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.

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	