WAUSAU PAPER CORP.
Form 10-K
March 03, 2014

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

o **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	**Wisconsin**
Mosinee, Wisconsin 54455	(State of incorporation)
(Address of principal executive office)	**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
Common stock, no par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

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

Yes o No ý

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 o No ý

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 ý No o

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 ý No o

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. o

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 o	Accelerated filer ý
Non-accelerated filer o	Smaller reporting company o
(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 o No ý

As of June 30, 2013, the aggregate market value of the common stock shares held by non-affiliates was approximately $547,120,052. For purposes of this calculation, the registrant has assumed its directors and executive officers are affiliates. As of February 28, 2014, 49,747,687 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for use in connection with 2014 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. Our headquarters is located in Mosinee, Wisconsin. At December 31, 2013, we employed approximately 900 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, Bay West® towel and tissue products, made primarily from recycled material, are marketed under a number of brands including DublSoft®, EcoSoft , OptiCore®, Revolution®, and Dubl Nature®. 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 9% of consolidated net sales. 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 83% of our total raw materials or 47% of our total cost of sales in 2013. Market pulp (an aggregate of approximately 67,000 air-dried metric tonnes in 2013) was purchased on the open market and under contract, principally from producers in the United States and Canada.

During 2013 we purchased approximately 141,000 standard tons of wastepaper from domestic suppliers, some of which is under contract, at prevailing market prices. This wastepaper represented approximately 68% of the fiber required to manufacture 81% of our 2013 parent roll requirement. The balance of our parent roll requirements, or approximately 36,000 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 2014 and 2019. At December 31, 2013, we also have volume commitments for the supply of natural gas. These obligations expire between 2014 and 2017. 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®, Bay West®, EcoSoft , DublSoft®, Artisan , OptiCore®, OptiServ®, Revolution®, DublNature®, 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 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. We believe the loss of any single customer would not have a material adverse effect on the Company.

BACKLOG

Order backlogs, at December 31, 2013, decreased to approximately 3,900 tons, representing $9.1 million in sales, compared to 4,200 tons, or $9.9 million in sales, at December 31, 2012. Order backlogs at December 31, 2011, were approximately 2,000 tons, or $4.2 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, 2013, is expected to be shipped during the first quarter of 2014.

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 $1.4 million, $0.8 million, and $0.9 million in 2013, 2012, and 2011, 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 900 employees at the end of 2013. 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. We maintain good labor relations at our remaining facilities and expect that any future contracts will be negotiated at competitive rates.

EXECUTIVE OFFICERS OF THE COMPANY

The following information relates to executive officers of Wausau Paper as of March 3, 2014.

Henry C. Newell, 56
President and Chief Executive Officer since January 2012. Previously, Executive Vice President, Chief Operating Officer, (2011), Senior Vice President, Paper (2010-2011), Senior Vice President, Specialty Products (2008-2009), and Vice President, Business Development (2007-2008). Also, Vice President and Chief Financial Officer, for several portfolio companies of Atlas Holding LLC (2006-2007).

Sherri L. Lemmer, 46
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).

Matthew L. Urmanski, 41
Senior Vice President and General Manager since December 2013. Previously, 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).

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. 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 57% of our cost of sales, with wastepaper, purchased parent rolls, and market pulp accounting for over three-quarters 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.

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.

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

In March 2013, we closed our technical specialty paper mill in Brainerd, Minnesota. See Note 2 of the Notes to Consolidated Financial Statements for additional information. In addition, 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 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. 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.

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 control deficiency, or a combination of control 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 by the Company's internal controls. 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 amounts currently recognized are determined. Such additional expense recognition may result in lower reported net earnings and decreased equity or increased balance sheet liabilities, either 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, which are included in Item 8 of this report. 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 made adequate provision for such loss and our consolidated financial condition, liquidity, or results of operations could be impacted.

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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 is, in itself, 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, and our shareholders rights plan, 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:

- require that, in many potential takeover situations, rights issued under our shareholder rights plan become exercisable to purchase our common stock and potentially other securities at a price substantially discounted from the then applicable market price;
- 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

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Item 2. Properties

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

Facility	Product	Number of Paper Machines	Practical Capacity(1) (tons)	2013 Actual (tons)
Middletown, OH	Tissue	2	120,000	119,300
	Deink Pulp	n/a	110,000	107,800
Harrodsburg, KY	Tissue(2)	1	70,000	47,400
	Converted Tissue	n/a	190,000	183,600

(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.

(2) In 2011, our Board of Directors approved plans to expand our production capabilities in response to growing demand for our environmentally friendly premium products. The expansion included the construction of a state-of-the-art paper machine, located at our Harrodsburg, Kentucky converting facility, that is capable of producing premium towel and tissue products from 100% recycled fiber. Initial start-up of the new paper machine occurred in mid-December 2012, with full commercialized production on the paper machine continuing through 2013.

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

Location	Square Feet	Owned or Leased (Expiration Date)
Harrodsburg, KY	970,000	Owned
Danville, KY	630,000	Leased (January 2015)
	134,000	Leased (May 2016)
	110,000	Leased (February 2015)

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

During 2011, we sold approximately 80,700 acres of our timberlands, resulting in an after-tax gain of $23.3 million. We have completed the sale of the timberlands in our timberland sales program, which was initiated in 2005.

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 remediatory 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.

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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 the record date of the annual meeting, February 28, 2014, (the "Record Date") there were approximately 1,700 holders of record of Wausau Paper common stock. We estimate that as of the Record Date there were approximately 24,700 additional beneficial owners whose shares were held in street name or in other fiduciary capacities. As of the Record Date, there were 49,747,687 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 High	Market Price Low	Cash Dividend Declared
2013*			
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**
2012*			
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
2011*			
First Quarter	$ 9.05	$ 7.03	
Second Quarter	$ 8.21	$ 5.83	$ .06
Third Quarter	$ 7.62	$ 5.82	
Fourth Quarter	$ 8.49	$ 6.05	$ .06

* Two cash dividends of $.03 per share were declared in the second and fourth quarters in 2013, 2012 and 2011.

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Item 6. Selected Consolidated Financial Data
Wausau Paper Corp. and Subsidiaries Selected Financial Data

(all amounts in thousands, except per share data)	2013*	2012**	2011***	2010****	2009*****
	For the Year Ended December 31,				
FINANCIAL RESULTS					
Net sales	$ 348,584	$ 344,182	$ 335,230	$ 343,011	$ 336,269
Operating (loss) profit	(2,584)	1,137	50,004	27,724	34,347
Interest expense	8,802	3,330	6,850	6,587	8,986
(Loss) earnings from continuing operations before income taxes	(11,390)	(2,244)	42,440	21,117	25,347
Net (loss) earnings from continuing operations	(28,183)	(1,562)	25,228	12,220	15,092
Net earnings (loss) from discontinued operations	(69,082)	2,238	(46,926)	24,636	5,471
Net earnings (loss)	(97,265)	676	(21,698)	36,856	20,563
Cash dividends paid	5,929	5,918	5,905	1,475	4,151
Cash flows from operating activities	(1,655)	35,928	64,484	22,753	110,914
PER SHARE					
Net (loss) earnings from continuing operations basic	$ (0.57)	$ (0.03)	$ 0.51	$ 0.25	$ 0.31
Net earnings (loss) from discontinued operations basic	(1.40)	0.05	(0.95)	0.50	0.11
Cash dividends declared	0.12	0.12	0.12	0.06	
Stockholders' equity	3.40	4.17	3.99	5.30	4.62
Basic average number of shares outstanding	49,411	49,312	49,160	48,965	48,834
Price range (low and high closing)	$ 8.73-13.70	$ 7.61-9.86	$ 5.86-8.96	$ 6.12-11.66	$ 3.80-11.87
FINANCIAL CONDITION					
Working capital	$ 33,905	$ 67,837	$ 71,039	$ 109,139	$ 92,122
Total assets	481,563	700,715	678,830	677,609	655,101
Long-term debt	150,000	196,200	127,650	127,382	117,944
Stockholders' equity	168,142	205,501	196,244	259,666	225,422
Capital expenditures	37,466	149,424	78,063	42,990	45,948
RATIOS					
Percent net (loss) earnings from continuing operations to sales	(8.1%)	(0.0%)	7.5%	3.6%	4.5%
Percent net (loss) earnings from continuing operations to average stockholders' equity	(15.1%)	(0.8%)	11.1%	5.0%	7.0%
Ratio of current assets to current liabilities	1.5 to 1	1.7 to 1	1.5 to 1	1.8 to 1	1.7 to 1
Percent of long-term debt to total capitalization	47.2%	48.8%	39.4%	32.9%	34.4%

Within Continuing Operations:

*

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 natural gas contract for a closed manufacturing facility. In addition, 2013 includes a tax valuation allowance loss of $21.0 million or $0.42 per share.

**

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 a 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 natural gas contract for a closed manufacturing facility.

***

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.

****

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 natural gas transportation 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.

*****

In 2009, includes after-tax gains of $2.0 million ($3.2 million pre-tax) or $0.04 per share related to timberland sales includes after-tax expense of $1.6 million ($2.5 million pre-tax) or $0.03 per share related to expenses associated with the towel machine rebuild at our Middletown, Ohio mill.

Within Discontinued Operations:

*

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.

**

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.

***

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.

*****

In 2009, includes after-tax expense of $17.3 million ($27.9 million pre-tax) or $0.35 per share related to closure costs and expenses as a result of the closure of our Groveton, New Hampshire and Jay, Maine mills, Appleton, Wisconsin converting facility, and the sale and closure of roll wrap operations. Further, includes an after-tax gain of $1.7 million ($2.7 million pre-tax) or $0.03 per share related to the sale of our non-core yeast business.

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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 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, 2013, 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. In the future, we may take actions to increase customer rebates, possibly resulting in an increase in the deduction recorded to arrive at net sales at the time the incentive is offered.

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, 2013, 2012, and 2011, we recorded pre-tax impairment losses of $64.5 million, $2.1 million, and $58.8 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, and assumed annual rate of compensation increase for plan employees, 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 2013 defined benefit pension obligations by approximately $6.7 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 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 2013 obligations for other post-retirement benefits by approximately $0.7 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 $2.0 million, while a decrease of one percentage point would impact the same obligations by approximately $1.7 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 2013, we had federal and state net operating loss carryovers of $40.5 million and $174.7 million, respectively. At the end of 2013, 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 2014 through 2037.

Tax valuation allowances totaled $20.9 million at the end of 2013. Of this amount, $8.0 million relates to the federal cellulosic biofuel credit carryover, and $12.9 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

The year ended December 31, 2013, was a pivotal year for Wausau Paper. We completed the execution of our plans to transform our company into an organization that is 100 percent focused on away-from-home towel and tissue markets. In

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fact, this transformation has occurred over the past few years beginning with our former Paper segment as described below:

- During the first quarter of 2012, we completed the sale of our premium Print & Color brands, inventory, and select equipment, and permanently ceased papermaking operations at our Brokaw, Wisconsin mill.

- In the first quarter of 2013, we completed the closure of our technical specialty paper mill in Brainerd, Minnesota.

- On June 26, 2013, we finalized the sale of our specialty paper business and primarily all its assets and selected liabilities, excluding the Brainerd mill.

Consequently, the operations of the former Paper segment and its related closure activities are reported as discontinued operations, and all results discussed below exclude the results of discontinued operations unless otherwise indicated. For additional information on discontinued operations as a result of the sale of the specialty paper business, closure of the Brainerd mill, and closure of the Brokaw mill, refer to "Note 2 Discontinued Operations and Other" in the Notes to Consolidated Financial Statements.

In coordination with our transformation to a pure play tissue company, during 2013:

- We successfully commercialized the first green-field towel and tissue machine using ATMOS technology in North America; completing the largest capital expansion in our history,

- We introduced 20 new items within our new Green Seal DublNature® family of premium away-from-home towel and tissue products, and

- We achieved over 4 percent case volume growth over the course of the year, with over 7 percent case volume growth in the second half of the year or approximately 4 to 5 times the market growth rate of approximately 1.6 percent in the second half of 2013.

Not only were we able to accomplish these goals, we also:

- Ensured that our balance sheet was strong enough to continue to support the acceleration of growth in tissue,

- Reduced and realigned our existing cost structure, including a reduction of salaried staffing levels by approximately 20 percent by the end of 2013, and

- Established a commitment to return additional capital to our shareholders.

2013 was a year of dynamic change for Wausau Paper, as we transformed our company into an organization that is 100 percent focused on the away-from-home towel and tissue markets.

CONSOLIDATED

(all dollar amounts in thousands, except per share data)	**2013**	2012	2011
(Loss) earnings from continuing operations	$ (28,183)	$ (1,562)	$ 25,228
Net (loss) earnings from continuing operations per share basic and diluted	$ (0.57)	$ (0.03)	$ 0.51
(Loss) earnings from discontinued operations, net of taxes	$ (69,082)	$ 2,238	$ (46,926)
Net (loss) earnings from discontinued operations per share basic and diluted	$ (1.40)	$ 0.05	$ (0.95)

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 an additional 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.

Net earnings for 2011 was $25.2 million, or $0.51 per share, which included after-tax expenses of $1.4 million, or $0.03 per share, related to a capital expansion project. In addition, 2011 included after-tax gains on sales of timberlands of $23.3 million, or $0.47 per share.

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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 mill, closed on June 26, 2013. In February 2013, we announced the planned closure of our Brainerd paper mill. The Brainerd mill permanently closed on March 29, 2013.

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 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 and prior periods were not restated. As such, the December 31, 2012, Consolidated Balance Sheet amounts included liabilities of discontinued operations only related to the Brokaw mill. The assets and liabilities of the specialty paper business and the Brainerd mill have not been reclassified in the December 31, 2012 Consolidated Balance Sheet. The Statements of Cash Flows for the years ended December 31, 2013 and 2012, 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)	**2013**	2012	2011
Net sales	**$ 348,584**	$ 344,182	$ 335,230
Tons shipped	**181,046**	177,458	173,451
Cases shipped	**16,728,540**	16,021,000	15,502,791
Gross profit on sales	**$ 49,602**	$ 63,740	$ 91,318
Gross profit margin	**14%**	19%	27%

Net sales for the year ended December 31, 2013 were $348.6 million, compared with net sales of $344.2 million for the year ended December 31, 2012. Total shipments in 2013 of 181,046 tons increased 2% from the 177,458 tons shipped in 2012, and 2013 cases shipped of 16.7 million increased 4% from the 16.0 million shipped in 2012. Net sales in 2011 were $335.2 million, consisting of shipments of 173,451 tons, or 15.5 million cases.

Comparing 2013 to 2012, average net selling price per case decreased approximately 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. The decline in average net selling price during the comparative periods was primarily due to volume gains in our support product categories, which generally carry a lower average net selling price. Compared to 2011, 2012 average net selling price decreased 1%, or nearly $5 million, with actual net selling price decreases only partially offset by an improvement in composition of overall product mix.

Gross profit margin decreased to $49.6 million, or 14% of net sales, in 2013 compared with $63.7 million, or 19% of net sales, in 2012. Gross profit margin in 2011 was $91.3 million, or 27% of net sales.

During the year ended December 31, 2013, as compared 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 new paper machine in Harrodsburg, Kentucky, resulting in a decline in gross profit. Comparing the year ended December 31, 2012 to the same period in 2011, a decrease in fiber and energy costs of approximately $15 million and

$1 million, respectively, was unable to offset increases in other manufacturing costs and a decrease in average net selling price. Gross profit in 2013, 2012 and 2011 was impacted by capital expenses totaling $0.1 million, $6.6 million and $0.8 million, respectively, due to the expansion project at our Harrodsburg facility. In addition, 2011 gross profit was favorably impacted by $36.0 million in gains on sales of timberlands.

During the year ended December 31, 2013, raw materials and packaging comprised approximately 57% of our total cost of sales, with market pulp, wastepaper, and purchased towel and tissue parent rolls accounting for over three-quarters of this total. Labor and fringes were approximately 18% of our total cost of sales, while utilities accounted for approximately 8%. Net other operating expenses, including outbound freight, depreciation, and maintenance, comprised the remaining 17% of our cost of sales.

Combined fiber prices, consisting of market pulp, wastepaper, and purchased towel and tissue parent rolls, decreased during 2013. As compared to 2012, 2013 fiber costs decreased approximately $1 million, after decreasing approximately $15 million in 2012 as compared with 2011. In 2011, pulp and wastepaper prices increased, reaching record highs before declining significantly in the last quarter of that year. Pulp and wastepaper prices continued to decline at moderate rates throughout 2012, leveling off near the end of the year. Pulp and wastepaper prices declined slightly in 2013 and have begun to increase in 2014.

In 2013, we consumed 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. Approximately 137,000 standard tons of wastepaper, 19,000 air-dried metric tons of market pulp, and 73,000 standard tons of purchased parent rolls were consumed in 2012. The average price of wastepaper, used in the production of towel and tissue products, decreased $19 per standard ton, or nearly $3 million, in 2013 as compared to 2012. As compared with 2011, the average price of wastepaper decreased $66 per standard ton, or almost $9 million, in 2012. Purchased pulp increased $37 per metric ton, or $3 million in 2013 compared to 2012 while the price had decreased $88 per metric ton, or nearly $2 million from 2012 compared to 2011. Purchased towel and tissue parent rolls, used in our converting operations, decreased $100 per standard ton, or approximately $1 million, in 2013 as compared to 2012, after decreasing $56 per standard ton, or nearly $4 million, in 2012 as compared to 2011.

Energy-related prices, consisting primarily of natural gas, electricity, coal, fuel oil, and transportation, increased in 2013 as compared to 2012, with the increase in the price of natural gas, only partially offset by decreases in electricity, transportation, fuel oil and coal. In total, energy-related costs, including transportation, increased approximately $1 million in 2013 as compared with 2012, after decreasing approximately $1 million in 2012 as compared with 2011.

During 2013, the average price of natural gas increased 38%, or approximately $2 million, as compared with 2012. During 2012, the average price of natural gas decreased 22%, less that $1 million, as compared with 2011. As compared with 2012, 2013 electricity costs decreased approximately 5%, or approximately $1 million while fuel oil, transportation, and coal prices had less than a $1 million impact in 2013 as compared to 2012. Comparing 2012 with 2011, electricity prices decreased approximately 13%, or more than $1 million, while 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 throughout 2013. Within cost of sales, labor and fringe costs 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 1.6% in 2013 after a similar increase in 2012 as compared to 2011.

BACKLOGS

Customer order backlogs were approximately 3,900 tons, representing $9.1 million in sales at December 31, 2013. Customer backlogs, excluding discontinued operations, were approximately 4,200 tons, or $9.9 million in sales, as of December 31, 2012, and approximately 2,000 tons, or $4.2 million in sales, as of December 31, 2011. 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, 2013 is expected to be shipped during the first quarter of 2014.

LABOR

We employed approximately 900 employees at the end of 2013. 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

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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)	**2013**	2012	2011
Selling and administrative expense	$ 52,186	$ 62,603	$ 41,314
Percent (decrease) increase	(17%)	52%	(13%)
As a percent of net sales	15%	18%	12%

Selling and administrative expenses for the year ended December 31, 2013 were $52.2 million, compared to $62.6 million in the same period of 2012. Selling and administrative expenses were $41.3 million for the year ended December 31, 2011. In 2013, stock-based incentive compensation programs resulted in expense of $2.5 million, compared to expense of $2.0 million in 2012 and $2.9 million in 2011. For additional information on our stock incentive programs, refer to "Note 9 Stock Compensation Plans" in the Notes to Consolidated Financial Statements.

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

Comparing the year ended December 31, 2012 to the same period in 2011, selling and administrative expense was impacted by significant increases in consulting, recruiting, and compensation related costs associated with the new positions created to support the start-up of the new paper machine at our Harrodsburg, Kentucky facility.

OTHER INCOME AND EXPENSE

(all dollar amounts in thousands)	**2013**	2012	2011
Interest expense	$ 8,802	$ 3,330	$ 6,850
Loss on early extinguishment of debt			666
Other, net	4	51	48

Interest expense increased for the year ended December 31, 2013, to $8.8 million compared to $3.3 million for the year ended December 31, 2012. In 2013 as compared with 2012, the increase in interest expense is due to reduced capitalized interest a result of the start up new paper machine at our Harrodsburg, Kentucky facility. Interest capitalized during the year ended December 31, 2013 was $0.4 million, compared with $4.7 million in the year ended December 31, 2012, and $0.7 million in the year ended December 31, 2011. Total debt was $150.0 million at December 31, 2013 compared to $196.2 million and $127.7 million at December 31, 2012 and 2011, respectively. Although the average balance of debt outstanding was higher in 2012 as compared to 2011, the interest expense decreased due the amount capitalized.

INCOME TAXES

(all dollar amounts in thousands)	**2013**	2012	2011
Income tax provision (credit) from continuing operations	**$ 16,793**	$ (682)	$ 17,212
Effective tax rate	**(147.4%)**	30.4%	40.6%

During the year ended December 31, 2013, our effective income tax rate related to earnings (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.

The effective tax rate for 2014 is expected to be approximately 37%.

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)	**2013**	2012	2011
Cash (used in) provided by operating activities	$ (1,655)	$ 35,928	$ 64,484
Working capital	$ 33,905	$ 67,837	$ 71,039
Percent decrease	(50%)	(5%)	(35%)
Current ratio	1.5:1	1.7:1	1.5:1
Capital expenditures	$ 37,466	$ 149,424	$ 78,063
Percent increase (decrease)	(75%)	91%	82%

Cash used in operating activities was $1.7 million during the year ended December 31, 2013, compared to cash provided by operations of $35.9 million for the year ended December 31, 2012. 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. Cash provided by operating activities decreased in 2012 as compared with 2011, primarily due to increased contributions to our defined benefit pension and retirement plans and decreases in accrued and refundable income taxes.

Capital expenditures totaled $37.5 million, $149.4 million, and $78.1 million in 2013, 2012, and 2011, respectively. It is expected that capital spending will be approximately $35 million in 2014. The decrease in capital expenditures from 2012 to 2013 was due to the near completion of our Harrodsburg, Kentucky facility's new paper machine during 2012. 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. 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.

During 2011, we sold approximately 80,700 acres of timberlands for an after-tax gain of $23.3 million, completing a timberland sales program initiated in 2005. Through this timberland sales program, we have liquidated substantially all of our timberland holdings.

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 2014.

DEBT AND EQUITY

(all dollar amounts in thousands)	**2013**	2012	2011

Long-term debt	$ 150,000	$ 196,200	$ 127,650
Total capitalization	318,142	401,701	323,894
Long-term debt/capitalization ratio	47%	49%	39%

At December 31, 2013, total debt was $150.0 million, a decrease of $46.2 million from the $196.2 million reported at December 31, 2012. 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 technical and specialty business, which totaled $105.1 million, to pay down outstanding debt. At December 31, 2011, total debt was $127.7 million. The increase in debt from 2011 to 2012 was due primarily to fund the increase in capital expenditures related to the expansion at our Harrodsburg, Kentucky facility, partially offset by cash generated from the sales of our premium Print & Color brands and a reduction in inventories.

On March 31, 2010, we entered into a note purchase and private-shelf agreement. This agreement provided for the April 9, 2010, issuance of $50 million of unsecured senior notes having an interest rate of 5.69% that mature on April 9, 2017, and also established a private shelf facility under which up to $125 million of additional promissory notes may be issued at terms agreed upon by the parties at the time of issuance until July 20, 2014. On April 4, 2011, we issued an additional aggregate principal amount of $50 million of our senior notes under the terms of this note purchase and private-shelf agreement. The notes bear interest at 4.68% and mature on April 4, 2018. On August 22, 2011, the private-shelf agreement was amended to expand the total amount available under the agreement to $150 million. On April 9, 2012, we issued an additional aggregate principal amount of $50 million of our senior notes under this note purchase and private-shelf

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agreement. The notes bear interest at 4.00% and mature on June 30, 2016. At December 31, 2013, the total availability of unsecured private placement notes was $200 million, with $150 million of unsecured private placement notes currently outstanding. Our ability to issue additional private placement notes under this agreement expires in July 2014.

In August 1995, we obtained $19 million in industrial development bond financing to fund an upgrade of the Brokaw mill wastewater treatment plant. During the second quarter of 2012, we settled our obligations related to the $19 million of industrial development bonds. There were no prepayment penalties or significant costs associated with the retirement of these obligations.

On June 23, 2010, we entered into a $125 million revolving-credit agreement with five financial institutions that will expire on June 23, 2014. Under this agreement, we may elect the base for interest from either domestic or offshore rates. In addition, the agreement provides for sublimits of $50 million for the issuance of standby letters of credit and $10 million for certain short-term bid loans among the bank group. Under the credit agreement, we pay an annual facility fee.

On June 26, 2013, the credit agreement was amended to reduce the aggregate commitments from $125 million to $100 million. On December 17, 2013, the credit agreement was further amended to reduce the aggregate commitments under the revolving-credit agreement to $80 million and extended the maturity date for those obligations from June 30, 2014, until June 30, 2015.

During the second quarter of 2011, we settled our obligations related to the $35 million unsecured private placement notes scheduled to expire in August 2011. The settlement of these obligations resulted in the recognition of a loss on early extinguishment of debt of $0.7 million in the year ended December 31, 2011, which reflects the premiums paid to retire the unsecured private placement notes, net of unamortized premiums and issuance costs.

In addition to representations and warranties, covenants, and provisions for default customary for facilities of this nature for customers of the banks having similar creditworthiness, we are required to maintain a consolidated debt to earnings before income taxes, depreciation, depletion, and amortization ratio, measured as of each fiscal quarter end, of not more than 4.0 to 1 until September 30, 2014, a consolidated interest coverage ratio of not less than 3.0 to 1, and an adjusted consolidated net worth of $205 million (increased by 25% of net quarterly income and proceeds from equity sales). Also, we are subject to similar financial and other covenants under the note purchase and private-shelf agreement. At December 31, 2013 and 2012, we were in compliance with all required covenants.

During 2013 and 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. Outstanding borrowings under this agreement at December 31, 2012, and 2011 were $40.7 million, and $8.7 million, respectively. There were no borrowings outstanding at December 31, 2013. On February 24, 2014, we terminated this commercial paper placement agreement.

On December 31, 2013, we had a total of approximately $130 million in unused borrowing capacity under existing credit facilities.

We do not have material market risk associated with derivative instruments, including interest-rate risk, foreign currency exchange risk, or commodity-price risk.

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 2013, 2012, or 2011. Repurchases may be made from time to time in the open market or through privately negotiated transactions. At December 31, 2013, there were 2,009,774 shares available for purchase under the existing authorization.

In 2013, 2012 and 2011, 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, 2013:

	Payments Due by Period						
(all dollar amounts in thousands)	Total	2014	2015	2016	2017	2018	Thereafter
Long-term debt	$ 150,000	$	$	$ 50,000	$ 50,000	$ 50,000	
Interest on debt	24,904	7,591	7,388	6,185	3,122	618	
Operating leases	2,606	1,902	539	165			
Capital spending commitments	10,900	10,900					
Retirement plan contributions	5,500	5,500					
Post-retirement benefit plan	3,800	3,800					
Purchase obligations	295,782	106,247	89,902	48,111	41,666	3,478	6,378
	$ 493,492	$ 135,940	$ 97,829	$ 104,461	$ 94,788	$ 54,096	$ 6,378

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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, 2013, we had a liability for unrecognized tax benefits, including related interest and penalties, totaling $2.3 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.

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, including interest rate risk, foreign currency exchange risk, or commodity-price risk. We generally conduct U.S. dollar-denominated international transactions, and our currency fluctuation risk for transactions denominated in foreign currency is not material. On March 31, 2010, we entered into a note purchase and private-shelf agreement. This agreement provided for the April 9, 2010, issuance of $50 million of unsecured senior notes having an interest rate of 5.69%. At December 31, 2013, the estimated fair value of this fixed-rate debt was $54.2 million. On April 4, 2011, we issued an additional $50 million of unsecured senior notes having an interest rate of 4.68%. At December 31, 2013, the estimated fair value of this fixed-rate debt was $52.4 million. On August 22, 2011, the private-shelf agreement was amended to expand the total amount available under the private-shelf agreement to $150 million. On April 9, 2012, we issued an additional aggregate principal amount of $50 million of our senior notes under this note purchase and private-shelf agreement with an interest rate of 4.00%. The estimated fair value of this fixed-rate debt was $51.3 million at December 31, 2013.

The potential loss in fair value on such fixed-rate debt obligations from a hypothetical 10% increase in market interest rates is estimated to be $0.4 million, and would not be material to the overall fair value of the debt. We currently have no plans to repurchase our outstanding fixed-rate instruments and, therefore, fluctuations in market interest rates would not have an effect on our results of operations or stockholders' equity.

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 generally accepted accounting principles 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 generally accepted accounting principles, 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, 2013. 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 (1992).

Based on our assessment, we believe that, as of December 31, 2013, 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 24.

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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, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* 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, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* 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 and financial statement schedule as of and for the year ended

December 31, 2013 of the Company and our reports dated March 3, 2014 expressed unqualified opinions on the consolidated financial statements and the financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin
March 3, 2014

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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, 2013 and 2012, 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, 2013. 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, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, 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, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin
March 3, 2014

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Wausau Paper Corp. and Subsidiaries
Consolidated Balance Sheets

(all dollar amounts in thousands)	As of December 31, **2013**	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,594	$ 4,044
Receivables, net	29,106	66,356
Refundable income taxes	1,927	2,146
Inventories	35,718	56,240
Spare parts	10,607	29,304
Other current assets	2,243	8,766
Assets of discontinued operations	8,587	
Total current assets	107,782	166,856
Property, plant, and equipment net	298,964	460,656
Deferred income taxes	20,470	19,496
Other assets	54,347	53,707
Total Assets	$ 481,563	$ 700,715
LIABILITIES		
Current liabilities:		
Accounts payable	$ 29,900	$ 50,072
Deferred income taxes	10,118	
Accrued and other liabilities	31,965	48,114
Liabilities of discontinued operations	1,894	833
Total current liabilities	73,877	99,019
Long-term debt	150,000	196,200
Post-retirement benefits	30,247	91,591
Pension	38,838	81,411
Other noncurrent liabilities	19,470	26,993
Other noncurrent liabilities of discontinued operations	989	
Total Liabilities	313,421	495,214

Commitments and contingencies

STOCKHOLDERS' EQUITY				
Preferred stock, no par value (500,000 shares authorized; no shares issued)				
Common stock, no par value (100,000,000 shares authorized; issued 60,122,812 shares in 2013 and 2012)		**178,342**		178,005
Retained earnings		**151,485**		254,732
Accumulated other comprehensive loss		**(27,220)**		(91,096)
Treasury stock, at cost (10,667,058 and 10,799,891 shares in 2013 and 2012, respectively)		**(134,465)**		(136,140)
Total stockholders' equity		**168,142**		205,501
Total Liabilities and Stockholders' Equity	**$**	**481,563**	$	700,715

See accompanying Notes to Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)

(all amounts in thousands, except per share data)	For the Year Ended December 31, 2013	2012	2011
Net sales	$ 348,584	$ 344,182	$ 335,230
Cost of sales	298,982	280,442	243,912
Gross profit	49,602	63,740	91,318
Selling and administrative	52,186	62,603	41,314
Operating (loss) profit	(2,584)	1,137	50,004
Other income (expense):			
Interest expense	(8,802)	(3,330)	(6,850)
Loss on early extinguishment of debt			(666)
Other, net	(4)	(51)	(48)
(Loss) earnings from continuing operations before income taxes	(11,390)	(2,244)	42,440
Provision (Credit) for income taxes	16,793	(682)	17,212
(Loss) earnings from continuing operations	(28,183)	(1,562)	25,228
(Loss) earnings from discontinued operations, net of taxes	(69,082)	2,238	(46,926)
Net (loss) earnings	$ (97,265)	$ 676	$ (21,698)
Net (loss) earnings per share basic and diluted:			
Continuing operations	$ (0.57)	$ (0.03)	$ 0.51
Discontinued operations	(1.40)	0.05	(0.95)
Net (loss) earnings	$ (1.97)	$ 0.01	$ (0.44)
Weighted average shares outstanding basic	49,411	49,312	49,160
Weighted average shares outstanding diluted	49,411	49,312	49,413
Dividends declared per common share	$ 0.12	$ 0.12	$ 0.12

Other comprehensive income (loss):						
Retirement and other post-retirement plans, net of tax	$	63,876	$	12,981	$	(37,898)
Other comprehensive income (loss)		63,876		12,981		(37,898)
Comprehensive (loss) income	$	(33,389)	$	13,657	$	(59,596)

See accompanying Notes to Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries
Consolidated Statements of Cash Flows

	For the Year Ended December 31,		
(all dollar amounts in thousands)	**2013**	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) earnings	$ (97,265)	$ 676	$ (21,698)
Provision for depreciation, depletion, and amortization	82,048	47,642	55,815
Credit for losses on accounts receivable	(100)	(165)	(201)
Loss on early extinguishment of debt			666
Gain on sale of business		(12,515)	
Loss (gain) on sale of assets	882	(960)	(36,202)
Impairment of long-lived assets	64,548	2,075	58,837
Non-cash inventory, spare parts and other writedowns	6,653		13,093
Compensation expense for stock-based awards	1,773	2,021	3,016
Deferred income taxes	(25,373)	(2,077)	(23,269)
Changes in operating assets and liabilities:			
Receivables	(972)	21,726	6,432
Inventories	(2,393)	18,235	18,965
Other assets	(22,793)	(20,568)	(17,608)
Accounts payable and other liabilities	(9,469)	(11,153)	(1,558)
Accrued and refundable income taxes	806	(9,009)	8,196
Net cash (used in) provided by operating activities	(1,655)	35,928	64,484
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(37,466)	(149,424)	(78,063)
Grants received for capital expenditures		236	610
Proceeds from sale of business	105,067	20,817	
Proceeds from sale of assets	1,243	7,194	43,830
Net cash provided by (used in) investing activities	68,844	(121,177)	(33,623)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net issuances (payments) of commercial paper	(40,700)	32,050	(14,590)
Borrowings under credit agreements	65,000	8,500	36,250
Payments under credit agreements	(70,500)	(3,000)	(36,250)
Issuances of notes payable		50,000	50,000
Payments of notes payable			(35,000)
Payments of industrial development bond agreement		(19,000)	
Payment of premium on early extinguishment of debt			(708)

Dividends paid	(5,929)	(5,918)	(5,905)
Proceeds from stock option exercises	490		
Net cash (used in) provided by financing activities	(51,639)	62,632	(6,203)
Net increase (decrease) in cash and cash equivalents	15,550	(22,617)	24,658
Cash and cash equivalents at beginning of year	4,044	26,661	2,003
Cash and cash equivalents at end of year	$ 19,594	$ 4,044	$ 26,661
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid net of amount capitalized	$ 7,606	$ 2,012	$ 5,677
Income taxes paid	$ 224	$ 3,145	$ 1,176

Noncash investing activities: For the years ended December 31, 2013, 2012, and 2011, capital expenditures included in accounts payable were $7.1 million, $4.7 million, and $20.3 million, respectively. Included within receivables for the year ended December 31, 2013 is $1.0 million for capital expenditure grants.

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 Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balances December 31, 2010	$ 178,089	$ 287,664	$ (66,179)	$ (139,908)	$ 259,666
Net loss		(21,698)			(21,698)
Retirement and other post-retirement plans (Net of $25,371 deferred tax)			(37,898)		(37,898)
Cash dividends declared		(5,950)			(5,950)
Restricted stock grant	53			(101)	(48)
Settlement of performance unit grant					