced specialty papers within three core markets – Food, Industrial & Tape, and Coated & Liner. The sale of the specialty paper business on June 26, 2013, and closure of the Brainerd mill in March 2013 resulted in our exit from this business segment. See Note 2 for additional information on discontinued operations.

Excluding discontinued operations, during 2014, one customer accounted for approximately 14% of our consolidated net sales.

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## OTHER SIGNIFICANT ITEMS

The following are reconciliations to corresponding totals in the accompanying consolidated financial statements. The Consolidated Statements of Cash Flows include discontinued operations in all periods presented, and as such, the amounts for depreciation, depletion, and amortization and expenditures for long-lived assets in the following table include discontinued operations in all periods presented.

| (all dollar amounts in thousands) | Depreciation,<br>Depletion,<br>and<br>Amortization | Expenditures<br>for<br>Long-Lived<br>Assets |
|-----------------------------------|--|---|
| <b>2014</b>                       |  |   |
| <b>Tissue</b>                     | \$ 41,252  | \$ 16,449                                   |
| <br>2013                          |  |   |
| Tissue                            | \$ 39,774  | \$ 35,767                                   |
| Discontinued operations           | 42,274   | 1,699                                       |
|                                   | \$ 82,048  | \$ 37,466                                   |
| <br>2012                          |  |   |
| Tissue                            | \$ 30,572  | \$ 141,087                                  |
| Discontinued operations           | 17,070   | 8,337                                       |
|                                   | \$ 47,642  | \$ 149,424                                  |

## COMPANY GEOGRAPHIC DATA

We have no long-lived assets outside the United States. Excluding discontinued operations, net sales to customers within the United States and other countries are as follows:

| (all dollar amounts in thousands) | <b>2014</b> | 2013       | 2012       |
|-----------------------------------|-------------|------------|------------|
| United States                     | \$ 317,154  | \$ 314,042 | \$ 305,216 |
| Canada                            | 32,252      | 31,636     | 35,492     |
| All other foreign countries       | 2,618       | 2,906      | 3,474      |
|                                   | \$ 352,024  | \$ 348,584 | \$ 344,182 |

Table of Contents**Quarterly Financial Data (Unaudited)**

| (all dollar amounts in thousands, except per share data)                     | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Annual     |
|--|------------------|-------------------|------------------|-------------------|------------|
| <b>2014(1)</b>   |                  |                   |                  |                   |            |
| <b>Net sales</b>   | \$ 77,507        | \$ 89,214         | \$ 95,423        | \$ 89,880         | \$ 352,024 |
| <b>Gross profit</b>  | 8,209            | 11,560            | 15,410           | 16,140            | 51,319     |
| <b>Operating profit (loss)</b>   | (4,658)          | (3,498)           | 2,369            | 3,025             | (2,762)    |
| <b>Net loss from continuing operations</b>                                   | (4,446)          | (3,721)           | (9,155)          | (212)             | (17,534)   |
| <b>Net loss from discontinued operations</b>                                 | (454)            | (107)             | (321)            | (96)              | (978)      |
| <b>Net loss</b>  | (4,900)          | (3,828)           | (9,476)          | (308)             | (18,512)   |
| <b>Net loss per share from continuing operations<br/>basic and diluted</b>   | \$ (0.09)        | \$ (0.07)         | \$ (0.18)        | \$ (0.00)         | \$ (0.35)  |
| <b>Net loss per share from discontinued operations<br/>basic and diluted</b> | \$ (0.01)        | \$ (0.00)         | \$ (0.01)        | \$ (0.00)         | \$ (0.02)  |
| <b>Net loss per share basic and diluted</b>                                  | \$ (0.10)        | \$ (0.08)         | \$ (0.19)        | \$ (0.00)         | \$ (0.37)  |
| <b>2013(2)</b>   |                  |                   |                  |                   |            |
| <b>Net sales</b>   | \$ 78,194        | \$ 87,623         | \$ 91,663        | \$ 91,104         | \$ 348,584 |
| <b>Gross profit</b>  | 11,276           | 9,813             | 13,373           | 15,140            | 49,602     |
| <b>Operating profit (loss)</b>   | (3,809)          | (810)             | (184)            | 2,219             | (2,584)    |
| <b>Net loss from continuing operations</b>                                   | (3,732)          | (14,595)          | (2,034)          | (7,822)           | (28,183)   |
| <b>Net loss from discontinued operations</b>                                 | (25,873)         | (40,231)          | (818)            | (2,160)           | (69,082)   |
| <b>Net loss</b>  | (29,605)         | (54,826)          | (2,852)          | (9,982)           | (97,265)   |
| <b>Net loss per share from continuing operations<br/>basic and diluted</b>   | \$ (0.08)        | \$ (0.30)         | \$ (0.04)        | \$ (0.16)         | \$ (0.57)  |
| <b>Net loss per share from discontinued operations<br/>basic and diluted</b> | \$ (0.52)        | \$ (0.81)         | \$ (0.02)        | \$ (0.04)         | \$ (1.40)  |
| <b>Net loss per share basic and diluted</b>                                  | \$ (0.60)        | \$ (1.11)         | \$ (0.06)        | \$ (0.20)         | \$ (1.97)  |
| Within continuing operations:  |                  |                   |                  |                   |            |

(1)

In 2014, the second quarter includes an after-tax expense of \$0.9 million (\$1.4 million pre-tax) or \$0.02 per share related to change in control provisions, and an after-tax expense of \$1.0 million (\$1.6 million pre-tax) or \$0.02 per share related to the severance benefit of the former Chief Executive Officer. The third quarter of 2014 includes after-tax loss of \$9.0 million (\$14.4 million pre-tax) or \$0.18 per share related to early extinguishment of debt, and after-tax expense of \$0.7 million (\$1.2 million pre-tax) or \$0.01 per share related to proxy settlement charges. The fourth quarter of 2014 includes an after-tax expense of \$1.0 million (\$1.5 million pre-tax) or \$0.02 per share related to defined benefit retirement plan settlement charges.

(2)

The second and fourth quarters of 2013 include an after-tax credit of \$1.1 million (\$1.7 million pre-tax) or \$0.02 per share and an after-tax credit of \$1.0 million (\$1.6 million pre-tax) or \$0.02 per share, respectively,

related to a contract at a former manufacturing facility. In addition, the second, third, and fourth quarters of 2013 include after-tax expense of \$0.8 million (\$1.3 million pre-tax) or \$0.02 per share, \$0.5 million (\$0.8 million pre-tax) or \$0.01 per share, and \$0.6 million (\$0.9 million pre-tax) or \$0.01 per share, respectively, of charges related to our defined benefit pension and retirement plans. Finally, the second, third, and fourth quarters of 2013 include adjustments made to our provision for income taxes of \$12.4 million or \$0.25 per share, \$0.6 million or \$0.01 per share, and \$8.0 million or \$0.16 per share, respectively, related to income tax valuation allowances for a portion of an existing cellulosic biofuels credit and certain state income tax carryforwards that will likely not be utilized to offset taxable income in the future.

Within discontinued operations:

(1)

The first, third and fourth quarters of 2014 include an after-tax expense of \$0.5 million (\$0.8 million pre-tax) or \$0.01 per share, an after-tax expense of \$0.7 million (\$1.1 million pre-tax) or \$0.01 per share, and an after-tax expense of \$0.1 million (\$0.2 million pre-tax) or \$0.00 per share, respectively, related to closure costs of the Brainerd mill and sale of the specialty paper business.

(2)

The first, second, third and fourth quarters of 2013 include an after-tax expense of \$28.0 million (\$44.3 million pre-tax) or \$0.57 per share, an after-tax expense of \$43.3 million (\$68.7 million pre-tax) or \$0.88 per share, an after-tax expense of \$1.2 million (\$1.8 million pre-tax) or \$0.02 per share, and an after-tax expense of \$2.1 million (\$3.3 million pre-tax) or \$0.04 per share, respectively, related to closure costs of the Brainerd mill and sale of the specialty paper business.



Table of Contents**Market Prices For Common Shares (Unaudited)**

| Quarter | 2014          |              |  | 2013          |              |  | 2012          |              |  |
|---------|---------------|--------------|--|---------------|--------------|--|---------------|--------------|--|
|         | Price<br>High | Price<br>Low | Cash<br>Dividends<br>Paid Per<br>Share | Price<br>High | Price<br>Low | Cash<br>Dividends<br>Paid Per<br>Share | Price<br>High | Price<br>Low | Cash<br>Dividends<br>Paid Per<br>Share |
| 1st     | \$ 14.04      | \$ 12.08     | \$ 0.03                                | \$ 11.09      | \$ 8.69      | \$ 0.03                                | \$ 9.86       | \$ 8.16      | \$ 0.03                                |
| 2nd     | \$ 12.99      | \$ 10.00     | \$ 0.03                                | \$ 12.00      | \$ 9.57      | \$ 0.03                                | \$ 9.81       | \$ 8.45      | \$ 0.03                                |
| 3rd     | \$ 11.06      | \$ 7.91      | \$ 0.03                                | \$ 13.01      | \$ 10.80     | \$ 0.03                                | \$ 9.92       | \$ 7.48      | \$ 0.03                                |
| 4th     | \$ 11.49      | \$ 7.76      | \$ 0.03                                | \$ 13.78      | \$ 11.11     | \$ 0.03                                | \$ 9.32       | \$ 7.46      | \$ 0.03                                |

All prices represent the high and the low sales prices for the common stock as reported on the New York Stock Exchange. Dividends of \$0.03 per share were paid in each quarter of 2014, 2013, and 2012.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of Wausau Paper Corp.  
Mosinee, Wisconsin

We have audited the consolidated financial statements of Wausau Paper Corp. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, and the Company's internal control over financial reporting as of December 31, 2014, and have issued our reports thereon dated March 2, 2015; such consolidated financial statements and reports are included elsewhere in this Annual Report on Form 10-K. Our audits also included the financial statement schedule of the Company included in Item 8. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

March 2, 2015

Table of Contents**Financial Statement Schedule II Valuation and Qualifying Accounts**

|                                  | Allowance<br>for<br>Doubtful<br>Accounts | Valuation<br>Allowance<br>for Deferred<br>Tax Assets |
|----------------------------------|--|--|
| Balance December 31, 2011        | \$ 953                                   | \$ 115   |
| Charges to cost and expense      | (165)                                    | 10   |
| Deductions                       | (101)                                    | (23)   |
| Balance December 31, 2012        | 687                                      | 102  |
| Charges to cost and expense      | (58)                                     | 20,799   |
| Deductions                       | (478)                                    | (16)   |
| Balance December 31, 2013        | 151                                      | 20,885   |
| Charges to cost and expense      | (40)                                     | 131  |
| Deductions                       | (11)                                     | (560)  |
| <b>Balance December 31, 2014</b> | <b>\$ 100</b>                            | <b>\$ 20,456</b>                                     |

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

Not applicable.

**Item 9A. Controls and Procedures****DISCLOSURE CONTROLS AND PROCEDURES**

As of the end of the period covered by this Form 10-K, management, under the supervision, and with the participation, of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 as amended (the "Exchange Act")) pursuant to Rule 13a-15. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and the Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. Based upon, and as of the date of such evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management's report on our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and the related report of our independent registered public accounting firm, are set forth in Item 8 of this report under "Management's Report on Internal Control Over Financial Reporting" on page 22 and "Report of Independent Registered Public Accounting Firm" on page 23. No changes in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Item 9B. OTHER INFORMATION**

Not applicable.

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## **PART III**

### **Item 10. Directors and Executive Officers of the Registrant**

#### **DIRECTORS AND EXECUTIVE OFFICERS**

Information relating to our directors is incorporated into this Form 10-K by this reference to the disclosure in our proxy statement relating to the 2015 annual meeting of shareholders (the "2015 Proxy Statement") under the subcaption "Election of Directors Election Procedures, Nominees, and Board Recommendation."

Information relating to our executive officers is found in Part I of this Form 10-K.

Information required under Rule 405 of Regulation S-K is incorporated into this Form 10-K by this reference to the disclosure in the 2014 Proxy Statement under the subcaption "Stock Ownership Section 16(a) Beneficial Ownership Reporting Compliance."

#### **CODE OF ETHICS**

We have adopted a Code of Business Conduct and Ethics for all directors, officers, and employees and a Code of Compliance and Reporting Requirements for Chief Executive Officer and Senior Financial Officers, which covers our Chief Executive Officer, Chief Financial Officer, and other principal financial employees. Each of these codes is available at "Investors Corporate Governance" on our website ([wausaupaper.com](http://wausaupaper.com)). Shareholders may also obtain a free copy by writing to the address set forth under the following subcaption. In the event we amend or waive any provision of the Code of Compliance and Reporting Requirements, we intend to disclose that amendment or waiver at the website address where the code may also be found.

#### **CORPORATE GOVERNANCE GUIDELINES AND COMMITTEE CHARTERS**

We have adopted Corporate Governance guidelines and charters for the Board of Directors' Audit, Compensation, and Corporate Governance Committees. These guidelines and charters are available at "Investors Corporate Governance" on our website ([wausaupaper.com](http://wausaupaper.com)). Shareholders may also request a free copy of these documents by writing to:

Corporate Secretary  
Wausau Paper  
100 Paper Place  
Mosinee, WI 54455-9099

#### **AUDIT COMMITTEE**

Our Board of Directors has appointed an Audit Committee in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee satisfy the NYSE and SEC rules for independence applicable to audit committees of listed companies. Mr. Freels (Chairman), Ms. Dewey, and Mr. Kvocka serve on the Audit Committee.

#### **FINANCIAL EXPERT**

Our Board of Directors has determined that Gary W. Freels is an audit committee financial expert. Mr. Freels is an independent director under NYSE listing standards. Mr. Freels has 31 years of experience in commercial banking and, for the last 18 years, has managed the investment portfolios of the private foundation for which he serves as chief

executive officer. He has also served on the Audit Committee since 1996, and as its chairman since April 2004.

## **Item 11. Executive Compensation**

### **DIRECTOR COMPENSATION**

Information relating to director compensation is incorporated into this Form 10-K by this reference to the disclosure in the 2015 Proxy Statement under the subcaption "Election of Directors Director Compensation for 2014."

### **EXECUTIVE OFFICER COMPENSATION**

Information relating to the compensation of executive officers is incorporated into this Form 10-K by this reference to the disclosure in the 2015 Proxy Statement under the caption "Executive Compensation."

Table of Contents**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information concerning (1) any person or group known to us to be the beneficial owner of more than 5% of our voting stock, and (2) ownership of its equity securities by management is incorporated by reference to the material under the heading "Stock Ownership" in the 2015 Proxy Statement.

The following table provides information with respect to compensation plans under which our common stock is authorized for future issuance:

| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights(1)(2)<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(1)<br>(c) |
|--|---|--|---|
| Equity compensation plans approved by security holders     | 1,527,175   | \$ 10.73   | 1,164,592   |
| Equity compensation plans not approved by security holders |   | n/a  |   |
| Total  | 1,527,175   | \$ 10.73   | 1,164,592   |

(1) Shares indicated relate to common stock issuable upon exercise of options awarded under the 1991 Employee Stock Option Plan and upon exercise of options or the vesting of performance units awarded under the 2000 Stock Incentive Plan and the 2010 Stock Incentive Plan.

(2) The exercise price calculation is based only on outstanding options to purchase 1,022,000 shares. Shares issuable pursuant to performance units have no exercise price.

**BENEFICIAL OWNERSHIP**

Information relating to security ownership of certain beneficial owners and management is incorporated into this Form 10-K by this reference to the disclosure in the 2014 Proxy Statement beginning under the caption "Stock Ownership."

**Item 13. Certain Relationships and Related Transactions**

Information relating to certain relationships and related transactions with our directors and officers and the independence of our directors is incorporated into this Form 10-K by this reference to the disclosure in the 2015 Proxy Statement under the subcaption "Corporate Governance Review, Approval, or Ratification of Related Party

Transactions" and "Corporate Governance Director Independence."

## **Item 14. Principal Accounting Fees and Services**

Information relating to the fees and services of our principal accountant is incorporated into this Form 10-K by this reference to the disclosure in the 2015 Proxy Statement under the subcaption "Report of the Audit Committee and Related Matters Independent Auditor and Fees," and "Report of the Audit Committee and Related Matters Audit Committee Pre-Approval Policies."



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**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

- (a) Documents filed as part of this report
  
- (1) The following consolidated financial statements of Wausau Paper and the Reports of our Independent Registered Public Accounting Firm thereon are filed as part of this report:
  - (i) Consolidated Balance Sheets as of December 31, 2014 and 2013
  
  - (ii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2014, 2013, and 2012
  
  - (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012
  
  - (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2014, 2013, and 2012
  
  - (v) Notes to Consolidated Financial Statements
  
- (2) Financial Statement Schedules

The following financial statement schedule is filed as part of this report:

- (i) Financial Statement Schedule II Valuation and Qualifying Accounts for the years ended December 31, 2014, 2013, and 2012 (page 53)

All other schedules prescribed by Regulation S-X are not submitted because they are not applicable or not required, or because the required information is included in the Consolidated Financial Statements and Notes thereto.

- (3)

## Exhibits

The following exhibits required by Item 601 of Regulation S-K are filed as part of this report. All reports incorporated by reference were filed by the Company.

| Exhibit Number | Description  |
|----------------|--|
| 3.1            | Restated Articles of Incorporation, as amended May 12, 2005 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K dated May 12, 2005) (Commission File No. 001-13923)  |
| 3.2            | Restated Bylaws, as last amended January 19, 2012 (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K dated January 19, 2012) (Commission File No. 001-13923)  |
| 4.1            | \$175,000,000 Term Loan Credit Agreement, dated as of July 30, 2014, among Wausau Paper Corp. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated July 30, 2014) (Commission File No. 001-13923)  |
| 4.2            | Term Loan Security and Pledge Agreement, dated as of July 30, 2014, among Wausau Paper Corp. and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated July 30, 2014) (Commission File No. 001-13923)   |
| 4.3            | \$50,000,000 ABL Credit Agreement, dated as of July 30, 2014, among Wausau Paper Corp. and Bank of America, N.A. (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K dated July 30, 2014) (Commission File No. 001-13923)   |
| 4.4            | ABL Security and Pledge Agreement, dated as of July 30, 2014, among Wausau Paper Corp. and Bank of America, N.A. (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K dated July 30, 2014) (Commission File No. 001-13923)   |
| 4.5            | First Amendment to Credit Agreement, dated September 15, 2014, to \$50,000,000 ABL Credit Agreement dated as of July 30, 2014, among Wausau Paper Corp. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated September 15, 2014) (Commission File No. 001-13923) |
| 10.1           | Supplemental Retirement Plan, as last amended effective December 17, 2010* (incorporated by reference to Exhibit 10.1 to Annual Report on Form 10-K for the fiscal year ended December 31, 2010) (Commission File No. 001-13923) *   |
| 10.2           | 2008 Supplemental Retirement Plan dated June 12, 2008 (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated June 12, 2008) (Commission File No. 001-13923)*   |
| 10.3           | 2009 Defined Contribution Supplemental Retirement Plan as amended and restated effective January 1, 2011 (incorporated by reference to Exhibit 10.3 to Annual Report on Form 10-K for the fiscal year ended December 31, 2010) (Commission File No. 001-13923)*  |
| 10.4           | 1991 Employee Stock Option Plan, as last amended May 4, 2007 (incorporated by reference to Exhibit 10.5 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007) (Commission File No. 001-13923)*  |

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| Exhibit<br>Number | Description  |
|-------------------|--|
| 10.5              | 1991 Dividend Equivalent Plan, as last amended May 4, 2007 (incorporated by reference to Exhibit 10.6 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007) (Commission File No. 001-13923)*  |
| 10.6              | Supplemental Retirement Benefit Plan dated January 16, 1992, as last amended November 20, 2008 (incorporated by reference to Exhibit 10.8 to Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 001-13923)*                                  |
| 10.7              | Directors' Deferred Compensation Plan, as last amended December 19, 2007 (incorporated by reference to Exhibit 10.8 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007) (Commission File No. 001-13923) *   |
| 10.8              | Directors Retirement Benefit Policy, as amended and restated October 19, 2011 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated October 24, 2011) (Commission File No. 001-13923)*  |
| 10.9              | Mosinee Paper Corporation Supplemental Retirement Benefit Agreement dated November 12, 1991, as last amended November 20, 2008 (incorporated by reference to Exhibit 10.13 to Annual Report on Form 10-K for the fiscal year ended December 31, 2008) (Commission File No. 001-13923)* |
| 10.10             | 2000 Stock Incentive Plan as last amended October 20, 2006 (incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006) (Commission File No. 001-13923) *  |
| 10.11             | 2010 Stock Incentive Plan, effective as of June 1, 2010 (incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-8, filed on December 22, 2010) (Commission File No. 333-171362)*   |
| 10.12             | 2005 Directors Deferred Compensation Plan as last amended December 19, 2007 (incorporated by reference to Exhibit 10.18 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007) (Commission File No. 001-13923)*  |
| 10.13             | Board of Directors Compensation Policy dated December 17, 2010 (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K dated December 17, 2010) (Commission File No. 001-13923)*  |
| 10.14             | Standard Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K dated December 17, 2010) (Commission File No. 001-13923)*   |
| 10.15             | Standard Form of Performance Unit Grant Agreement (Retention) (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated February 15, 2012) (Commission File No. 001-13923)*   |
| 10.16             | Standard Form of Performance Unit Grant Agreement (Short-Term ROCE) (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated February 15, 2012) (Commission File No. 001-13923)*   |
| 10.17             | Standard Form of Performance Unit Grant Agreement (Long-Term Total Shareholder Return) (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K dated February 15, 2012) (Commission File No. 001-13923)*  |
| 10.18             | Standard Form of Non-Qualified Stock Option Agreement (Performance) (incorporated by reference to Exhibit 10.9 to Current Report on Form 8-K dated December 17, 2010) (Commission File No. 001-13923)*   |
| 10.19             | Standard Form of Non-Qualified Stock Option Agreement (Retention) (incorporated by reference to Exhibit 10.10 to Current Report on Form 8-K dated December 17, 2010) (Commission File No. 001-13923)*  |
| 10.20             | Standard Form of Performance Unit Grant Agreement (Directors) (incorporated by reference to Exhibit 10.11 to Current Report on Form 8-K dated December 17, 2010) (Commission File No. 001-13923)*  |
| 10.21             | 2012 (Retention/ROCE) Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated December 15, 2011) (Commission File No. 001-13923)*  |

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- 10.22 Long-Term (2012-2014 TSR) Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated December 15, 2011) (Commission File No. 001-13923)\*
- 10.23 Form of Change in Control Employment Agreement dated December 14, 2012 between Wausau Paper Corp. and certain executive officers (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated December 13, 2012) (Commission File No. 001-13923)\*
- 10.24 2013 Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated December 13, 2013) (Commission File No. 001-13923)\*
- 10.25 Long-Term (2015) Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated December 13, 2013) (Commission File No. 001-13923)\*
- 10.26 Agreement among Wausau Paper Corp., Starboard Value LP and certain Starboard affiliates dated as of March 6, 2013 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated March 6, 2013) (Commission File No. 001-13923)
- 10.27 Asset Purchase Agreement dated May 18, 2013, among Specialty Papers Acquisition, LLC, Wausau Paper Mills, LLC, Wausau Paper Corp., and (solely with respect to Section 13.19) Specialty Papers Intermediate Holdings, Inc., and Specialty Paper Holdings, L.P. (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K dated May 18, 2013) (Commission File No. 001-13923)

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| Exhibit<br>Number | Description   |
|-------------------|---|
| 10.28             | First Amendment, dated June 26, 2013, to Asset Purchase Agreement dated May 18, 2013, among Specialty Papers Acquisition, LLC, Wausau Paper Mills, LLC, Wausau Paper Corp., and (solely with respect to Section 13.19) Specialty Papers Intermediate Holdings, Inc., and Specialty Paper Holdings, L.P. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated June 26, 2013) (Commission File No. 001-13923) |
| 10.29             | 2014 Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated January 3, 2014) (Commission File No. 001-13923)*  |
| 10.30             | Long-Term (2016) Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated January 3, 2014) (Commission File No. 001-13923)*  |
| 10.31             | 2014 Cash Incentive Compensation Plan for Executive Officers (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K dated January 3, 2014) (Commission File No. 001-13923)*   |
| 10.32             | Executive Retention Bonus Agreement dated April 24, 2014 between Wausau Paper Corp. and Sherri L. Lemmer (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated April 22, 2014) (Commission File No. 001-13923)*  |
| 10.33             | Grant of Performance Units Agreement dated April 24, 2014 between Wausau Paper Corp. and Michael C. Burandt (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated April 22, 2014) (Commission File No. 001-13923)*   |
| 10.34             | Agreement among Wausau Paper Corp., Starboard Value LP and certain Starboard affiliates dated as of July 2, 2014 (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K dated June 27, 2014) (Commission File No. 001-13923)  |
| 10.35             | Settlement Agreement among Wausau Paper Corp., and the Pension Benefit Guaranty Corporation dated as of July 30, 2014 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated July 30, 2014) (Commission File No. 001-13923)   |
| 10.36             | 2015 Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated January 5, 2015) (Commission File No. 001-13923)*  |
| 10.37             | 2015 Cash Incentive Compensation Plan for Executive Officers (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated January 5, 2015) (Commission File No. 001-13923)*   |
| 21.1              | Subsidiaries of Wausau Paper Corp. (incorporated by reference to Exhibit 21.1 to Annual Report on Form 10-K for the fiscal year ended December 31, 2009) (Commission File No. 001-13923)  |
| 23.1              | Consent of Deloitte & Touche LLP  |
| 31.1              | Certification of CEO pursuant to Section 302 of Sarbanes-Oxley Act of 2002  |
| 31.2              | Certification of CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002  |
| 32.1              | Certification of CEO and CFO furnished pursuant to Section 906 of Sarbanes-Oxley Act of 2002  |
| 101.INS           | XBRL Instance Document**  |
| 101.SCH           | XBRL Taxonomy Extension Schema**  |
| 101.CAL           | XBRL Taxonomy Extension Calculation Linkbase**  |
| 101.LAB           | XBRL Taxonomy Extension Label Linkbase**  |
| 101.PRE           | XBRL Extension Presentation Linkbase**  |
| 101.DEF           | XBRL Taxonomy Definition Linkbase**   |

\*

Executive compensation plans or arrangements. All plans are sponsored or maintained by Wausau Paper Corp. unless otherwise noted.

\*\*

In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this annual report on Form 10-K shall be deemed "furnished" and not "filed."

(b)

Exhibits

See Item 15(a)(3).

(c)

Financial Schedules

See Item 15(a)(2).

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

March 2, 2015

WAUSAU PAPER CORP.

/s/ SHERRI L. LEMMER

Sherry L. Lemmer  
*Senior Vice President and Chief Financial Officer*

(On behalf of the Registrant and as Principal Financial and Accounting Officer)

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 2, 2015

/s/ MICHAEL C. BURANDT

Michael C. Burandt  
*Chairman of the Board and Chief Executive Officer*  
*(Principal Executive Officer)*

/s/ G. WATTS HUMPHREY, JR.

G. Watts Humphrey, Jr.  
*Director*

/s/ JOHN S. KVOCKA

John S. Kvocka  
*Director*

/s/ GAVIN T. MOLINELLI

Gavin T. Molinelli  
*Director*

/s/ GEORGE P. MURPHY

George P. Murphy  
*Director*

/s/ GARY W. FREELS

Gary W. Freels  
*Director*

/s/ LONDA J. DEWEY

Londa J. Dewey  
*Director*

/s/ CHARLES E. HODGES

Charles E. Hodges  
*Director*





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**Exhibit Index\* to Form 10-K of Wausau Paper Corp.  
for the Fiscal Year Ended December 31, 2014**

PURSUANT TO SECTION 102(d) OF REGULATION S-T (17 C.F.R. §232.102(d))

|              |  |
|--------------|--|
| Exhibit 23.1 | Consent of Deloitte & Touche LLP   |
| Exhibit 31.1 | Certification of CEO pursuant to Section 302 of Sarbanes-Oxley Act of 2002         |
| Exhibit 31.2 | Certification of CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002         |
| Exhibit 32.1 | Certification of CEO and CFO pursuant to Section 906 of Sarbanes-Oxley Act of 2002 |
| 101.INS      | XBRL Instance Document**   |
| 101.SCH      | XBRL Taxonomy Extension Schema**   |
| 101.CAL      | XBRL Taxonomy Extension Calculation Linkbase**                                     |
| 101.LAB      | XBRL Taxonomy Extension Label Linkbase**   |
| 101.PRE      | XBRL Extension Presentation Linkbase**   |
| 101.DEF      | XBRL Taxonomy Definition Linkbase**  |

\*

Exhibits required by Item 601 of Regulation S-K which have previously been filed and are incorporated herein by reference are set forth in Part IV, Item 15 of Form 10-K to which this Exhibit Index relates.

\*\*

In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this annual report on Form 10-K shall be deemed "furnished" and not "filed."