

WAUSAU PAPER CORP.
Form 10-Q
November 05, 2015
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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended September 30, 2015

OR

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.

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(Exact name of registrant as specified in charter)

WISCONSIN
(State of incorporation)

39-0690900
(I.R.S. Employer Identification Number)

100 Paper Place

Mosinee, Wisconsin 54455-9099

(Address of principal executive office)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2) of the Exchange Act). Yes No

The number of common shares outstanding at October 31, 2015 was 50,082,108.

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WAUSAU PAPER CORP.

AND SUBSIDIARIES

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Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

| (all amounts in thousands, except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net sales | \$ 95,446 | \$ 95,423 | \$ 270,521 | \$ 262,144 |
| Cost of sales | 76,470 | 80,013 | 221,258 | 226,965 |
| Gross profit | 18,976 | 15,410 | 49,263 | 35,179 |
| Selling and administrative | 13,540 | 13,041 | 32,643 | 40,966 |
| Operating profit (loss) | 5,436 | 2,369 | 16,620 | (5,787) |
| Interest expense | (3,258) | (2,894) | (9,774) | (7,473) |
| Loss on early extinguishment of debt | | (14,350) | | (14,350) |
| Other (expense) income, net | (17) | (14) | (31) | (11) |
| Earnings (loss) from continuing operations before income taxes | 2,161 | (14,889) | 6,815 | (27,621) |
| Provision (credit) for income taxes | 456 | (5,734) | 2,453 | (10,299) |
| Earnings (loss) from continuing operations | 1,705 | (9,155) | 4,362 | (17,322) |
| Loss from discontinued operations, net of taxes | (105) | (321) | (229) | (882) |
| Net earnings (loss) | \$ 1,600 | \$ (9,476) | \$ 4,133 | \$ (18,204) |
| Net earnings (loss) per share - basic and diluted: | | | | |
| Continuing operations | \$ 0.03 | \$ (0.18) | \$ 0.09 | \$ (0.35) |
| Discontinued operations | (0.00) | (0.01) | (0.00) | (0.02) |
| Net earnings (loss) | \$ 0.03 | \$ (0.19) | \$ 0.08 | \$ (0.36) |
| Weighted average shares outstanding basic | 50,376 | 50,433 | 50,383 | 50,099 |
| Weighted average shares outstanding diluted | 50,378 | 50,433 | 50,408 | 50,099 |
| Other comprehensive income (loss) | | | | |
| Retirement and other post-retirement plans, net of tax of \$80 and \$(58) for the three months ended September 30, 2015 and 2014, respectively, and \$430 and \$168 for the nine months ended September 30, 2015 and 2014, respectively | \$ 133 | \$ (96) | \$ 717 | \$ 281 |
| Other comprehensive income (loss) | 133 | (96) | 717 | 281 |
| Comprehensive income (loss) | \$ 1,733 | \$ (9,572) | \$ 4,850 | \$ (17,923) |

See Notes to Condensed Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

| (all dollar amounts in thousands) | September 30, 2015 (unaudited) | December 31, 2014 (derived from audited financial statements) |
|--|--------------------------------------|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,811 | \$ 2,675 |
| Receivables, net | 29,562 | 23,198 |
| Refundable income taxes | 804 | 1,487 |
| Inventories | 27,471 | 31,824 |
| Spare parts | 12,047 | 11,729 |
| Other current assets | 2,438 | 1,576 |
| Assets of discontinued operations - current | 1,044 | 1,050 |
| Total current assets | 76,177 | 73,539 |
| Property, plant, and equipment, net | 277,417 | 289,840 |
| Deferred income taxes | 40,348 | 43,386 |
| Other assets | 54,616 | 57,097 |
| Total Assets | \$ 448,558 | \$ 463,862 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 19,313 | \$ 22,740 |
| Deferred income taxes | 12,306 | 11,844 |
| Accrued and other liabilities | 31,599 | 35,556 |
| Liabilities of discontinued operations - current | 2,757 | 2,791 |
| Total current liabilities | 65,975 | 72,931 |
| Long-term debt | 169,579 | 170,868 |
| Post-retirement benefits | 22,966 | 21,647 |
| Pension | 48,554 | 55,075 |
| Other noncurrent liabilities | 11,615 | 15,829 |
| Total liabilities | 318,689 | 336,350 |
| Stockholders equity | 129,869 | 127,512 |
| Total Liabilities and Stockholders Equity | \$ 448,558 | \$ 463,862 |

See Notes to Condensed Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

| (all dollar amounts in thousands) | Nine Months Ended September 30, | |
|---|------------------------------------|-------------|
| | 2015 | 2014 |
| Net earnings (loss) | \$ 4,133 | \$ (18,204) |
| Provision for depreciation, depletion, and amortization | 31,168 | 30,788 |
| Gain on sale of assets | (698) | (227) |
| Loss on early extinguishment of debt | | 14,350 |
| Non-cash inventory, spare parts and other writedowns | 69 | 211 |
| Deferred income taxes | 2,875 | (10,628) |
| Other non-cash items | 2,126 | 2,588 |
| Changes in operating assets and liabilities | | |
| Receivables | (6,412) | 3,808 |
| Inventories | 4,353 | 4,957 |
| Other assets | (13,133) | (17,130) |
| Accounts payable and other | (12,510) | (20,619) |
| Net cash provided by (used in) operating activities | 11,971 | (10,106) |
| Cash flows from investing activities: | | |
| Capital expenditures | (6,622) | (12,831) |
| Proceeds from sale of assets | 1,019 | 7,056 |
| Net cash used in investing activities | (5,603) | (5,775) |
| Cash flows from financing activities: | | |
| Borrowings under credit agreements | 11,500 | 171,500 |
| Payments under credit agreements | (13,227) | (150,437) |
| Payments of debt issuance costs | | (3,544) |
| Payments of premium on early extinguishment of debt | | (13,833) |
| Proceeds from stock option exercises | | 1,450 |
| Dividends paid | (4,505) | (4,482) |
| Net cash (used in) provided by financing activities | (6,232) | 654 |
| Net increase (decrease) in cash and cash equivalents | 136 | (15,227) |
| Cash and cash equivalents, beginning of period | 2,675 | 19,594 |
| Cash and cash equivalents, end of period | \$ 2,811 | \$ 4,367 |

See Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Note 1. Basis of Presentation

The condensed consolidated financial statements include the results of Wausau Paper Corp. and our consolidated subsidiaries. The accompanying condensed consolidated financial statements, in the opinion of management, reflect all adjustments, which are necessary for a fair statement of the results for the periods presented. Results for the interim period are not necessarily indicative of future results. In all regards, the financial statements have been presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Refer to the notes to consolidated financial statements, which appear in the Annual Report on Form 10-K for the year ended December 31, 2014, for our accounting policies and other disclosures, which are pertinent to these statements.

The results of operations of our former specialty paper business are reported as discontinued operations in the Condensed Consolidated Statements of Comprehensive Income (Loss) for all periods presented. The corresponding assets and liabilities of the discontinued operations in the Condensed Consolidated Balance Sheets have been reclassified in accordance with authoritative literature on discontinued operations for all periods presented. Also, in accordance with the authoritative literature, we have elected to not separately disclose the cash flows related to the discontinued operations. See Note 3 for further information regarding discontinued operations.

Note 2. New Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. This standard provides companies with a single model for use in accounting for revenue arising from contracts with customers. The core principle of this model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. The guidance allows companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption through a cumulative adjustment. On August 12, 2015, the FASB issued ASU No. 2015-14, Deferral of the Effective Date which defers the effective date of ASU No. 2014-09, by one year for all entities, the standard is now effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements.

On June 19, 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. For share-based payments with

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a performance target that could be achieved after the requisite vesting period, the guidance requires the target be treated as a performance condition under FASB Accounting Standards Codification (ASC) Topic 718, Compensation Stock Compensation , and, as a result, should not be included in the estimation of the grant-date fair value of the award. Instead, ASU No. 2014-12 requires companies to recognize compensation expense for the award when it becomes probable that the performance target will be achieved. ASU No. 2014-12 is effective for annual periods beginning after December 15, 2015, and may be applied either prospectively or retrospectively. We do not expect the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

On August 27, 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements Going Concern. This standard provides guidance on management's responsibility to evaluate whether there is substantial doubt about a company's ability to continue as a going concern and related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. ASU No. 2014-15 is effective for annual periods ending after December 15, 2016, and for interim and annual periods thereafter, with early adoption permitted. We have early adopted this guidance with no material impact on our Consolidated Financial Statements.

On January 9, 2015, the FASB issued ASU No. 2015-01, Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. This guidance eliminates from GAAP the concept of an extraordinary item, which is an event or transaction that is both (1) unusual in nature and (2) infrequently occurring. Under the ASU, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. The ASU is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. We have early adopted this guidance with no material impact on our Consolidated Financial Statements.

On April 7, 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. The guidance changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The ASU is effective for annual and interim periods beginning after December 15, 2015, and interim periods beginning after December 15, 2016, with early adoption permitted and must be applied retrospectively. On August 16, 2015, the FASB issued ASU No. 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. The guidance is effective concurrently with ASU No. 2015-03, and clarifies the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack

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of guidance on this topic in ASU No. 2015-03. The SEC staff has announced that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement. We are currently evaluating the impact of this guidance on our Consolidated Financial Statements.

On June 12, 2015, the FASB issued ASU No. 2015-10, Technical Corrections and Improvements. The guidance amends verbiage, references and clarifies the Codification. The ASU is effective for fiscal years beginning after December 15, 2015; all other changes became effective upon the ASU's issuance. We have early adopted this guidance with no material impact on our Consolidated Financial Statements.

On July 22, 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. The guidance requires entities to measure most inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market (market in this context is defined as one of three different measures, one of which is net realizable value). The ASU does not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. The ASU is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein. We do not expect the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

Note 3. Discontinued Operations and Other

We determined that as of June 30, 2013, the sale of our former specialty paper business and the closure of the Brainerd, Minnesota paper mill, met the criteria for discontinued operations presentation as established in FASB ASC Subtopic 205-20, Discontinued Operations. The results of operations of the specialty paper business and Brainerd mills have been reported as discontinued operations in the Condensed Consolidated Statements of Comprehensive Income (Loss). The corresponding assets and liabilities of the discontinued operations have been reclassified in accordance with authoritative literature on discontinued operations. The Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014, have not been adjusted to separately disclose cash flows related to discontinued operations.

The sale of the specialty paper business and primarily all related assets and selected liabilities, excluding the Brainerd mill, closed in June 2013. Pre-tax charges related to severance and benefits, contract termination, and other associated restructuring costs totaled \$0.1 million and \$0.6 million for the three months ended September 30, 2015, and September 30, 2014, respectively. For the nine months ended September 30, 2015, and 2014, the aforementioned pre-tax closure charges were \$1.3 million.

In 2015, land assets related to the specialty paper business of less than \$0.1 million, excluded from the June 2013 transaction, were sold. We recognized pre-tax gains of

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\$0.9 million and generated proceeds of \$0.9 million on these transactions during the nine months ended September 30, 2015. There were no similar transactions during the nine months ended September 30, 2014.

The agreement to sell the specialty paper business also includes a provision whereby we would receive a contingent payment from the buyer if certain performance thresholds and other events occur. At September 30, 2015, no amounts have been recognized related to this provision, as we are not able to determine whether such events will occur.

The Brainerd mill permanently closed in March 2013 and the sales of the related asset group were completed in August 2014. There were no restructuring related impacts in the three or nine months ended September 30, 2015. Pre-tax charges related to severance and benefit continuation costs and other associated restructuring costs recorded for the three and nine months ended September 30, 2014, were \$0.3 million and \$0.5 million, respectively. These amounts include \$0.2 million to writedown the value of assets held for sale. In the nine month period ended September 30, 2014, all Brainerd mill inventory not included within the sale of the specialty paper business was sold during the three months ended March 31, 2014, causing liquidation in individual LIFO inventory pools, resulting in pre-tax income of approximately \$0.2 million.

In June 2014, we sold a portion of the group of assets held for sale associated with Brainerd and realized proceeds on the sale of \$2.6 million. In August 2014, we sold the remaining group of assets and realized proceeds on the sale of \$4.4 million. Total proceeds realized on the sale of the Brainerd assets were \$7.0 million for the nine months ending September 30, 2014. There was a gain of \$0.5 million recognized in the three and nine months ended September 30, 2014, on the disposal of the Brainerd asset group.

At September 30, 2015, there were \$1.0 million in current assets of discontinued operations, comprised primarily of deferred tax assets. Also at September 30, 2015, there were \$2.8 million in accrued and other current liabilities that were primarily related to \$2.5 million of contract termination restructuring costs and were classified as discontinued operations in the Condensed Consolidated Balance Sheets. At December 31, 2014, there were \$1.1 million in current assets of discontinued operations, comprised primarily of deferred tax assets and land held for sale. Also at December 31, 2014, there were \$2.8 million in current liabilities that were primarily related to \$2.4 million of contract termination restructuring costs and were classified as discontinued operations in the Condensed Consolidated Balance Sheets.

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

| (all amounts in thousands, except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | | |
|---|-------------------------------------|--------|------------------------------------|-----------|-----------|
| | 2015 | 2014 | 2015 | 2014 | |
| Net sales | \$ | \$ 49 | \$ | \$ 428 | |
| Loss from discontinued operations before income taxes | | (168) | (673) | (367) | (1,871) |
| Credit for income taxes | | (63) | (352) | (138) | (989) |
| Loss from discontinued operations, net of taxes | \$ | (105) | \$ (321) | \$ (229) | \$ (882) |
| Net loss per share basic and diluted | \$ | (0.00) | \$ (0.01) | \$ (0.00) | \$ (0.02) |

The following table summarizes the pre-tax restructuring expenses included in loss from discontinued operations in the Condensed Consolidated Statements of Comprehensive Income (Loss) associated with the sale of the specialty paper business and closure of Brainerd.

| (all dollar amounts in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|--------|------------------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Severance and benefit continuation costs | \$ | \$ 37 | \$ | \$ 208 |
| Other associated costs, net | 159 | 872 | 1,289 | 1,536 |
| Total | \$ | \$ 909 | \$ 1,289 | \$ 1,744 |

Following is a summary of the liabilities for restructuring expenses through September 30, 2015 and 2014, respectively, related to the closure of Brainerd and the sale of the specialty paper business all of which were included in liabilities of discontinued operations:

| (all dollar amounts in thousands) | December 31, 2014 | Reserve/ Provisions | Payments/ Usage | September 30, 2015 |
|-----------------------------------|----------------------|------------------------|--------------------|-----------------------|
| Contract termination | \$ 2,359 | \$ 122 | \$ | \$ 2,481 |
| Other | 40 | 1,167 | (1,207) | |
| Total | \$ 2,399 | \$ 1,289 | \$ (1,207) | \$ 2,481 |

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| (all dollar amounts in thousands) | December 31, 2013 | Reserve/ Provisions | Payments/ Usage | September 30, 2014 |
|------------------------------------|----------------------|------------------------|--------------------|-----------------------|
| Severance and benefit continuation | \$ 434 | \$ 208 | \$ (640) | \$ 2 |
| Contract termination | 2,901 | 85 | (665) | 2,321 |
| Other | 33 | 1,456 | (1,492) | (3) |
| Total | \$ 3,368 | \$ 1,749 | \$ (2,797) | \$ 2,320 |

In addition, the Company is responsible for a contract that expires in 2019 related to our previously closed Groveton, New Hampshire mill. The liabilities presented on the Condensed Consolidated Balance Sheets and credits or charges associated with this contract presented in the Condensed Consolidated Statements of Comprehensive Income (Loss) are recorded in the selling and administration expenses of continuing operations. At September 30, 2015, \$1.0 million and \$3.6 million were included in current liabilities and noncurrent liabilities, respectively. In the three months ended September 30, 2015, we have recognized no expense, and made payments related to this contract of approximately \$0.1 million. During the first nine months of 2015, we recognized pre-tax expense of \$0.2 million, made payments related to this contract of approximately \$0.3 million, and recognized pre-tax credits in the amount of \$3.9 million due to a contractual rate adjustment and capacity release to a third party. At December 31, 2014, \$1.8 million and \$6.8 million were included in current liabilities and noncurrent liabilities, respectively. There were \$0.2 million and \$0.7 million of associated pre-tax charges within selling and administrative expenses for the three and nine months ended September 30, 2014. Additionally, during the nine months ended September 30, 2015, we recorded a pre-tax credit in the amount of \$3.5 million due to a contractual rate adjustment refund for previous payments. We will continue to make payments related to the contract over the remaining contractual term.

Table of Contents**Note 4. Earnings Per Share (EPS)**

The following table reconciles basic weighted average outstanding shares to diluted weighted average outstanding shares:

| (all amounts in thousands, except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Basic weighted average common shares outstanding | 50,376 | 50,433 | 50,383 | 50,099 |
| Dilutive securities: | | | | |
| Stock compensation plans | 2 | | 25 | |
| Diluted weighted average common shares outstanding | 50,378 | 50,433 | 50,408 | 50,099 |
| Earnings (loss) from continuing operations, net of tax | \$ 1,705 | \$ (9,155) | \$ 4,362 | \$ (17,322) |
| Loss from discontinued operations, net of tax | (105) | (321) | (229) | (882) |
| Net Earnings (loss) | \$ 1,600 | \$ (9,476) | \$ 4,133 | \$ (18,204) |
| Earnings (loss) from continuing operations, net of tax, per share basic and diluted | \$ 0.03 | \$ (0.18) | \$ 0.09 | \$ (0.35) |
| Loss from discontinued operations, net of tax, per share basic and diluted | (0.00) | (0.01) | (0.00) | (0.02) |
| Net Earnings (loss) per share basic and diluted* | \$ 0.03 | \$ (0.19) | \$ 0.08 | \$ (0.36) |

*Totals may not foot due to rounding differences.

Stock options for which the exercise price exceeds the average market price over the applicable period have an antidilutive effect on EPS, and accordingly, are excluded from the calculation of diluted EPS. For the three and nine months ended September 30, 2015, stock-based grants for 786,000 and 616,000 shares, respectively, were excluded from the diluted EPS calculation because the shares were antidilutive. Due to the net loss from continuing operations for the three and nine months ended September 30, 2014, stock-based grants for 1,022,000 shares and 1,151,706 shares, respectively, were excluded from the diluted EPS calculation because the shares were considered to be antidilutive.

Table of Contents**Note 5. Receivables**

Accounts receivable consisted of the following:

| (all dollar amounts in thousands) | September 30, 2015 | December 31, 2014 |
|--|-----------------------|----------------------|
| Trade | \$ 29,527 | \$ 22,934 |
| Other | 145 | 364 |
| | 29,672 | 23,298 |
| Less: allowances for doubtful accounts | (110) | (100) |
| | \$ 29,562 | \$ 23,198 |

Note 6. Inventories

The various components of inventories were as follows:

| (all dollar amounts in thousands) | September 30, 2015 | December 31, 2014 |
|------------------------------------|-----------------------|----------------------|
| Raw materials | \$ 18,799 | \$ 17,969 |
| Work in process and finished goods | 14,149 | 20,074 |
| Supplies | 2,311 | 2,189 |
| Inventories at cost | 35,259 | 40,232 |
| Less: LIFO reserve | (7,788) | (8,408) |
| | \$ 27,471 | \$ 31,824 |

Note 7. Property, Plant, and Equipment

The various components of property, plant, and equipment were as follows:

| | September 30, 2015 | December 31, 2014 |
|--------------------------------|-----------------------|----------------------|
| Property, plant, and equipment | | |
| Buildings | \$ 82,260 | \$ 82,021 |
| Machinery and equipment | 456,689 | 459,170 |
| | 538,949 | 541,191 |
| Less: accumulated depreciation | (269,412) | (256,173) |
| Net depreciated value | 269,537 | 285,018 |

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| | | | | |
|--------------------------|--|-------------------|-----------|---------|
| Land | | 1,697 | | 1,697 |
| Construction in progress | | 6,183 | | 3,125 |
| | | \$ 277,417 | \$ | 289,840 |

Depreciation and amortization for the three months ended September 30, 2015 and 2014, was \$10.3 million and \$10.2 million, respectively. For the nine months ended September 30, 2015 and 2014, depreciation and amortization was \$31.2 million and \$30.8 million, respectively. During the three months ended March 31, 2015, management determined that the estimated salvage value of a particular asset was

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lower than originally expected. A change in accounting estimate was recognized to reflect this decision, resulting in a decrease in pre-tax earnings of \$0.2 million and \$0.5 million for the three and nine months ended September 30, 2015, respectively.

Note 8. Debt

A summary of long-term debt is as follows:

| (all dollar amounts in thousands) | September 30, 2015 | December 31, 2014 |
|-----------------------------------|-----------------------|----------------------|
| Secured term loan facility | \$ 172,398 | \$ 174,125 |
| Less: unamortized discount | (2,819) | (3,257) |
| | 169,579 | 170,868 |
| Secured revolving credit facility | | |
| Total long-term debt | \$ 169,579 | \$ 170,868 |

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

The \$50 million secured revolving credit facility matures in July 2019 and the \$175 million term loan facility has a final maturity of July 2020. These secured debt agreements contain various restrictive covenants, including fixed charge coverage ratios in the case of the secured revolving credit facility and leverage ratios in the case of the term loan facility, and contain restrictions on dividends and other restricted payments. Both agreements are secured by substantially all of the assets of the Company. At September 30, 2015, we were in compliance with all required covenants.

The \$175 million secured term loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount, with the remainder due at maturity. In addition to the annual amortization, the secured term loan is subject to mandatory prepayments subject to excess cash flow requirements. The annual interest rate is based on LIBOR, subject to a 1% floor, plus 5.5%, or at the option of the Company, a base rate as defined in the agreement, plus 4.5%. The interest rate at September 30, 2015, was 6.5%.

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Borrowings under the \$50 million secured revolving credit facility bear interest at a rate equal to LIBOR or a base rate plus an applicable margin determined on the first day of the calendar month following each fiscal quarter end. At September 30, 2015, the applicable margin for LIBOR-based borrowings is 1.50% and, for base rate borrowings is 0.5%. The revolving credit facility is subject to an unused line fee of 37.5 basis points at September 30, 2015. The interest rate at September 30, 2015, was 1.75%.

Availability under the \$50 million secured revolving credit facility is subject to customary conditions and is limited by the Company's borrowing base determined by the amount of accounts receivable and inventory as of September 30, 2015. At September 30, 2015, the available borrowing base was \$40.2 million; issued letters of credit of \$2.6 million existed under the revolving credit facility resulting in unused availability of \$37.6 million. There were no outstanding borrowings at September 30, 2015 or December 31, 2014.

We have estimated the fair value of our long-term debt in accordance with FASB authoritative guidance. The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. Fair value information for long-term debt is within Level 2 of the fair value hierarchy and is based on current market interest rates and estimates of current market conditions for instruments with similar terms and maturities. At September 30, 2015, the estimated fair value of long-term debt for the term loan facility is approximately \$185.5 million which compares to the carrying value of \$172.4 million.

At September 30, 2015, payments due within the next year on our secured term loan facility have been classified as long-term on our Condensed Consolidated Balance Sheets as we have the ability and intent to refinance these payments under our revolving credit facility.

Note 9. Pension and Other Post-retirement Benefit Plans

Inclusive of discontinued operations, the components of net periodic benefit cost recognized in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2015 and 2014, are as follows:

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| | Pension Benefits | | Other Post-retirement Benefits | |
|--------------------------------|------------------|---------|--------------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Service cost | \$ 184 | \$ 147 | \$ 34 | \$ 46 |
| Interest cost | 2,364 | 2,485 | 123 | 99 |
| Expected return on plan assets | (3,291) | (3,094) | | |
| Amortization of: | | | | |
| Prior service cost (benefit) | 78 | 78 | (461) | (372) |
| Actuarial loss (gain) | 940 | 619 | (343) | (479) |
| Settlements | | 61 | | |
| Net periodic cost (benefit) | \$ 275 | \$ 296 | \$ (647) | \$ (706) |

Inclusive of discontinued operations, the components of net periodic benefit cost recognized in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2015 and 2014, are as follows:

| | Pension Benefits | | Other Post-retirement Benefits | |
|--------------------------------|------------------|---------|--------------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Service cost | \$ 552 | \$ 445 | \$ 177 | \$ 157 |
| Interest cost | 7,092 | 7,688 | 525 | 784 |
| Expected return on plan assets | (9,873) | (9,496) | | |
| Amortization of: | | | | |
| Prior service cost (benefit) | 232 | 232 | (1,325) | (1,115) |
| Actuarial loss (gain) | 2,821 | 1,902 | (581) | (570) |
| Settlements | | 61 | | |
| Net periodic cost (benefit) | \$ 824 | \$ 832 | \$ (1,204) | \$ (744) |

Coincident with the third quarter 2014 refinancing of the Company's debt obligations described in Note 8, a settlement agreement was entered into with the Pension Benefit Guaranty Corporation (the "PBGC") with respect to the Company's unfunded defined benefit pension obligations. Under the agreement, the Company agreed to grant a lien on substantially all of its assets to the PBGC that is junior and subordinate to the lien security interest on assets pledged under the secured term loan and revolving credit agreement. The Company also agreed to make contributions in excess of minimum funding requirements of up to \$36 million to its defined benefit pension plans through 2018. As of September 30, 2015, total contributions under this agreement of \$13.9 million have been made to date.

We previously disclosed in our Notes to Consolidated Financial Statements for the year ended December 31, 2014, that we anticipate making contributions of

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approximately \$10.8 million directly to our defined benefit pension and retirement plans as a result of minimum funding requirements in 2015. Included in that contribution amount is \$8.5 million required by the settlement agreement with the PBGC. As of September 30, 2015, we have made payments of approximately \$7.8 million to our pension plans (including \$6.4 million required by the settlement agreement with the PBGC). In addition, we expect to contribute approximately \$1.1 million, net of subsidy reimbursements, directly to other post-retirement plans in 2015. As of September 30, 2015, we have contributed approximately \$0.8 million, net of subsidy reimbursements, to our other post-retirement plans.

Note 10. Share-Based Compensation

We account for share-based compensation pursuant to the provisions of FASB ASC Subtopic 718-10.

Stock Options, Restricted Stock Awards, and Performance Units

For the nine months ended September 30, 2015, as part of compensation for our directors and certain employees of Wausau Paper, we granted 354,346 awards of performance units. Of the awards granted, 36,918 performance units were granted to directors. The grants to certain employees were comprised of 317,428 performance units with vesting contingent on (1) achieving certain EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) profit levels and (2) completion of a service requirement.

Share-based compensation expense was \$0.2 million and \$1.0 million for the three and nine month periods ended September 30, 2015, respectively.

We recognize compensation expense on grants of stock options, and performance unit share-based compensation awards on a straight-line basis over the requisite service period of each award. Forfeiture rates are estimated based upon our historical experience for each grant type. As of September 30, 2015, total unrecognized compensation cost, net of estimated forfeitures, related to share-based compensation awards was approximately \$1.0 million, which we expect to recognize over a weighted average period of approximately 1.3 years.

On June 19, 2014, effective with the departure of two members of our Board of Directors, a change in control event as defined within provisions of our equity compensation plans and related grants occurred. As a result, subject to such provisions, conditions to vesting for awards outstanding on June 19, 2014 were deemed to have been satisfied, with the exception of the portion of any awards subject to the attainment of a certain level of operating profit for 2014, and, consequently, \$1.4 million of share-based compensation expense was recognized for the remaining unamortized portion of the outstanding awards.

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Including the share-based compensation expense recognized for the change in control event, total share-based compensation expense was \$0.1 million and \$2.4 million for the three and nine month periods ended September 30, 2014, respectively.

Note 11. Accumulated Other Comprehensive Loss

For all periods presented in the Condensed Consolidated Financial Statements, accumulated other comprehensive loss is comprised solely of cumulative net actuarial losses and prior service cost not yet recognized as a component of net periodic benefit costs for retirement and other post-retirement plans. See Note 9, Pension and Other Post-retirement Benefit Plans regarding the pension and other post-retirement net periodic benefit costs.

For the three and nine months ended September 30, 2015 and 2014, the changes in accumulated other comprehensive loss, net of tax, were as follows:

(all dollar amounts in thousands)

| | | |
|--|----|----------|
| Balance at December 31, 2014 | \$ | (43,975) |
| Amounts reclassified from other comprehensive loss | | 292 |
| Balance at March 31, 2015 | | (43,683) |
| Amounts reclassified from other comprehensive loss | | 292 |
| Balance at June 30, 2015 | | (43,391) |
| Amounts reclassified from other comprehensive loss | | 133 |
| Balance at September 30, 2015 | \$ | (43,258) |
| Balance at December 31, 2013 | \$ | (27,220) |
| Amounts reclassified from other comprehensive loss | | 189 |
| Balance at March 31, 2014 | | (27,031) |
| Amounts reclassified from other comprehensive loss | | 188 |
| Balance at June 30, 2014 | | (26,843) |
| Amounts reclassified from other comprehensive loss | | (96) |
| Balance at September 30, 2014 | \$ | (26,939) |

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Following are details of the amounts reclassified out of accumulated other comprehensive loss during the three months ended September 30, 2015 and 2014:

| (all dollar amounts in thousands) | September 30, 2015 | September 30, 2014 |
|---|-----------------------|-----------------------|
| Pension and other post-retirement benefit obligation changes: | | |
| Amortization of prior service cost, net | \$ (383) | \$ (294) |
| Amortization of actuarial gains, net | 596 | 140 |
| Reclassification before tax | 213 | (154) |
| Tax provision | 80 | (58) |
| Reclassifications for the period, net of tax | \$ 133 | \$ (96) |
| Affected Line Items in the Condensed Consolidated Statements of Comprehensive Income (Loss): | | |
| Cost of sales | \$ (71) | \$ (227) |
| Selling and administrative | 284 | 73 |
| Reclassification before tax | 213 | (154) |
| Tax provision | 80 | (58) |
| Reclassifications for the period, net of tax | \$ 133 | \$ (96) |

Following are details of the amounts reclassified out of accumulated other comprehensive loss during the nine months ended September 30, 2015 and 2014:

| (all dollar amounts in thousands) | September 30, 2015 | September 30, 2014 |
|---|-----------------------|-----------------------|
| Pension and other post-retirement benefit obligation changes: | | |
| Amortization of prior service cost, net | \$ (1,093) | \$ (883) |
| Amortization of actuarial gains, net | 2,240 | 1,332 |
| Reclassification before tax | 1,147 | 449 |
| Tax provision | 430 | 168 |
| Reclassifications for the period, net of tax | \$ 717 | \$ 281 |
| Affected Line Items in the Condensed Consolidated Statements of Comprehensive Income (Loss): | | |
| Cost of sales | \$ (227) | \$ (496) |
| Selling and administrative | 1,374 | 945 |
| Reclassification before tax | 1,147 | 449 |
| Tax provision | 430 | 168 |
| Reclassifications for the period, net of tax | \$ 717 | \$ 281 |

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Note 12. Income Taxes

Our normalized tax rate for 2015 is expected to be approximately 39%.

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 September 30, 2015, we had federal and state net operating loss carryovers of \$134.4 million and \$236.2 million, respectively. At September 30, 2015, we also had federal and state tax credit carryovers of \$12.9 million and \$17.9 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 begin to expire in 2015.

Note 13. Subsequent Events

On October 12, 2015, we entered into an Agreement and Plan of Merger with SCA Americas Inc. (SCA). SCA will acquire us for \$10.25 per share or \$513 million, subject to Wausau Paper Corp. shareholder approval, and required regulatory clearances. While we anticipate finalization of the transaction in the first quarter of 2016, there can be no certainty or assurance about the timing, specific elements, or completion of a transaction.

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to our condensed consolidated financial statements and accompanying notes to help provide an understanding of our financial condition, the changes in our financial condition, and our results of operations. The following discussion of the financial condition and results of operations of Wausau Paper Corp. exclude the results of discontinued operations unless otherwise indicated and should be read together with the condensed consolidated financial statements for the three and nine months ended September 30, 2015 and 2014, including the notes thereto, included elsewhere in this report, and the audited consolidated annual financial statements as of and for the year ended December 31, 2014 and notes thereto included in the Company's Annual Report on Form 10-K. All items discussed exclude discontinued operations unless specifically stated.

Operations Review

In the third quarter of 2014, we announced our intentions to undertake a thorough review of all significant elements of our business to accelerate financial results improvement, collectively, our Margin Enhancement Initiative. In the three and nine months ended September 30, 2015, this effort has contributed year over year earnings improvement in all major areas including paper making, converting, product strategy, administration, warehousing and distribution.

The quarter ended September 30, 2015, showed significant gross profit improvement compared to the same period of the prior year. This improvement was driven by volume growth, and improved strategic product sales, that is, those products sold in conjunction with proprietary dispensing systems or produced from premium substrates; partially offset by unfavorable Canadian exchange rate fluctuations.

The nine months ended September 30, 2015, also showed solid gross profit improvement compared to the same period of the prior year. Volume growth, strategic product mix, pricing and operational performance improvement in converting and paper making all contributed to the higher gross profit margins; more than offsetting unfavorable impacts from Canadian exchange rates.

Overview

| (all dollar amounts in thousands, except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Earnings (loss) from continuing operations | \$ 1,705 | \$ (9,155) | \$ 4,362 | \$ (17,322) |
| Earnings (loss) from continuing operations per share - basic and diluted | \$ 0.03 | \$ (0.18) | \$ 0.09 | \$ (0.35) |

For the third quarter of 2015, we reported net earnings of \$1.7 million, or \$0.03 per share, compared to prior-year loss of \$9.2 million, or \$0.18 per share. For the nine months ended

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September 30, 2015, we reported net earnings of \$4.4 million, or \$0.09 per share, compared to a prior-year net loss of \$17.3 million, or \$0.35 per share.

Net Sales and Gross Profit on Sales

| (all dollar amounts in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------|-------------------------------------|-----------|------------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net sales | \$ 95,446 | \$ 95,423 | \$ 270,521 | \$ 262,144 |
| Tons sold | 47,301 | 48,391 | 135,300 | 136,469 |
| Cases shipped (in thousands) | 4,606 | 4,532 | 13,152 | 12,722 |
| Gross profit on sales | \$ 18,976 | \$ 15,410 | \$ 49,263 | \$ 35,179 |
| Gross profit margin | 20% | 16% | 18% | 13% |

Net sales in the third quarter of 2015 were similar to the prior year's third quarter at \$95.4 million. Shipment volume, as measured in cases shipped, increased more than 1 percent in the third quarter of 2015 compared to the same period in 2014, while average net selling price per case declined slightly, primarily due to unfavorable Canadian exchange rate fluctuations on volume shipped to Canadian customers.

Gross profit margin increased 4 percentage points in the third quarter of 2015 compared to the same quarter a year ago as a result of an improvement in the volume and mix of cases shipped, as well as improvement in all aspects of operations—including manufacturing, converting, warehousing and logistics. The current quarter included outage costs at our Harrodsburg, Kentucky facility of \$0.6 million while the prior year third quarter included a major planned maintenance outage at our Middletown, Ohio facility with charges of \$1.7 million.

For the first nine months of 2015, net sales increased approximately 3 percent, as compared to the same period of 2014. The improvement in net sales was almost completely driven by increased case shipment volume of over 3 percent in the first nine months of 2015 compared to the first nine months of 2014. Average net selling price decreased from the prior year, as unfavorable Canadian exchange rate fluctuations more than offset the favorable impact of the 2014 price increase.

Year-over-year, for the nine month period, gross profit margin increased approximately 5 percent. The margin increase was driven by improved product mix and the previously mentioned volume growth. Additionally, lower energy prices reduced cost on natural gas, electricity and customer outbound freight. Finally, execution on our Margin Enhancement Initiatives led to manufacturing cost improvements in converting and paper making that contributed significantly to the gross profit margin improvement.

| Order Backlogs | September 30, | |
|-------------------------|---------------|-------|
| | 2015 | 2014 |
| Order backlogs in tons: | 3,600 | 3,700 |

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Backlog tons at September 30, 2015, represent approximately \$8.9 million in sales compared to approximately \$9.0 million in sales at September 30, 2014. The entire backlog at September 30, 2015, is expected to be shipped during the remainder of 2015.

Selling and Administrative Expenses

| (all dollar amounts in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------|-------------------------------------|-----------|------------------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 |
| Selling and administrative expense | \$ 13,540 | \$ 13,041 | \$ 32,643 | \$ 40,966 |
| As a percent of net sales | 14% | 14% | 12% | 16% |

Selling and administrative expenses in the third quarter of 2015 were \$13.5 million compared to \$13.0 million in the same period of 2014. During the three months ended September 30, 2015, we incurred pre-tax expenses of \$1.1 million related to a review of various strategic alternatives for the Company. During the three months ended September 30, 2014, we incurred pre-tax expenses of \$1.2 million in a proxy related settlement charge and \$0.4 million in other recurring proxy charges.

Selling and administrative expenses for the nine months ended September 30, 2015, were \$32.3 million compared to \$41.0 million in the same period of 2014. During the nine months ended September 30, 2015, we incurred pre-tax expenses of \$1.1 million related to a strategic alternatives review and we realized a credit \$7.4 million associated with a rate case adjustment and capacity release on a contract obligation for a former manufacturing facility. See Note 3, Discontinued Operations and Other to the Condensed Consolidated Financial Statements for additional discussion of this contract. Selling and administrative expenses for, the nine months ended September 30, 2014, include a pre-tax charge of \$3.1 million, related to severance costs and the acceleration of vesting under change in control provisions contained within the Company's equity and incentive compensation plans due to the leadership transition changes announced during the second quarter. In addition, we incurred pre-tax expenses of \$1.2 million in a proxy-related settlement charge and \$2.1 million in other recurring proxy-related charges.

Excluding items identified above, selling and administrative expenses for the three and nine months ended September 30, 2015, increased by approximately \$1.0 million and \$4.3 million, respectively, over the corresponding previous periods primarily due to modifications to our management incentive programs, depreciation, insurance, legal expenses, and salaries and fringes over the corresponding previous period.

Interest Expense

| (all dollar amounts in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------|-------------------------------------|----------|------------------------------------|----------|
| | 2015 | 2014 | 2015 | 2014 |
| Interest expense | \$ 3,258 | \$ 2,894 | \$ 9,774 | \$ 7,473 |

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Interest expense in the third quarter of 2015 was \$3.3 million compared to interest expense of \$2.9 million in the third quarter of 2014. For the first nine months of 2015, interest expense increased to \$9.8 million from \$7.5 million recorded during the same period in 2014. The increase in interest expense in the year-over-year comparison is due to higher interest rates, a higher average outstanding balance of debt and the amortization of original interest discount on our secured term loan facility since the July 30, 2014 debt refinancing as discussed in Note 8, Debt to the Condensed Consolidated Financial Statements.

Total debt was \$169.6 million (gross debt of \$172.4 million less unamortized discount of \$2.8 million) at September 30, 2015, \$170.9 million (gross debt of \$174.1 million less unamortized discount of \$3.3 million) at December 31, 2014 and \$171.2 million (gross debt of \$174.6 million less unamortized discount of \$3.4 million) at September 30, 2014, and \$150.0 million at December 31, 2013.

Income Taxes

| (all dollar amounts in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| Provision (credit) for income taxes from continuing operations | \$ 456 | \$ (5,734) | \$ 2,453 | \$ (10,299) |
| Effective tax rate | 21% | 39% | 36% | 37% |

Our normalized tax rate for 2015 is expected to be at approximately 39%. The decreased effective tax rate for the three and nine months ended September 30, 2015, relates to a partial release of our tax contingency reserve.

Liquidity and Capital Resources

The liquidity and capital resources discussion below includes discontinued operations for all periods reported.

Cash Flows and Capital Expenditures

| (all dollar amounts in thousands) | Nine months ended September 30, | |
|---|------------------------------------|-------------|
| | 2015 | 2014 |
| Net cash provided by (used in) operating activities | \$ 11,971 | \$ (10,106) |
| Capital expenditures | (6,622) | (12,831) |

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Net cash provided by operating activities includes discontinued operations and was \$12.0 million for the nine months ended September 30, 2015, compared to cash used in operating activities of \$10.1 million during the same period in 2014. The increase in cash provided by operating activities is primarily due to the increase in pre-tax earnings.

Capital spending for the first nine months of 2015 was \$6.6 million compared to \$12.8 million during the first nine months of 2014. The decrease in capital expenditures in the first nine

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months of 2015 as compared to the same period in 2014 is primarily due to having fewer major projects in process. Total capital spending for the full year of 2015 is expected to be approximately \$10.0 million.

Debt and Equity

| (all dollar amounts in thousands) | September 30, 2015 | December 31, 2014 |
|-------------------------------------|-----------------------|----------------------|
| Total debt | \$ 169,579 | \$ 170,868 |
| Stockholders' equity | 129,869 | 127,512 |
| Total capitalization | 299,448 | 298,380 |
| Long-term debt/capitalization ratio | 57% | 57% |

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

The \$50 million secured revolving credit facility matures in July 2019 and the \$175 million term loan facility has a final maturity of July 2020. These secured debt agreements contain various restrictive covenants, including fixed charge coverage ratios in the case of the secured revolving credit facility and leverage ratios in the case of the term loan facility, and contain restrictions on dividends and other restricted payments. Both agreements are secured by substantially all of the assets of the Company. At September 30, 2015, we were in compliance with all required covenants.

The \$175 million secured term loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount, with the remainder due at maturity. In addition to the annual amortization, the secured term loan is subject to mandatory prepayments subject to excess cash flow requirements. The annual interest rate is based on LIBOR, subject to a 1% floor, plus 5.5%, or at the option of the Company, a base rate as defined in the agreement, plus 4.5%. The interest rate at September 30, 2015, was 6.5%.

Borrowings under the \$50 million secured revolving credit facility bear interest at a rate equal to LIBOR or a base rate plus an applicable margin determined on the first day of the calendar month following each fiscal quarter end. At September 30, 2015, the applicable margin for LIBOR-based borrowings is 1.50% and, for base rate borrowings is 0.50%. The revolving credit facility is subject to an unused line fee of 37.5 basis points at September 30, 2015. The interest rate at September 30, 2015, was 1.75%.

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Availability under the \$50 million secured revolving credit facility is subject to customary conditions and is limited by the Company's borrowing base determined by the amount of accounts receivable and inventory as of September 30, 2015. At September 30, 2015, the available borrowing base was \$40.2 million; issued letters of credit of \$2.6 million existed under the revolving credit facility resulting in unused availability of \$37.6 million. There were no outstanding borrowings at September 30, 2015 or December 31, 2014.

At September 30, 2015, payments due within the next year on our secured term loan facility have been classified as long-term on our Consolidated Balance Sheets as we have the ability and intent to refinance these payments under our revolving-credit agreement.

We currently expect that our cash balance, cash provided by operations, and the liquidity provided by our current credit facilities will be sufficient to meet our cash flow needs during the next twelve months.

At September 30, 2015, there were approximately 2.0 million shares available for repurchase through an authorization approved by our Board of Directors in 2008. There were no repurchases during the first nine months of 2015 or 2014. Repurchases may be made from time to time in the open market or through privately negotiated transactions.

Dividends

On December 15, 2014, the Board of Directors declared a quarterly cash dividend of \$0.03 per common share. The dividend was paid on February 17, 2015, to shareholders of record on February 2, 2015. On May 13, 2015, the Board of Directors declared a quarterly cash dividend of \$0.03 per common share. The dividend was paid on June 15, 2015 to shareholders of record on June 1, 2015. On June 18, 2015, the Board of Directors declared a quarterly cash dividend of \$0.03 per common share. The dividend was paid August 17, 2015 to shareholders of record on August 3, 2015.

Critical Accounting Policies and Estimates

The condensed consolidated financial statements have been prepared in accordance with GAAP which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Please refer to the notes to the financial statements, which appear in the Annual Report on Form 10-K for the year ended December 31, 2014, for our accounting policies and other disclosures which are pertinent to these statements.

Information Concerning Forward-Looking Statements

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The foregoing 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

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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. Words such as anticipate, intend, expect, seek, may, and similar references to future periods may indicate that a forward-looking statement is being made. 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, fluctuations in the Canadian exchange rate, 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.

Additional risk considerations due to the announced merger plan, as detailed in Note 13, *Subsequent Events* to the Condensed Consolidated Financial Statements, include the following:

- the risk that the conditions to the closing of the proposed transaction are not satisfied (including a failure of our shareholders to approve, on a timely basis or otherwise, the merger agreement and the risk that regulatory approvals required for the merger are not obtained, on a timely basis or otherwise, or are obtained subject to conditions that are not anticipated);

- litigation relating to the merger;

- uncertainties as to the timing of the consummation of the merger and the ability to consummate the merger;

- risks that the proposed transaction disrupts our current plans and operations;

- our ability to retain and hire key personnel;

- competitive responses to the merger;

- limitations placed on our ability to operate the business by the merger agreement;
- unexpected costs, charges or expenses resulting from completing the conditions to the closing of the proposed transaction;

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- potential adverse reactions or changes to business relationships resulting from the announcement or consummation of the merger; and
- legislative, regulatory and economic developments.

In addition to risks described above, we are subject to other risks, uncertainties, and assumptions as described under the caption "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014, and from time to time in our other filings with the Securities and Exchange Commission after the date of such annual report. We assume no obligation, and do not intend, to update these forward-looking statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the information provided in response to Item 7A of our Form 10-K for the year ended December 31, 2014.

Item 4. Controls and Procedures

As of the end of the period covered by this report, management, under the supervision, and with the participation, of our President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e)) under the Securities and Exchange Act of 1934, as amended (the Exchange Act) pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of such evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective. There were no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

In addition to the other information set forth in this report, this report should be considered in light of the risk factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect our business, financial condition, or future results of operations. Additional risk considerations due to the announced merger plan, as detailed in Note 13, Subsequent Events to the Condensed Consolidated Financial Statements, include the following:

- the risk that the conditions to the closing of the proposed transaction are not satisfied (including a failure of our shareholders to approve, on a timely basis or otherwise, the merger agreement and the risk that regulatory approvals required for the merger are not obtained, on a timely basis or otherwise, or are obtained subject to conditions that are not anticipated);
- litigation relating to the merger;
- uncertainties as to the timing of the consummation of the merger and the ability to consummate the merger;

- risks that the proposed transaction disrupts our current plans and operations;
- our ability to retain and hire key personnel;
- competitive responses to the merger;

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- limitations placed on our ability to operate the business by the merger agreement;
- unexpected costs, charges or expenses resulting from completing the conditions to the closing of the proposed transaction;
- potential adverse reactions or changes to business relationships resulting from the announcement or consummation of the merger; and
- legislative, regulatory and economic developments.

The risks described above and in our Annual Report on Form 10-K are not the only risks facing Wausau Paper. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

Item 6. Exhibits

- 31.1 Certification of CEO pursuant to Section 302 of Sarbanes-Oxley Act of 2002
 - 31.2 Certification of CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002
 - 32.1 Certification of CEO and CFO pursuant to Section 906 of Sarbanes-Oxley Act of 2002
 - 101.INS XBRL Instance Document*
 - 101.SCH XBRL Taxonomy Extension Schema*
 - 101.CAL XBRL Taxonomy Extension Calculation Linkbase*
 - 101.LAB XBRL Taxonomy Extension Label Linkbase*
 - 101.PRE XBRL Extension Presentation Linkbase*
 - 101.DEF XBRL Taxonomy Definition Linkbase*
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* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this quarterly report on Form 10-Q shall be deemed furnished and not filed.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WAUSAU PAPER CORP.

November 5, 2015

\s\ SHERRI L. LEMMER
Sherri L. Lemmer
Senior Vice President and Chief Financial Officer

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

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EXHIBIT INDEX

to

FORM 10-Q

of

WAUSAU PAPER CORP.

for the quarterly period ended September 30, 2015

Pursuant to Section 102(d) of Regulation S-T

(17 C.F.R. Section 232.102(d))

The following exhibits are filed as part of this report:

- 31.1 Certification of CEO pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 31.2 Certification of CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 32.1 Certification of CEO and CFO pursuant to Section 906 of Sarbanes-Oxley Act of 2002
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* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this quarterly report on Form 10-Q shall be deemed furnished and not filed.