WAUSAU PAPER CORP.
Form 10-K
February 29, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

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 **Mosinee, Wisconsin 54455** (Address of principal executive office)	**Wisconsin** (State of incorporation)

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

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

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

Title of each class	**Name of each exchange on which registered**
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 x

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 x

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

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

As of June 30, 2011, the aggregate market value of the common stock shares held by non-affiliates was approximately $308,411,872. For purposes of this calculation, the registrant has assumed its directors and executive officers are affiliates. As of February 15, 2012, 49,295,893 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for use in connection with 2012 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. (Wausau Paper) manufactures, converts, and sells paper and paper products. Our headquarters is located in Mosinee, Wisconsin. At December 31, 2011, we employed approximately 2,300 at six operating facilities located in four states. Our operations are classified into two principal business segments: Tissue and Paper, with both business segments marketing their products under the Wausau Paper® trademark. The Tissue segment produces a complete line of towel and tissue products that are marketed, along with soap and dispensing systems, for the away-from-home market. Through 2011, the Paper segment produced specialty and fine printing and writing papers within four core markets - Food, Industrial & Tape, Coated & Liner, and Print & Color.

Financial Information About Segments

Information relating to our sales, a measure of operating profit or loss, and total assets by segment is set forth in Note 14 of the Notes to Consolidated Financial Statements.

Narrative Description of Business

We compete in different markets within the paper industry. Both of our business segments serve distinct market niches. The various markets for our products are highly competitive, with competition based on service, quality, and price.

At December 31, 2011, our six operating facilities were organized into two business segments as described below.

Tissue

Tissue produces a broad line of paper towel and tissue products, which are marketed along with soap and dispensing system products for the industrial and commercial 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

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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. Tissue operates a paper mill located in Middletown, Ohio, and it operates a converting facility and its main distribution warehouse in Harrodsburg, Kentucky. In addition, Tissue currently maintains a distribution warehouse in Danville, Kentucky.

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

Paper

During 2011, the Paper segment was a producer of specialty and fine printing and writing papers focused in four core market sectors - Food, Industrial & Tape, Coated & Liner, and Print & Color. The products of the Paper segment were manufactured at facilities located in Brainerd, Minnesota, and in Rhinelander, Mosinee and Brokaw, Wisconsin.

During 2011, the Print & Color sector provided a breadth of products including premium uncoated printing, writing, text, cover, and board grades in a wide range of weights, colors, sizes, and finishes. In December 2011, our Board of Directors approved the sale of our premium Print & Color brands and the closure of our Brokaw, Wisconsin paper mill. The Print & Color portion of the Paper business unit competed in the declining uncoated freesheet market, and was therefore faced with continuing margin compression and volume pressures. Sale of the Print & Color brands, select paper inventory, and certain manufacturing equipment was completed in late January 2012. Permanent closure of the Brokaw mill is expected by mid-2012, marking the end of our material participation in Print & Color markets. Our exit from the Print & Color business aligns the Paper segment with growth-oriented technical markets; Industrial & Tape, Food, and Coated & Liner. During 2011, we began transitioning production capacity at the Brainerd, Minnesota paper mill from Print & Color to Industrial & Tape markets. In the first quarter of 2011, we completed the rebuild of our paper machine at the Brainerd mill, providing capacity to serve the growing global tape market. Commercialization of the Brainerd mill s new technical capabilities is on schedule with volume ramp-up well underway.

The Food sector includes products for food processing, food packaging, and foodservice including products used for baking applications, microwave popcorn, and food packaging products.

The Industrial & Tape sector includes products for interleaving, saturating, coating, unsaturated crepe base, and a range of micro markets. We completed a $27 million capital project to rebuild an existing paper machine in Brainerd, Minnesota to provide enhanced manufacturing capabilities and to increase capacity to support Paper segment growth in key, strategic markets.

Products in the Coated & Liner sector include siliconized release papers for use in pressure sensitive tapes, specialty label applications, the production of fiber composite applications, casting sheets used in the production of solar cells, and high-performance specialty liners (a base from which   peel-and-stick   pressure sensitive labels are dispensed).

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Under the Wausau Paper® trademark, products are marketed under a variety of brands including EcoSelect , ExperTec®, DuraTec®, InvenTec®, ProGard®, ProRedi®, ProPly®, and ProTec®.

Competition for the Paper segment comes from a wide range of paper-producing companies, of which our principal competitors include Ahlstrom Corporation, Packaging Dynamics Corporation, Nordic Paper, Nippon Paper Group, Inc., UPM, Boise Cascade, LLC, Domtar, Inc., Gascogne Paper, Mondi Group, and Neenah Paper, Inc.

International Sales

Currently, foreign sales represent approximately 9% of our consolidated net sales, with sales to Canada representing 6% of consolidated net sales. Refer to Note 14 of the Notes to Consolidated Financial Statements for our geographic data.

Raw Materials

Fiber is the basic raw material used to manufacture our finished product and includes the following categories: market pulp (from wood and recycled paper or paper products), internally produced pulp, wastepaper, and purchased towel and tissue parent rolls. Fiber represents approximately 50% of our total cost of sales in 2011. Market pulp (an aggregate of approximately 341,000 air-dried metric tons in 2011) was purchased on the open market, principally from producers in the United States and Canada. From time to time we may purchase pulp futures contracts as a hedge against significant future increases in the price of market pulp.

Approximately 96,000 standard tons of pulp was produced at our pulp mill in Mosinee, Wisconsin. In 2011, 11% of the pulpwood consumed in our pulping operation was produced from our own timberlands with the remainder purchased in the form of pulpwood and chips. Pulpwood was purchased from approximately 200 independent loggers at market prices while chips were purchased from independent sawmills.

During 2011 we purchased 146,000 standard tons of wastepaper from domestic suppliers at prevailing market prices. This wastepaper represents approximately 90% of the fiber required to manufacture 61% of our Tissue segment s 2011 parent roll requirement. The balance of our parent roll requirements, or approximately 69,000 tons, was purchased from other towel and tissue manufacturers at market prices.

Various chemicals are used in the pulping and papermaking processes. These industrial chemicals are available from a number of suppliers and are purchased at current market prices.

Energy

Our paper mills consume significant amounts of electrical and steam energy, which are adequately supplied by public utilities or generated at facilities operated by us. We generate approximately 34% of our electrical power needs from spent pulping liquor, fuel oil, coal, wood

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chips, fiber cake, natural gas, and hydropower. Spent pulping liquor, wood chips, and fiber cake are byproducts of mill operations.

We contract for the supply and delivery of natural gas at some of our facilities. Under some of these contracts, we are committed to the transportation of a fixed volume of natural gas from our natural gas transporters to our facilities. We are not required to buy or sell minimum gas volumes under the agreements but are required to pay a minimum transportation fee for the contracted period. Contracts expire at various times between 2012 and 2019. At December 31, 2011, we also have volume commitments for the supply of fuel oil, natural gas, paper, and certain raw materials. These obligations expire between 2012 and 2016. We may also purchase, from time to time, natural gas contracts with fixed prices for a certain portion of our facility requirements.

Patents and Trademarks

Wausau Paper develops and maintains trademarks and patents in the conduct of our business. Trademarks include Wausau Paper®, EcoSelect , ProPly®, ExperTec®, DuraTec®, InvenTec®, ProGard®, ProRedi®, ProTec®, Bay West®, EcoSoft , DublSoft®, OptiCore®, OptiServ®, Revolution®, Dubl-Nature®, 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, and certain silicone release papers. 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

The markets for some of the grades of paper we produce tend to be somewhat seasonal. However, the marketing seasons for these grades are not necessarily the same. Overall, we 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

No single customer accounted for 10% or more of our consolidated net sales during 2011. On a segment basis, one customer accounted for approximately 11% of Tissue net sales. No single customer accounted for 10% or more of Paper net sales.

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Backlog

Consolidated order backlogs at December 31, 2011, decreased to approximately 30,500 tons, representing $47.0 million in sales, compared to 31,000 tons, or $48.4 million in sales, at December 31, 2010. Consolidated order backlogs at December 31, 2009, were approximately 42,300 tons, or $63.5 million in sales. A backlog of unmade customer orders is monitored to optimize paper machine production. A change in customer backlog does not necessarily indicate a change in business conditions, as a large portion of orders is shipped directly from inventory upon receipt and does not impact backlog numbers. The entire backlog at December 31, 2011, is expected to be shipped during fiscal 2012. Information on backlogs by business segment is included in Item 7 of this report.

Research and Development

Research and development projects for the last three fiscal years primarily involved food packaging and food service papers, including more environmentally friendly product adjacencies, industrial micromarket papers, silicone coated papers for the aerospace industry, premium printing paper brand enhancements, and new towel, tissue, and soap dispensers. Expenditures for product development were $3.3 million, $3.1 million, and $2.4 million in 2011, 2010, and 2009, 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 estimate that our capital expenditures for environmental compliance purposes will approximate $1.2 million in 2012.

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.

We are not involved in any proceedings under the Comprehensive Environmental Response, Compensation and Liability Act. In 1986, the Wisconsin Department of Natural Resources (DNR) named a subsidiary of Wausau Paper as a potentially responsible party (PRP) for the Gorski landfill in Mosinee, Wisconsin. In 2010, we were notified by the DNR that the only long-term activities remaining related to the former Gorski Landfill are long-term groundwater monitoring and routine cap inspection and repairs. The remediation and water replacement costs associated with the remaining long-term activities are not material. We are of the opinion that

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our share of these costs will not have a material adverse effect on our operations, financial condition, or liquidity.

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 PRPs. As is the case with most manufacturing and many other entities, there can be no assurance that we will not be named as a PRP at additional sites in the future or that the costs associated with such additional sites would not be material.

Employees

We employed approximately 2,300 at the end of 2011. Most 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 five collectively bargained mills 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, which included severance and continuation of certain benefits. We maintain good labor relations at all 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 February 29, 2012.

Henry C. Newell, 54

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).

Scott P. Doescher, 52

Executive Vice President, Finance, Secretary and Treasurer. Previously, Vice President, Finance, Printing & Writing Group (1998-2001), Director of Finance, Printing & Writing Division (1992-1998) and Corporate Director Financial Analysis and Internal Audit and Assistant Secretary/Treasurer (1988-1992).

Michael R. Wildenberg, 69

Senior Vice President, Tissue since January 2009. Previously, Vice President, Sales and Marketing, Tissue Division (1984-2008).

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Michael W. Nelson, 45

Senior Vice President, Paper since March 2011. Previously, Vice President, Sales and Marketing, Paper (2007-2011). Also, Vice President, Sales and Marketing, Printing and Carbonless Papers Division, Glatfelter Corporation (2006-2007).

Sherri L. Lemmer, 44

Vice President, Finance and Information Technology since January 2012. Previously, Vice President, Corporate Controller (2006-2011).

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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).

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 segments of the paper industry in which we operate are highly competitive and increased competition could reduce our sales and profitability.

We compete in different markets within the paper industry 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. In some of our markets, the industry s capacity to make products exceeds current demand levels. Competitive conditions in some of our segments have caused us to incur lower net selling prices and reduced gross margins and net earnings. These conditions may continue indefinitely. See Item 1 of this report for information regarding the number and identities of our competitors in our operating segments. See Item 7 concerning recent competitive conditions in the markets we serve.

As a producer of specialty papers, we target markets in which our relative size, equipment and product development capabilities, and customer service emphasis provide us a competitive advantage. We work to limit our exposure to commodity products where competitors with larger assets generally have production cost advantages. Recent improvements in some commodity products have narrowed the quality differential between these products and our specialty products. Changes of this nature could further commoditize and reduce the size of our target markets.

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. As an example, our Paper segment s Industrial & Tape sector s business usually declines during periods of economic slowdowns as industrial and housing construction activity is curtailed. 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, when they occur, they 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 specialty markets if they are unable to compete in their traditional markets. The paper industry has also experienced consolidation of producers and distribution channels. Further consolidation could unite other producers with distribution channels through which we currently sell, limiting access to our target markets.

The cost of raw materials and energy used to manufacture our products could increase.

Raw materials and packaging comprise approximately 60% of our cost of sales, with market pulp, purchased parent rolls, and wastepaper accounting for over three-quarters of this total. Raw material prices will change based on worldwide supply and demand. Pulp price changes can occur due to worldwide consumption levels of pulp, pulp production capacity, expansions or curtailments, inventory building or depletion, and pulp producer cost changes related to wood 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.

In 2012, we expect to purchase approximately 40%, or 74,000 tons, of our towel and tissue parent roll requirements from other producers in the paper industry. A disruption in supply of these parent rolls could have an adverse affect on our ability to meet demand for our products and a significant increase in the cost of these parent rolls could unfavorably impact profitability.

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.

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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.

We may be unable to maintain our relationships with organized labor unions.

The majority of our hourly production workforce is represented by labor unions. While we believe we enjoy satisfactory relationships with all of 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. The costs of remediation of known environmental sites, such as described in Note 10 of the Notes to Consolidated Financial Statements, may exceed current estimates and there may be additional sites not now known to us that may require significant remediation expenses in the future. 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 equipment maintenance and new or enhanced equipment for environmental compliance matters, and to 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 2012, we plan to permanently close a paper mill in Brokaw, Wisconsin, marking the end of our material participation in the Print & Color markets. Prior to 2011, we closed or disposed of certain businesses and assets in response to changes in market conditions or strategic plans. 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 the first quarter of 2011 we completed a $27 million rebuild of a paper machine in Brainerd, Minnesota, and in the fourth quarter of 2012 we plan to complete a $220 million Tissue expansion project at our Harrodsburg, Kentucky manufacturing facility. As a result of these or similar future investments, our financial results may differ from the investment community s expectations in a given quarter, or over the

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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 auditors have 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.

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

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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.

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 from time to time 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

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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. As a result, shareholder campaigns could adversely affect our results of operations and financial condition.

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;

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- 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 is located in Mosinee, Wisconsin. Executive officers and corporate staff who perform corporate accounting, financial, and human resource services are located in the corporate headquarters, as are certain business segment personnel. Our operating facilities consist of the following:

Facility	Product	Number of Paper Machines	Practical Capacity (1) (tons)	2011 Actual (tons)
Paper				
Rhinelander, WI	Paper	4	152,000	142,100
Mosinee, WI	Paper	4	119,000	112,300
	Pulp		96,000	96,000
Brainerd, MN	Paper	2	140,000	75,600
Brokaw, WI (2)	Paper	4	178,000	117,000
Tissue				
Middletown, OH	Tissue	2	120,000	114,000
	Deink Pulp		110,000	106,100
Harrodsburg, KY	Converted Tissue	N/A	190,000	172,700

(1) Practical capacity is the amount of finished product a mill can produce with existing papermaking equipment, grade mix and workforce and usually approximates maximum, or theoretical, capacity. Practical capacity at the Brainerd facility includes one paper machine that would require substantial capital resources and time to start up.

(2) Papermaking operations at the Brokaw mill permanently ceased in February 2012 with converting and full facility operations scheduled to close by mid-2012.

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

Segment	**Location**	**Square Feet**	**Owned or Leased (Expiration Date)**
Paper (1)	Allentown, PA	60,000	Leased (March 2012)
	Carrollton, TX	32,000	Leased (December 2012)
	City of Commerce, CA	30,000	Leased (December 2012)
	Bedford Park, IL	300,000	Leased (June 2012)
Tissue	Harrodsburg, KY	460,000	Owned
	Danville, KY	506,000	Leased (December 2012)

(1) Facilities maintained primarily for the distribution of Print & Color products. With our 2012 exit of the Print & Color portion of our Paper business, we intend to discontinue distribution from these facilities by mid-2012.

Paper and Tissue 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 that was initiated in 2005.

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Item 3. LEGAL PROCEEDINGS

Wausau Paper has been named as a potentially responsible party with respect to a Mosinee, Wisconsin landfill. See Environment in Item 1 and Note 10 in Notes to Consolidated Financial Statements included in Item 8 of this report.

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 15, 2012, (the Record Date) there were approximately 2,100 holders of record of Wausau Paper common stock. We estimate that as of the Record Date there were approximately 23,800 additional beneficial owners whose shares were held in street name or in other fiduciary capacities. As of the Record Date, there were 49,295,893 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	
2011*						
First Quarter	**$**	**9.05**	**$**	**7.03**		
Second Quarter	**$**	**8.21**	**$**	**5.83**	**$**	**.06**
Third Quarter	**$**	**7.62**	**$**	**5.82**		
Fourth Quarter	**$**	**8.49**	**$**	**6.05**	**$**	**.06**
2010**						
First Quarter	$	11.89	$	8.00		
Second Quarter	$	10.26	$	6.73		
Third Quarter	$	8.53	$	6.01		
Fourth Quarter	$	9.19	$	7.63	$	.06
2009***						
First Quarter	$	11.86	$	3.75		
Second Quarter	$	9.61	$	5.00		
Third Quarter	$	10.55	$	5.98		
Fourth Quarter	$	12.21	$	8.01		

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

** Two cash dividends of $.03 per share were declared in the fourth quarter in 2010.

*** No cash dividends were declared in 2009.

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Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

Wausau Paper Corp. and Subsidiaries Selected Financial Data

(all amounts in thousands, except per share data)	For the Year Ended December 31, 2011*	2010**	2009***	2008****	2007*****
FINANCIAL RESULTS					
Net sales	**$ 1,034,574**	$ 1,055,688	$ 1,032,144	$ 1,191,764	$ 1,240,438
Depreciation, depletion, and amortization	**55,815**	56,529	75,160	69,468	94,330
Operating (loss) profit	**(26,088)**	43,841	44,073	(16,754)	(13,767)
Interest expense	**6,850**	6,587	8,986	10,283	11,080
(Loss) earnings before income taxes	**(33,538)**	37,488	35,198	(26,670)	(24,054)
Net (loss) earnings	**(21,698)**	36,856	20,563	(15,834)	(1,825)
Cash dividends paid	**5,905**	1,475	4,151	16,713	17,205
Cash flows from operating activities	**64,484**	22,753	110,914	(2,520)	54,813
PER SHARE					
Net (loss) earnings basic	**$ (0.44)**	$ 0.75	$ 0.42	$ (0.32)	$ (0.04)
Net (loss) earnings diluted	**(0.44)**	0.75	0.42	(0.32)	(0.04)
Cash dividends declared	**0.12**	0.06		0.34	0.34
Stockholders equity	**3.99**	5.30	4.62	4.23	5.57
Basic average number of shares outstanding	**49,160**	48,965	48,834	49,033	50,477
Price range (low and high closing)	**$ 5.86-8.96**	$ 6.12-11.66	$ 3.80-11.87	$ 6.69-11.44	$ 8.60-15.52
FINANCIAL CONDITION					
Working capital	**$ 71,039**	$ 109,139	$ 92,122	$ 118,830	$ 112,922
Total assets	**678,830**	677,609	655,101	710,850	744,197
Long-term debt	**127,650**	127,382	117,944	191,963	139,358
Stockholders equity	**196,244**	259,666	225,422	207,581	280,915
Capital expenditures	**78,063**	42,990	45,948	48,324	30,088
RATIOS					
Percent net (loss) earnings to sales	**(2.1)%**	3.5%	2.0%	(1.3)%	(0.1)%
Percent net (loss) earnings to average stockholders equity	**(9.5)%**	15.2%	9.5%	(6.5)%	(0.7)%
Ratio of current assets to current liabilities	**1.5 to 1**	1.8 to 1	1.7 to 1	1.8 to 1	1.7 to 1
Percent of long-term debt to total capitalization	**39.4%**	32.9%	34.4%	48.0%	33.2%

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* In 2011, includes after-tax expense of $52.9 million ($81.8 million pre-tax) or $1.08 per share of closure costs associated with the 2012 closure of Paper s Brokaw, Wisconsin mill. In addition, 2011 includes after-tax gains of $23.3 million ($36.0 million pre-tax) or $0.47 per share related to timberland sales, and after-tax expenses of $4.0 million ($6.2 million pre-tax) or $0.08 per share related to the Tissue expansion project and the paper machine rebuild at Paper s Brainerd, Minnesota mill.

** In 2010, includes after-tax expense of $2.4 million ($3.8 million pre-tax) or $0.05 per share related to a rate adjustment associated with a natural gas transportation contract for the former manufacturing facility in Groveton, New Hampshire, and after-tax expense of $1.9 million ($3.1 million pre-tax) or $0.04 per share related to the freezing of benefits associated with a cash balance pension plan. Also, includes charges of $1.2 million or $0.02 per share related to the Patient Protection and Affordable Care and Health Care and Education Reconciliation Acts of

March 2010. Further, 2010 includes a credit for income taxes of $13.6 million or $0.28 per share related to the conversion of the previously claimed alternative fuel mixture tax credit to the cellulosic biofuel producers tax credit.

*** In 2009, includes after-tax expense of $17.3 million ($27.9 million pre-tax) or $0.35 per share related to closure costs and restructuring expenses as a result of the closure of Paper s Groveton, New Hampshire and Jay, Maine mills, Appleton, Wisconsin converting facility, and the sale and closure of roll wrap operations. In addition, includes after-tax expense of $1.9 million ($3.1 million pre-tax) or $0.04 per share related to expenses associated with the towel machine rebuild at Tissue s Middletown, Ohio mill and the start-up of Paper s distribution center in Bedford Park, Illinois. Also in 2009, includes after-tax gains of $8.4 million ($13.5 million pre-tax) or $0.17 per share related to a tax credit for the use of alternative fuel mixtures at Paper s Mosinee, Wisconsin facility. Further, includes an after-tax gain of $1.7 million ($2.7 million pre-tax) or $0.03 per share related to the sale of Paper s non-core yeast business.

**** In 2008, includes after-tax expense of $21.1 million ($33.8 million pre-tax) or $0.43 per share for closure costs and restructuring expenses as a result of the ceasing of papermaking operations at Paper s Groveton, New Hampshire mill, the sale and closure of the roll wrap portion of our Paper business, the permanent machine shutdown at Paper s Jay, Maine mill, and the

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planned closure of converting operations at Paper s Appleton, Wisconsin facility. In addition, includes the settlement of an ongoing examination by the Internal Revenue Service for our 1998 to 2003 tax years. The settlement of the ongoing examination, interest costs, and closure of the 1998 to 2003 tax years resulted in a credit for income taxes of $1.1 million or $0.02 per share.

***** In 2007, includes after-tax expense of $28.8 million ($45.9 million pre-tax) or $0.57 per share for closure costs and restructuring expenses as a result of the ceasing of papermaking operations at Paper s Groveton, New Hampshire mill. In addition, effective January 1, 2007, we reorganized the various subsidiaries which comprised our operating segments to align more closely to our operating structure resulting in state tax benefits of $11.6 million or $0.23 per share primarily related to the release of valuation allowances on state net operating loss and credit carryovers of certain subsidiaries.

Item 7. MANAGEMENT S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information Concerning Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations contain forward-looking statements that involve risks, uncertainties, and assumptions. Forward-looking statements are not guarantees of performance. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Wausau Paper and our consolidated subsidiaries may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. Forward-looking statements may be identified by, among other things, beliefs or expectations that certain events may occur or are anticipated and projections or statements of expectations with respect to various aspects of our business, our plans or intentions, our stock performance, the industry within which we operate, the markets in which we compete, the economy, and any other expressions of similar import or covering other matters relating to our business and operations. Risks, uncertainties, and assumptions relating to our forward-looking statements include the level of competition for our products, downturns in our target markets, changes in the paper 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 our labor unions, the failure to recruit and retain key personnel, costs of compliance with environmental regulations, our ability to fund our operations, unforeseen operating problems, changes in strategic plans or our ability to execute such plans, maintenance of adequate internal controls, changes in financial accounting standards, increasing costs of certain employee and retiree benefits, unforeseen liabilities arising from current or prospective claims, attempts by shareholders to effect changes at or acquire control over the Company, and the effect of certain organizational anti-takeover provisions. These and other risks, uncertainties, and assumptions are described under the caption Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011, and from time to time in our other filings with the Securities and Exchange Commission after the date of such annual report. We assume no obligation, and do not intend, to update these forward-looking statements.

Critical Accounting Policies and Estimates

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

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policies which could have the most significant effect on our reported results and require subjective or complex judgments by management.

Sales Rebates

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

Impairment of Long-Lived Assets

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

Impairment losses are measured as the amount by which the carrying value of an asset exceeds its estimated fair value. Generally, fair value will be determined using valuation techniques such as the present value of expected future cash flows, which requires us to make estimates of our future cash flows related to the asset subject to review. These estimates require assumptions about demand for our products, future market conditions, and technological developments. Other assumptions in determining fair value include determining the discount rate and future growth rates. In the years ended December 31, 2011 and 2010, we recorded an impairment loss of $58.8 million and $0.5 million, respectively, while no impairment loss was recorded in 2009. Additional information regarding impairment losses is available in Note 2 Restructuring in the Notes to Consolidated Financial Statements.

Pension Benefits

Defined benefit pension costs and obligations are actuarially determined and are affected by assumptions including discount rate, the expected rate of return on plan assets, and assumed annual rate of compensation increase for plan employees, among other factors. Changes in discount rate and differences from actual and assumed asset returns as well as changes in other assumptions will affect the amount of pension expense recognized in future periods. For example, fluctuation in the discount rate assumption of 25 basis points would have impacted 2011 defined benefit pension obligations by approximately $8.1 million. In addition, a fluctuation in the expected rate of return on plan assets assumption of 25 basis points would have impacted defined benefit pension costs by approximately $0.5 million. Additional information

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regarding pension benefits is available in Note 7 Pension and Other Post-retirement Benefit Plans in the Notes to Consolidated Financial Statements.

Other Post-retirement Benefits

The costs and obligations for post-retirement benefits other than pension are also actuarially determined and are affected by assumptions including the discount rate and expected future increase in per capita costs of covered post-retirement health care benefits. Changes in the discount rate and differences between actual and assumed per capita health care costs may affect the recorded amount of the expense in future periods. For example, fluctuation in the discount rate assumption of 25 basis points would have impacted the 2011 obligations for post-retirement benefits other than pension by approximately \$3.1 million. In addition, a one percentage point increase in the assumed health care cost trend rate would impact obligations for post-retirement benefits by approximately \$14.2 million, while a decrease of one percentage point would impact the same obligations by approximately \$11.7 million. Additional information regarding post-retirement benefits is available in Note 7 Pension and Other Post-retirement Benefit Plans in the Notes to Consolidated Financial Statements.

Environmental Matters

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

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

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Operations Review

Overview

In December 2011, our Board of Directors approved the sale of our premium Print & Color brands and the closure of our Brokaw, Wisconsin paper mill. The Print & Color portion of the Paper business segment competed in the declining uncoated freesheet market, and was faced with continuing margin compression and volume pressures. Sale of the Print & Color brands, select paper inventory, and certain manufacturing equipment was completed in late January 2012. The permanent closure of the Brokaw mill is expected by mid-2012, marking the end of our material participation in Print & Color markets. Our exit of the Print & Color business aligns the Paper segment with growth-oriented technical markets: Industrial & Tape, Food, and Coated & Liner. The Tissue segment continues to focus on production and marketing of a broad line of paper towel and tissue products, which are marketed along with soap and dispensing system products for the industrial and commercial away-from-home market.

Consolidated **(all dollar amounts in thousands, except per share data)**		**2011**		**2010**		**2009**
Net (loss) earnings	**$**	**(21,698)**	$	36,856	$	20,563
Net (loss) earnings per share basic and diluted	**$**	**(0.44)**	$	0.75	$	0.42

In 2011, we reported a net loss of $21.7 million, or $0.44 per share, compared to prior-year net earnings of $36.9 million, or $0.75 per share.

Net earnings for 2011 included after-tax facility closure charges of $52.9 million, or $1.08 per share, related to the 2012 closure of the Brokaw mill. Also included in 2011 are after-tax expenses of $4.0 million, or $0.08 per share, related to an expansion project in our Tissue segment and a paper machine rebuild within our Paper segment. In addition, 2011 included after-tax gains on sales of timberlands of $23.3 million, or $0.47 per share.

Net earnings for 2010 were impacted by a credit for income taxes of $13.6 million, or $0.28 per share, related to the conversion of the previously claimed alternative fuel mixture tax credit to the cellulosic biofuel producers tax credit, and income tax charges of $1.2 million, or $0.02 per share, related to the passage of the Patient Protection and Affordable Care and Health Care and Education Reconciliation Acts of March 2010. Also included in 2010 are after-tax charges of $2.4 million, or $0.05 per share, related to a rate adjustment associated with a natural gas transportation contract for a former manufacturing facility in Groveton, New Hampshire, and after-tax charges of $1.9 million, or $0.04 per share, related to the freezing of benefits associated with a cash balance pension plan. Additionally, 2010 included after-tax gains on sales of timberlands of $4.9 million, or $0.10 per share.

For additional information on facility closures, please refer to Note 2 Restructuring in the Notes to Consolidated Financial Statements. For additional information on the tax credit for the use of qualified alternative fuel mixtures, please refer to Note 3 Alternative Fuel Mixture Credits in the Notes to Consolidated Financial Statements. For additional information on the additional income tax charges and credits, please refer to Note 8 Income Taxes in the Notes to Consolidated Financial Statements.

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Consolidated Outlook

In the near term, the pace of growth in the United States and global economies remains uncertain. With our 2012 exit from the Print & Color markets, our focus is narrowed to relatively stable or growing tissue and technical market categories. We are focused and determined to achieve sales growth in our target markets to help us achieve our long-term return-on-capital-employed target of 15%. Our ability to reach this target will continue to be influenced by general economic conditions, the price of energy and raw materials, competitive factors, and changes in market demand and product pricing.

Segment Overview

Our Tissue business segment s financial performance was pressured in 2011 by historically high wastepaper costs and competitive conditions in standard product categories. The Tissue segment s operating margins improved late in the year, as wastepaper costs decreased and the full benefit of earlier selling price increases were realized. We continue to focus our efforts on our value-added product categories to improve our competitive strength and operating margins. As a direct result of this focus, in 2011, our Board of Directors approved plans to expand the Tissue segment s production capabilities in response to growing demand for its environmentally friendly, value-added products. The expansion will include a new paper machine, located at our Harrodsburg, Kentucky converting facility, which will be capable of producing premium towel and tissue products from 100% recycled fiber. This $220 million expansion project remains on budget and continues to meet all construction and product development milestones. Systems testing and machine start-up are anticipated to occur in the fourth quarter of 2012.

In December 2011, we announced the sale of our premium Print & Color brands and the closure of our Brokaw, Wisconsin paper mill. Our exit of the Print & Color business allows us to narrow our focus to growth within our core technical markets. The Paper segment demonstrated year over year earnings improvement within these core technical markets during 2011, despite increased fiber costs and inconsistent demand in certain technical market categories.

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Net Sales and Gross Profit on Sales

Consolidated (all dollar amounts in thousands)	**2011**	**2010**	**2009**
Net sales	**$ 1,034,574**	$ 1,055,688	$ 1,032,144
Tons sold	**627,260**	666,614	685,045
Gross profit on sales	**$ 58,598**	$ 130,645	$ 132,834
Gross profit margin	**6%**	12%	13%

Net sales for the year ended December 31, 2011 were $1,034.6 million, compared with net sales of $1,055.7 million for the year ended December 31, 2010, a decrease of 2%. Total shipments in 2011 of 627,260 tons decreased 6% from the 666,614 tons shipped in 2010, primarily due to volume reductions within the Paper segment s Print & Color sector. Net sales in 2009 were $1,032.1 million, and total tons shipped were 685,045 tons.

Comparing 2011 to 2010, average net selling price increased over 4%, or over $34 million, with actual net selling price increases contributing to more than three-quarters of the improvement, and the remaining increase a result of enhancements in overall product mix. Compared to 2009, 2010 average net selling price increased over 5%, increasing net sales by $53 million, with actual net selling price increases contributing to more than half of the improvement, and the remaining increase a result of enhancements in overall product mix.

Gross profit margin decreased to $58.6 million, or 5.7% of net sales, in 2011 compared with $130.6 million, or 12.4% of net sales, in 2010. Gross profit margin in 2009 was $132.8 million, or 12.9% of net sales. During the year ended December 31, 2011, as compared to the same period in 2010, an increase in fiber and energy costs of approximately $19 million and $5 million, respectively, partially offset an increase in average net selling price, and increased gains from our timberland sales. In addition, gross profit in 2011 was impacted by Brokaw mill closure charges within our Paper segment of $75.6 million, and expenses totaling $4.8 million due to a paper machine rebuild within our Paper segment and an expansion project in our Tissue segment. In 2010 as compared to 2009, a significant increase in fiber costs more than offset a decrease in energy costs, an increase in average net selling price, and increased gains from our timberland sales. Our timberland sales favorably impacted gross profit by $36.0 million in 2011, $8.0 million in 2010, and $3.2 million in 2009.

Raw materials and packaging comprise approximately 60% of our total cost of sales, with market pulp, wastepaper, and purchased towel and tissue parent rolls accounting for over three-quarters of this total. Labor and fringes are approximately 20% of our total cost of sales, while utilities account for approximately 10%. Other operating expenses, including outbound freight, depreciation, and maintenance, comprise the remaining 10% of our cost of sales.

Fiber prices, consisting primarily of market pulp, wastepaper, pulpwood, and purchased towel and tissue parent rolls, increased during both 2011 and 2010. As compared to 2010, 2011 fiber costs increased approximately $19 million, after increasing approximately $63 million in 2010 as compared with 2009.

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During the second half of 2009, pulp and wastepaper prices steadily increased, and continued their upward trend through the first six months of 2010, reaching record-high levels. Although pulp and wastepaper prices declined modestly late in 2010, they remained at elevated levels. In 2011, pulp and wastepaper prices further increased, reaching record highs before declining significantly in the last quarter of the year. Pulp and wastepaper prices have remained steady early in 2012.

In 2011, we consumed approximately 341,000 air-dried metric tons of market pulp and 146,000 standard tons of wastepaper. Approximately 390,000 air-dried metric tons of market pulp and 140,000 standard tons of wastepaper were consumed in 2010. The average consumption price of market pulp, the primary raw material used in the production of paper, increased approximately $22 per air-dried metric ton, or over $9 million, in 2011 as compared to 2010. As compared with 2009, the average price of market pulp increased approximately $114 per air-dried metric ton, or over $54 million in 2010. The average price of wastepaper, used in the production of towel and tissue products, increased $26 per standard ton, or almost $4 million, in 2011 as compared to 2010. As compared with 2009, the average price of wastepaper increased $71 per standard ton, or almost $10 million, in 2010. Purchased towel and tissue parent rolls, used in our Tissue segment s converting operation, increased $68 per standard ton, or almost $5 million, in 2011 as compared to 2010, after remaining relatively flat in 2010 as compared to the year before. The average price of pulpwood increased $4 per cord, or approximately $1 million, in 2011 as compared to 2010, after remaining relatively flat in 2010 as compared to 2009.

Energy-related prices, consisting primarily of natural gas, electricity, coal, fuel oil, and transportation, increased in 2011 as compared to 2010, with increases in the prices of electricity, fuel oil, transportation, and coal more than offsetting a decrease in the price of natural gas. During 2010, overall energy prices declined slightly in comparison with 2009, with decreases in prices of natural gas, electricity, and coal more than offsetting an increase in the prices of fuel oil and transportation. In total, energy-related costs, including transportation, increased approximately $5 million in 2011 as compared with 2010, after decreasing approximately $5 million in 2010 as compared with 2009.

During 2011, the average price of natural gas decreased 8%, or more than $1 million, as compared with 2010. Comparing 2010 with 2009, the average price of natural gas decreased almost 13%, or nearly $3 million. As compared with 2010, 2011 electricity costs increased almost 9%, or approximately $2 million, and coal costs remained relatively flat. Fuel oil costs also remained flat in 2011 as compared with 2010. As compared with 2009, 2010 fuel oil costs remained flat, electricity costs decreased 9%, or more than $2 million, and coal costs decreased 12%, or over $3 million. In addition, transportation prices increased approximately $4 million in 2011 as compared with 2010, after increasing nearly $4 million from the prior year.

Labor and fringe costs increased 1% in 2011 as compared to 2010, after increasing 4% in 2010 as compared to 2009. The increase in labor and fringe costs in 2010 was partially due to the cessation of a hiring freeze that had been implemented during 2009. Depreciation expenses decreased 4% in 2011 as compared to 2010, after decreasing 36% in 2010 as compared to 2009. The decrease in 2010, as compared to 2009, was due to the impact of accelerated depreciation related to facility closures in 2009. For additional information, refer to Note 2 Restructuring in the Notes to Consolidated Financial Statements.

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Discussion of market conditions and trends is included in the segment summaries that follow. If published market data is available, it is referenced in the discussion. Certain markets within which we compete are small and highly fragmented. Where industry data is not available, our analysis is based on more subjective market indicators, such as order patterns for our products and discussions with customers regarding overall industry volumes.

Tissue **(all dollar amounts in thousands)**	**2011**	**2010**	**2009**
Net sales	**$ 336,268**	$ 343,309	$ 336,215
Tons sold	**173,451**	176,758	176,562
Gross profit on sales	**$ 55,251**	$ 69,192	$ 72,020
Gross profit margin	**16%**	20%	21%
Operating profit	**$ 31,358**	$ 46,150	$ 49,469

In April 2011, our Board of Directors approved plans to expand the Tissue segment s production capabilities in response to growing demand for its environmentally friendly, value-added products. The expansion will include a new paper machine, located at our Harrodsburg, Kentucky converting facility, which will be capable of producing premium towel and tissue products from 100% recycled fiber. We anticipate systems testing and machine start-up to occur in the fourth quarter of 2012.

Tissue 2011 net sales were $336.3 million, a decrease of 2% from 2010 net sales of $343.3 million. Shipments decreased 2% in 2011 to 173,451 tons compared with 176,758 tons shipped in 2010. In 2009, net sales were $336.2 million on shipments of 176,562 tons. Despite increases in average net selling price late in 2011, year-over-year, average net selling price remained relatively flat in 2011 as compared to 2010. Average net selling price increased approximately 2% in 2010 as compared to 2009, favorably impacting net sales by nearly $8 million. Actual net selling price increases accounted for approximately one-third of the average net selling price gain, while the remaining increase resulted from product mix improvements.

Market demand for away-from-home towel and tissue products decreased slightly in 2011 after decreasing slightly in 2010. Shipments of Tissue s higher-priced, value-added products remained flat in 2011, after increasing 7% in 2010, while shipments of lower-priced standard products decreased 4% in 2011 after decreasing 4% in 2010. As 2012 began, away-from-home towel and tissue prices have remained relatively stable.

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Tissue gross profit margin was 16.4% in 2011, 20.2% in 2010, and 21.4% in 2009. Increases in the cost of wastepaper, purchased towel and tissue parent rolls, transportation, electricity, and fuel oil more than offset a slight decrease in the cost of pulp, natural gas, and coal, resulting in decreased margins in 2011 as compared to 2010. Wastepaper, purchased towel and tissue parent rolls, transportation, electricity, and fuel oil combined to increase more than $11 million, while pulp, natural gas, and coal prices combined to decrease less than $1 million in 2011 as compared with 2010. Increases in the cost of wastepaper, pulp, and purchased towel and tissue parent rolls more than offset an increase in average net selling price and the reduced cost of electricity and coal, resulting in decreased margins in 2010 as compared to 2009. Wastepaper, pulp, and purchased towel and tissue parent roll prices increased $12 million, while energy prices decreased almost $1 million in 2010 as compared with 2009.

In 2011, approximately 39%, or 69,000 tons, of Tissue s total parent roll consumption was purchased from other towel and tissue manufacturers, compared to the 76,000 tons of parent rolls purchased in 2010. The decrease was primarily due to increased efficiency and output of our towel machine at the Middletown, Ohio mill. Industry supply of these parent rolls was readily available throughout 2011 and 2010.

Paper **(all dollar amounts in thousands)**	**2011**	**2010**	**2009**
Net sales	**$ 698,306**	$ 712,379	$ 695,929
Tons sold	**453,809**	489,856	508,483
Gross (loss) profit on sales	**$ (32,720)**	$ 55,621	$ 58,335
Gross margin	**(5)%**	8%	8%
Operating (loss) profit	**$ (76,225)**	$ 12,301	$ 9,602

In December 2011, our Board of Directors approved the sale of our premium Print & Color brands and the closure of our Brokaw, Wisconsin paper mill. The Print & Color portion of the Paper business segment competed in the declining uncoated freesheet market, and was therefore faced with continuing margin compression and volume pressures. Sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment was completed in late January 2012. Permanent closure of the Brokaw mill is expected by mid-2012, marking the end of our material participation in Print & Color markets. Our exit of the Print & Color business aligns the Paper segment with growth-oriented technical markets, including Industrial & Tape, Food, and Coated & Liner. The Company is transitioning production capacity at the Brainerd, Minnesota paper mill from Print & Color to technical markets. The 2011 rebuild of the paper machine at the Brainerd mill provides capacity to serve the growing global tape market. Commercialization of the Brainerd mill s new technical capabilities is on schedule with volume ramp-up well underway.

The Paper segment recorded net sales of $698.3 million for the year ended December 31, 2011, compared to $712.4 million for the year ended December 31, 2010, a decrease of 2%. Shipments decreased more than 7% over the same time period, from 489,856 tons in 2010 to 453,809 tons in 2011, due primarily to volume reductions within the Print & Color market. Net sales and shipments in 2009 were $695.9 million and 508,483 tons, respectively. Product shipments in 2010 declined approximately 4% from 2009, due primarily to capacity reductions associated with 2009 facility closures.

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Comparing 2011 with 2010, average net selling price increased approximately 6%, or more than $33 million, with actual price increases contributing to approximately three-quarters of the increase, and the remaining increase a result of enhancements in overall product mix. Comparing 2010 with 2009, average net selling price increased approximately 6%, or $42 million, with actual price increases contributing more than two-thirds of the increase, and the remaining increase a result of enhancements in overall product mix.

Demand within the Industrial & Tape category, as well as Coated & Liner papers, increased throughout 2010, and further increased during 2011. Demand in the Food market segment also increased during 2010, and throughout 2011 demand in the Food market category continued to improve steadily. Uncoated free sheet demand, the broad market category in which our Print & Color sector competed, has generally declined over the last twelve years. Although market demand data is not available for the specific market segments in which we compete, the following table summarizes our estimated changes in market demand for the major market segments:

	Estimated Change in Market Demand	
	2011	**2010**
Food	**4%**	4%
Industrial & Tape	**4%**	7%
Coated & Liner	**4%**	4%
Print & Color	**(3)%**	(5)%

The following table summarizes the changes in shipments of our primary product categories:

	Change in Shipments	
	2011	**2010**
Food	**21%**	(2)%
Industrial & Tape	**0%**	(2)%
Coated & Liner	**(5)%**	(13)%
Print & Color	**(19)%**	(2)%

In 2011, shipments within our Industrial & Tape category remained flat, while shipments in the Food category increased substantially. This increase in our Food product categories was mainly a result of steady volume and market share growth. Although estimated demand increased in the overall Coated & Liner market segment, shipments within our Coated & Liner market category declined as a result of our focus on highly technical, coated liners for alternative energy and aerospace markets. Shipments in our Print & Color sector declined significantly due to our planned decrease in participation in the Print & Color market category. The Paper segment s core markets remain competitive with competition coming from paper-based products as well as other film-based substrates. Product pricing has remained very competitive, and as 2012 began, prices were relatively stable.

In 2010, the shutdown of the Paper segment s mill in Jay, Maine led to the majority of the decline in shipments within our Food and Industrial & Tape sectors. Volume performance in our Coated & Liner sector reflects our market shift away from label base categories to highly

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technical, coated liners for alternative energy markets. Shipments in our Print & Color sector outperformed the broader market, demonstrating share growth.

The Paper segment recorded a negative gross margin in 2011 of 4.7%, and gross profit margins of 7.8% in 2010, and 8.4% in 2009. Gross margin in 2011 was impacted by facility closure charges, related to the 2012 closure of our Brokaw paper mill of $75.6 million, and expenses of $4.0 million related to a paper machine rebuild at our Brainerd paper mill. In addition, during the year ended December 31, 2011, as compared to the same period in 2010, an increase in pulp and pulpwood costs of approximately $10 million and an increase in electricity, transportation, and coal costs of over $4 million were more than offset by the increase in average selling price and a reduction in the cost of natural gas and fuel oil of approximately $1 million.

Comparing the year ended December 31, 2010 to the same period in 2009, increases in the cost of pulp and transportation were greater than the increase in average net selling price and the reduced cost of natural gas, electricity, and coal, resulting in lower margins in 2010 compared to 2009. Pulp prices increased $51 million, while energy prices decreased by $4 million in 2010 as compared to 2009. In addition, 2009 gross profit was impacted by facility closure charges of $22.4 million, primarily related to the closure of the Jay, Maine paper mill, and gains totaling $16.2 million related to an alternative fuel mixture credit and the sale of a non-strategic yeast manufacturing operation.

In 2009, the Internal Revenue Code provided for a tax credit for the use of qualified alternative fuel mixtures in a taxpayer s trade or business. The credit was equal to $0.50 per gallon of alternative fuel contained in the mixture and was refundable in cash. We began mixing black liquor and diesel fuel in February 2009 and filed an application to be registered as an alternative fuel mixer with the Internal Revenue Service (IRS) in March 2009. In May 2009, our paper mill in Mosinee, Wisconsin was approved by the IRS as a producer and consumer of a qualified alternative fuel mixture which is used as a fuel source to generate energy in the Mosinee mill. For the year ended December 31, 2009, operating profits were positively impacted by $13.5 million due to the alternative fuel mixture tax credit.

In October 2010, we were approved by the IRS to be registered as a producer of cellulosic biofuel under the Internal Revenue Code. The cellulosic biofuel credit was equal to $1.01 per gallon of black liquor produced in our pulp and paper mill operations. After approval by the IRS, we made the decision to convert the previously utilized alternative fuel mixture credit to the cellulosic biofuel credit and claimed the credit for all black liquor gallons produced in 2009. The conversion to the cellulosic biofuel credit resulted in a credit for income taxes in the fourth quarter of 2010 of $13.6 million.

Additional information regarding facility closures is available in Note 2 Restructuring in the Notes to Consolidated Financial Statements. For additional information on the tax credit for the use of qualified alternative fuel mixtures and the cellulosic biofuel credit, please refer to Note 3 Alternative Fuel Mixture Credits and Note 8 Income Taxes in the Notes to Consolidated Financial Statements.

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Backlog

Consolidated customer order backlogs were approximately 30,500 tons, representing $47.0 million in sales at December 31, 2011, compared to 31,000 tons, or $48.4 million in sales, as of December 31, 2010. Consolidated customer order backlogs were 42,300 tons, or $63.5 million in sales, as of December 31, 2009. Our Paper segment backlog totaled 28,500 tons at December 31, 2011, compared to 29,300 tons at December 31, 2010. Our Tissue segment s backlog tons increased to 2,000 tons at December 31, 2011, from 1,700 tons at December 31, 2010. Changes in customer backlog do not necessarily indicate a change in business conditions, as a large portion of orders is shipped directly from inventory upon receipt and does not impact backlog numbers. The entire backlog at December 31, 2011 is expected to be shipped during 2012.

Labor

We employed approximately 2,300 at the end of 2011. Most 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 five collectively bargained mills 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, which included severance and continuation of certain benefits.

Selling and Administrative Expenses

(all dollar amounts in thousands)	**2011**	**2010**	**2009**
Selling and administrative expense	**$ 78,482**	$ 86,804	$ 83,229
Percent (decrease) increase	**(10)%**	4%	(7)%
As a percent of net sales	**8%**	8%	8%

Selling and administrative expenses for the year ended December 31, 2011 were $78.5 million, compared to $86.8 million in the same period of 2010. Selling and administrative expenses were $83.2 million for the year ended December 31, 2009. In 2011, stock-based incentive compensation programs resulted in expense of $2.9 million, compared to expense of $2.3 million in 2010. In 2009, selling and administrative expenses were impacted by stock incentive program credits of $3.1 million.

In 2010, selling and administrative expenses were impacted by charges of $3.8 million related to a rate adjustment associated with a natural gas transportation contract and $3.1 million related to the freezing of benefits associated with a cash balance pension plan. The majority of the remaining decrease in selling and administrative expenses in 2011 as compared to 2010 was primarily due to reduced provisions for doubtful accounts and decreases in compensation expenses. In 2010 as compared with 2009, declines in advertising and compensation expenses accounted for the majority of the remaining decrease in selling and administrative expenses. For additional information on our stock incentive programs, refer to Note 9 Stock Compensation Plans in the Notes to Consolidated Financial Statements.

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Restructuring Charges

In December 2011, we announced plans to sell our premium Print & Color brands, and close our Brokaw paper mill. The sale, to Neenah Paper, Inc., closed on January 31, 2012. The Brokaw mill is expected to be permanently closed by mid-2012, and will affect approximately 450 hourly and salaried jobs. The cost of sales for the year ended December 31, 2011 was impacted by $75.6 million in pre-tax charges related to impairment charges on mill assets, an adjustment of mill inventory and spare parts to net realizable value, and a curtailment charge related to an hourly defined pension plan. Pre-tax restructuring expense related to severance and benefit continuation costs and other associated closure costs was $6.2 million for the year ended December 31, 2011. Sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment to Neenah Paper was completed in late January 2012, generating cash proceeds of $20.5 million.

For the year ended December 31, 2009, we recorded pre-tax restructuring charges of $5.5 million related to employee severance and benefit continuation costs and other associated closure costs primarily related to the closure of our Paper segment s converting operations in Appleton, Wisconsin, and the closure of our Paper segment s paper mills in Jay, Maine and Groveton, New Hampshire. We did not incur any additional pre-tax restructuring charges related to these closures in 2011 or 2010.

For additional information, refer to Note 2 Restructuring in the Notes to Consolidated Financial Statements.

Other Income and Expense

(all dollar amounts in thousands)	**2011**	**2010**	**2009**
Interest expense	**$ 6,850**	$ 6,587	$ 8,986
Loss on early extinguishment of debt	**666**		
Other income, net	**66**	234	111

Interest expense increased slightly for the year ended December 31, 2011, to $6.9 million compared to $6.6 million for the year ended December 31, 2010, due primarily to an increase in average debt balances outstanding during the respective years. Total debt was $127.6 million at December 31, 2011 and $127.4 million at December 31, 2010; however, the average debt balance during 2011 was higher than the average debt balance in 2010. Interest expense for the year ended December 31, 2009 was $9.0 million.

Income Taxes

(all dollar amounts in thousands)	**2011**	**2010**	**2009**
Income tax (credit) provision	**$ (11,840)**	$ 632	$ 14,635
Effective tax rate	**(35.3)%**	1.7%	41.6%

The effective tax rate for the year ended December 31, 2011 was approximately 35%. The effective tax rate for 2012 is expected to be approximately 37%.

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During the first quarter of 2010, we recorded an additional provision for deferred income taxes of $1.2 million related to the passage of the Patient Protection and Affordable Care and Health Care and Education Reconciliation Acts of March 2010. The passage of these Acts eliminated the income tax deduction for retiree health care costs beginning in 2013 equal to the federal subsidies received for providing retiree prescription drug benefits.

Additionally, in October 2010, we were approved by the IRS to be registered as a producer of cellulosic biofuel under the Internal Revenue Code. The cellulosic biofuel credit was equal to $1.01 per gallon of black liquor produced in our pulp and paper mill operations. After approval by the IRS, we made the decision to convert the alternative fuel mixture credit to the cellulosic biofuel credit and claimed the credit for all black liquor gallons produced in 2009. The conversion to the cellulosic biofuel credit resulted in a credit for income taxes in the fourth quarter of 2010 of $13.6 million. The effective tax rate for the year ended December 31, 2010, excluding these additional items, was approximately 35%.

In 2009, we incurred additional state income tax charges related to changes in state tax laws, a tax audit settlement, and other permanent tax items. The effective tax rate excluding these additional charges was 38%.

Liquidity and Capital Resources

Cash Flows and Capital Expenditures

(all dollar amounts in thousands)		**2011**		**2010**		**2009**
Cash provided by operating activities	**$**	**64,484**	$	22,753	$	110,914
Working capital	**$**	**71,039**	$	109,139	$	92,122
Percent (decrease) increase		**(35)%**		18%		(22)%
Current ratio		**1.5:1**		1.8:1		1.7:1
Capital expenditures	**$**	**78,063**	$	42,990	$	45,948
Percent increase (decrease)		**82%**		(6)%		(5)%

Cash provided by operating activities was $64.5 million during the year ended December 31, 2011, compared to $22.8 million for the year ended December 31, 2010. Cash provided by operating activities increased in 2011 as compared to 2010, primarily due to significant improvements in working capital, attributable to decreases in inventories and receivables. Cash provided by operating activities decreased in 2010 as compared to 2009, primarily due to an increase in inventories and a decline in cash net earnings, which includes the impact of income tax credits and provisions.

In April 2011, our Board of Directors approved a $220 million project, $207 million of which is capital-related, that will expand the Tissue segment s production capabilities in response to growing demand for its environmentally friendly products. The expansion will include a new paper machine capable of producing premium towel and tissue products from 100 percent recycled fiber. Capital spending related to this project was $45 million in 2011, and we anticipate future capital spending to be approximately $150 million in 2012, and $12 million in 2013. We expect to fund the project primarily from future cash flows from operations and available credit from our established $325 million borrowing base. Construction related to the

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new paper machine, which will be located at our converting facility in Harrodsburg, Kentucky, is underway, with systems testing and machine start-up expected in the fourth quarter of 2012.

Capital expenditures totaled $78.1 million, $43.0 million, and $45.9 million in 2011, 2010, and 2009, respectively. The increase in capital expenditures in 2011 as compared to 2010 is primarily due to the $27 million paper machine rebuild in our Paper segment that was completed in early 2011 and the Tissue expansion project. It is expected that capital spending will be approximately $162 million in 2012.

During 2011, we sold approximately 80,700 acres of timberlands for an after-tax gain of $23.3 million. We sold approximately 6,700 acres of timberlands for an after-tax gain of $4.9 million in 2010, and approximately 5,000 acres of timberlands for an after-tax gain of $2.0 million in 2009. We have completed the sale of the timberlands in our timberland sales program.

We believe that the available credit under our credit agreements, cash provided by operations, and proceeds from the sale transaction with Neenah Paper in late January 2012 will be sufficient to meet our cash flow needs for debt maturities, capital, working capital, and investing activities in 2012.

Debt and Equity

(all dollar amounts in thousands)	**2011**	**2010**	**2009**
Short-term debt	**$**	$	$ 52
Long-term debt	**127,650**	127,382	117,944
Total debt	**127,650**	127,382	117,996
Stockholders equity	**196,244**	259,666	225,422
Total capitalization	**323,894**	387,048	343,418
Long-term debt/capitalization ratio	**39%**	33%	34%

At December 31, 2011, total debt was $127.7 million, relatively consistent with the $127.4 million reported at December 31, 2010.

On March 31, 2010, we entered into a note purchase and private-shelf agreement. This agreement provided for the April 9, 2010 issuance of $50 million of unsecured senior notes having an interest rate of 5.69%, and also established a three-year private shelf facility under which up to $125 million of additional promissory notes may be issued at terms agreed upon by the parties at the time of issuance. On April 4, 2011, we issued an additional aggregate principal amount of $50 million of our senior notes under the terms of this note purchase and private-shelf agreement. The notes bear interest at 4.68% and mature on April 4, 2018. On August 22, 2011, the private-shelf agreement was amended to expand the total amount available under the private-shelf agreement to $150 million. In connection with this amendment, the parties to the private-shelf agreement agreed to issue additional notes totaling $50 million on April 9, 2012. These notes will bear interest at 4.00% and will mature on June 30, 2016. At December 31, 2011, $100 million was currently outstanding under the note purchase and private-shelf agreement.

During the second quarter of 2011, we settled our obligations related to the $35 million unsecured private placement notes scheduled to expire in August 2011. The settlement of these

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obligations resulted in the recognition of a loss on early extinguishment of debt of $0.7 million in the year ended December 31, 2011, which reflects the premiums paid to retire the unsecured private placement notes, net of unamortized premiums and issuance costs.

On June 23, 2010, we entered into a $125 million revolving-credit agreement with five financial institutions that will expire on June 23, 2014. Under this agreement, we may elect the base for interest from either domestic or offshore rates. In addition, the agreement provides for sublimits of $50 million for the issuance of standby letters of credit and $10 million for certain short-term bid loans among the bank group. At December 31, 2011 and 2010, there were no amounts outstanding under the revolving-credit agreement. There was $33.0 million in outstanding borrowings under the revolving-credit agreement at December 31, 2009.

In addition to representations and warranties, covenants, and provisions for default customary for facilities of this nature for customers of the banks having similar creditworthiness, we are required to maintain a consolidated leverage ratio of not more than 55%, a consolidated interest coverage ratio of not less than 3.0 to 1, and an adjusted consolidated net worth of $215 million (increased by 25% of net quarterly income and proceeds from equity sales). Also, we are subject to similar financial and other covenants under the note purchase and private-shelf agreement. At December 31, 2011 and 2010, we were in compliance with all required covenants.

We maintain an unrated commercial paper placement agreement with a bank to issue up to $50 million of unsecured debt obligations. The agreement requires unused credit availability under our revolving-credit agreement equal to the amount of outstanding commercial paper. Outstanding borrowings under this agreement at December 31, 2011, 2010, and 2009 were $8.7 million, $23.2 million, and $30.5 million, respectively.

In August 1995, we obtained $19 million in industrial development bond financing to fund an upgrade of the Brokaw mill wastewater treatment plant. The bonds mature in 2023 and bear interest at short-term rates. The bonds are supported by a letter of credit that is issued under our revolving-credit agreement.

At December 31, 2011, the amount of commercial paper outstanding has been classified as long-term on our Consolidated Balance Sheets as we have the ability and intent to refinance the obligations under our revolving-credit agreement.

On December 31, 2011, we had a total of approximately $196 million available for borrowing under existing credit facilities.

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

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In February 2008, our Board of Directors authorized the repurchase of 2,500,000 shares of Wausau Paper common stock. There were no repurchases of common stock during 2011, 2010, and 2009. Repurchases may be made from time to time in the open market or through privately negotiated transactions. At December 31, 2011, there were 2,009,774 shares available for purchase under the existing authorization.

In 2009, no cash dividends on our common stock were declared as a result of the suspension of cash dividends. The Board of Directors reinstated cash dividends on October 20, 2010. In 2011 and 2010, the Board of Directors declared cash dividends of $0.12 and $0.06 per share of common stock, respectively.

Commitments and Contractual Obligations

The following is a summary of our contractual obligations and payments due by period subsequent to December 31, 2011:

	Payments Due by Period						
(all dollar amounts in thousands)	**Total**	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**
Long-term debt	$ 127,650	$ 8,650	$	$	$	$	$ 119,000
Interest on debt	32,998	6,227	6,210	5,725	5,270	5,270	4,296
Operating leases	1,472	1,232	108	73	53	6	
Capital spending commitments	93,886	93,886					
Retirement plan contributions	23,300	23,300					
Post-retirement benefit plan contributions	3,800	3,800					
Purchase obligations	728,458	219,624	200,479	107,029	92,878	52,429	56,019
	$ 1,011,564	$ 356,719	$ 206,797	$ 112,827	$ 98,201	$ 57,705	$ 179,315

As discussed in Note 8 Income Taxes in the Notes to Consolidated Financial Statements, on January 1, 2007, we adopted the provisions of FASB ASC Subtopic 740-10 (originally issued as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109). At December 31, 2011, we had a liability for unrecognized tax benefits, including related interest and penalties, totaling $1.9 million. Due to the uncertainties related to these tax matters, we are unable to make a reasonably reliable estimate when cash settlement with a taxing authority will occur.

The interest on debt with variable rates of interest has been calculated utilizing the interest rate in effect at December 31, 2011. For additional information on debt and interest obligations, please refer to Note 5 Debt in the Notes to Consolidated Financial Statements. For additional information on operating leases, please refer to Note 6 Lease Commitments in the Notes to Consolidated Financial Statements. Commitments for capital spending and additional information with respect to the purchase obligations are described in Note 10 Commitments and Contingencies in the Notes to Consolidated Financial Statements. We also have various employee benefit plan obligations that are described in Note 7 Pension and Other Post-retirement Benefit Plans.

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Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We do not have a material market risk associated with derivative instruments, including interest rate risk, foreign currency exchange risk, or commodity-price risk. We generally conduct U.S. dollar-denominated international transactions, and our currency fluctuation risk for transactions denominated in foreign currency is not material. On March 31, 2010, we entered into a note purchase and private-shelf agreement. This agreement provided for the April 9, 2010, issuance of $50 million of unsecured senior notes having an interest rate of 5.69%. The estimated fair value of this fixed-rate debt was $56.3 million. On April 4, 2011, we issued an additional $50 million of unsecured senior notes having an interest rate of 4.68%. The estimated fair value of this fixed-rate debt was $53.9 million.

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

We also have $19,000,000 of Industrial Development Bonds due July 1, 2023, at variable rates of interest. The fair value of these obligations approximated their carrying values at December 31, 2011 and 2010, and would not have been materially affected by a 10% hypothetical change in market interest rates.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management s Report on Internal Control Over Financial Reporting

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

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

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

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

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

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment, we believe that, as of December 31, 2011, our internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm has issued a report on internal control over financial reporting. This report appears on page 40.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Wausau Paper Corp.

Mosinee, Wisconsin

We have audited the internal control over financial reporting of Wausau Paper Corp. and subsidiaries (the Company) as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

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

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

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

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In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2011 of the Company and our report dated February 29, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin
February 29, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Wausau Paper Corp.

Mosinee, Wisconsin

We have audited the accompanying consolidated balance sheets of Wausau Paper Corp. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wausau Paper Corp. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin
February 29, 2012

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Wausau Paper Corp. and Subsidiaries

Consolidated Balance Sheets

(all dollar amounts in thousands)	As of December 31, 2011		2010	
ASSETS				
Current assets:				
Cash and cash equivalents	**$**	**26,661**	$	2,003
Receivables, net		**87,918**		94,148
Refundable income taxes		**161**		6,720
Inventories		**80,525**		106,328
Spare parts		**26,532**		29,582
Other current assets		**4,537**		5,117
Total current assets		**226,334**		243,898
Property, plant, and equipment net		**369,836**		380,801
Deferred income taxes		**32,607**		
Other assets		**50,053**		52,910
Total Assets	**$**	**678,830**	$	677,609
LIABILITIES				
Current liabilities:				
Accounts payable	**$**	**77,925**	$	70,289
Deferred income taxes				5,228
Accrued and other liabilities		**77,370**		59,242
Total current liabilities		**155,295**		134,759
Long-term debt		**127,650**		127,382
Deferred income taxes				3,765
Post-retirement benefits		**97,421**		80,802
Pension		**77,824**		36,512
Other noncurrent liabilities		**24,396**		34,723
Total liabilities		**482,586**		417,943
Commitments and contingencies				
STOCKHOLDERS EQUITY				
Preferred stock, no par value (500,000 shares authorized; no shares issued)				
Common stock, no par value (100,000,000 shares authorized; issued 60,122,812 shares in 2011 and 2010)		**178,315**		178,089
Retained earnings		**260,016**		287,664
Accumulated other comprehensive loss		**(104,077)**		(66,179)
Treasury stock, at cost (10,948,264 and 11,098,872 shares in 2011 and 2010, respectively)		**(138,010)**		(139,908)
Total stockholders equity		**196,244**		259,666
Total Liabilities and Stockholders Equity	**$**	**678,830**	$	677,609

See accompanying Notes to Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

Consolidated Statements of Operations

(all amounts in thousands, except per share data)	For the Year Ended December 31, 2011	2010	2009
Net sales	**$ 1,034,574**	$ 1,055,688	$ 1,032,144
Cost of sales	**975,976**	925,043	899,310
Gross profit	**58,598**	130,645	132,834
Selling and administrative	**78,482**	86,804	83,229
Restructuring	**6,204**		5,532
Operating (loss) profit	**(26,088)**	43,841	44,073
Other income (expense):			
Interest expense	**(6,850)**	(6,587)	(8,986)
Loss on early extinguishment of debt	**(666)**		
Other, net	**66**	234	111
(Loss) earnings before income taxes	**(33,538)**	37,488	35,198
(Credit) provision for income taxes	**(11,840)**	632	14,635
Net (loss) earnings	**$ (21,698)**	$ 36,856	$ 20,563
Net (loss) earnings per share-basic and diluted	**$ (0.44)**	$ 0.75	$ 0.42
Weighted average shares outstanding basic	**49,160**	48,965	48,834
Weighted average shares outstanding diluted	**49,160**	49,292	49,117
Dividends declared per common share	**$ 0.12**	$ 0.06	$

See accompanying Notes to Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

Consolidated Statements of Cash Flows

(all dollar amounts in thousands)	For the Year Ended December 31, 2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) earnings	**$ (21,698)**	$ 36,856	$ 20,563
Provision for depreciation, depletion, and amortization	**55,815**	56,529	75,160
(Credit) provision for losses on accounts receivable	**(201)**	607	729
Loss on early extinguishment of debt	**666**		
Gain on sale of assets	**(36,202)**	(9,059)	(5,062)
Impairment of long-lived assets	**58,837**	536	
Non-cash inventory, spare parts and other writedowns	**13,093**		
Compensation expense for stock-based awards	**3,016**	3,133	3,291
Deferred income taxes	**(23,269)**	(22,327)	12,344
Changes in operating assets and liabilities:			
Receivables	**6,432**	3,776	(2,520)
Inventories	**18,965**	(16,324)	28,191
Other assets	**(17,608)**	(21,412)	(22,561)
Accounts payable and other liabilities	**(1,558)**	(6,424)	(682)
Accrued and refundable income taxes	**8,196**	(3,138)	1,461
Net cash provided by operating activities	**64,484**	22,753	110,914
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	**(78,063)**	(42,990)	(45,948)
Grants received for capital expenditures	**610**	1,838	
Proceeds from sale of assets	**43,830**	10,653	9,615
Net cash used in investing activities	**(33,623)**	(30,499)	(36,333)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (payments) issuances of commercial paper	**(14,590)**	(7,274)	14,604
Borrowings under credit agreements	**36,250**	20,000	77,050
Payments under credit agreements	**(36,250)**	(53,000)	(96,550)
Issuances of notes payable	**50,000**	50,000	
Payments of notes payable	**(35,000)**	(28)	(68,567)
Payment of premium on early extinguishment of debt	**(708)**		
Dividends paid	**(5,905)**	(1,475)	(4,151)
Proceeds from stock option exercises		229	
Net cash (used in) provided by financing activities	**(6,203)**	8,452	(77,614)
Net increase (decrease) in cash and cash equivalents	**24,658**	706	(3,033)
Cash and cash equivalents at beginning of year	**2,003**	1,297	4,330
Cash and cash equivalents at end of year	**$ 26,661**	$ 2,003	$ 1,297
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid net of amount capitalized	**$ 5,677**	$ 4,567	$ 8,967
Income taxes paid	**$ 1,176**	$ 11,334	$ 5,524

Noncash investing activities: For the years ended December 31, 2011, 2010, and 2009, capital expenditures included in accounts payable were $20.3 million, $5.0 million, and $3.7 million, respectively.

See accompanying Notes to Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

Consolidated Statements of Stockholders Equity

(all dollar amounts in thousands)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders Equity
Balances December 31, 2008	$ 174,816	$ 233,239	$ (57,700)	$ (142,774)	$ 207,581
Comprehensive earnings, 2009:					
Net earnings		20,563			20,563
Retirement and other post- retirement plans (Net of $2,643 deferred tax)			(5,423)		(5,423)
Comprehensive earnings, 2009					15,140
Dividends on stock-based awards		(45)			(45)
Restricted stock grant	(267)			832	565
Settlement of performance unit grant	(1,330)			785	(545)
Stock-based award compensation	2,726				2,726
Balances December 31, 2009	175,945	253,757	(63,123)	(141,157)	225,422
Comprehensive earnings, 2010:					
Net earnings		36,856			36,856
Retirement and other post- retirement plans (Net of $271 deferred tax)			(3,056)		(3,056)
Comprehensive earnings, 2010					33,800
Cash dividends declared		(2,949)			(2,949)
Stock options exercised	(87)			316	229
Restricted stock grant	203			(51)	152
Settlement of performance unit grant	(952)			984	32
Stock-based award compensation	2,980				2,980
Balances December 31, 2010	**178,089**	**287,664**	**(66,179)**	**(139,908)**	**259,666**
Comprehensive loss, 2011:					
Net loss		**(21,698)**			**(21,698)**
Retirement and other post- retirement plans (Net of $25,371 deferred tax)			**(37,898)**		**(37,898)**
Comprehensive loss, 2011					**(59,596)**
Cash dividends declared		**(5,950)**			**(5,950)**
Restricted stock grant	**53**			**(101)**	**(48)**
Settlement of performance unit grant	**(2,823)**			**1,999**	**(824)**
Stock-based award compensation	**2,996**				**2,996**
Balances December 31, 2011	**$ 178,315**	**$ 260,016**	**$ (104,077)**	**$ (138,010)**	**$ 196,244**

See accompanying Notes to Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Description of the Business and Summary of Significant Accounting Policies

Wausau Paper Corp. manufactures, converts, and sells paper and paper products within two principal segments: Tissue and Paper. Our products are primarily sold within the United States and Canada.

The Tissue segment produces a complete line of towel and tissue products that are marketed along with soap and dispensing systems for the industrial and commercial away-from-home market. The Paper segment manufactures, converts, and markets specialty papers for industrial, commercial, and consumer end markets.

Basis of Presentation

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

Use of Estimates

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

Cash and Cash Equivalents

We define cash equivalents as highly liquid, short-term investments with an original maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates market. There were approximately $24.8 million and $1.9 million of cash and cash equivalents on deposit with one bank at December 31, 2011 and 2010, respectively.

Inventories

Pulpwood, finished paper products, and approximately 99% of raw materials are valued at the lower of cost, determined on the last-in, first-out (LIFO) method, or market. All other inventories are valued at the lower of average cost or market. Liquidations in individual LIFO inventory pools decreased cost of sales by $1.2 million and $0.2 million for the years ended December 31, 2011 and 2010, respectively.

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Property, Plant, and Equipment

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

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

Interest capitalized on long-term projects in 2011, 2010, and 2009 totaled \$0.8 million, \$0.2 million, and \$0.7 million, respectively.

We assess the recoverability of assets to be held and used by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets, generally based on a discounted cash flow analysis. In 2011 and 2010, we recorded impairment losses of \$58.8 million and \$0.5 million, respectively. No impairment loss was recorded in 2009. See Note 2 for a further discussion on impairment losses.

Timber and timberlands are stated at net depleted value. We capitalize the cost of purchasing timberlands and reforestation costs. Interest and taxes related to timberlands are expensed as incurred. Reforestation costs include site preparation, planting, fertilizing, herbicide application, and thinning. Temporary logging roads are expensed while long-term logging roads are capitalized and amortized over the estimated useful lives of the roads, which is generally 15 to 20 years. Depletion is recorded as timber is harvested and included in inventory until conversion into saleable product. Depletion is calculated using the block and units-of-production methods. Under these methods, the capitalized costs of large land tracts are divided by the estimated volume of timber anticipated to be harvested on each tract. Depletion is either recorded as each block is harvested or as a percentage of each block harvested. The cost and related depletion of timberlands sold under our timberland sales program are removed from the accounts, and any resulting gains or losses are included as a component of cost of sales in the Consolidated Statements of Operations. In 2011, we completed the sale of substantially all of our remaining timberland holdings, resulting in a gain of \$36.0 million in the year ended December 31, 2011. Sales of timberlands resulted in gains of \$8.0 million and \$3.2 million for the years ended December 31, 2010 and 2009, respectively. Timberland sales gains are recorded in cost of sales in the Consolidated Statements of Operations and are included in the Corporate and unallocated segment.

Income Taxes

Estimates of income taxes refundable and payable, deferred income tax assets and liabilities, and the effective tax rate are based on an analysis of many factors including interpretations of Federal, state, and foreign income tax laws, the difference between tax and financial reporting basis of assets and liabilities, estimates of amounts currently due or owed, realization of income

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tax benefits in future years, and current accounting standards. Estimates are reviewed and updated on a quarterly basis as facts and circumstances change and actual results are known. Adjustments to the effective income tax rate and recorded assets and liabilities may occur in future periods if actual results differ significantly from original estimates and interpretations.

Treasury Stock

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

Accumulated Other Comprehensive Loss

For all periods presented, the accumulated other comprehensive loss is comprised of cumulative net actuarial losses and prior service cost not yet recognized as a component of net periodic benefit costs for retirement plans and other post-retirement benefit plans, net of tax of $64.2 million, $38.8 million, and $39.1 million at December 31, 2011, 2010, and 2009, respectively.

Revenue Recognition

Revenue is recognized, net of estimated discounts, allowances and returns, upon shipment of goods at which time title passes to the customer. Upon shipment, the customer is obligated to pay us and we have no remaining obligation. We grant credit to customers in the ordinary course of business.

Shipping and handling costs billed to customers are included in net sales, and the related costs are included in cost of sales in the Consolidated Statements of Operations.

In certain circumstances, we will enter into agreements to sell dispenser systems to our customers at a reduced cost. These agreements contain specific provisions, among which the customer must maintain the dispenser system and utilize our products in the dispenser over the term of the agreement. We evaluate the recoverability of the carrying amount of the dispenser systems whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. We use judgment to determine when an impairment test is necessary. No impairment losses related to dispenser systems were recorded in 2011, 2010, or 2009. The net costs associated with providing the dispenser system at a discount are recorded in other assets on our Consolidated Balance Sheets, and are amortized as a reduction of net sales over the term of the agreement. There were approximately $42.6 million and $44.0 million recorded in other assets for dispenser systems at December 31, 2011 and 2010, respectively. In the years ended December 31, 2011 and 2010, deferred costs related to dispenser systems were approximately $15.5 million and $17.4 million, respectively.

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Stock-based Compensation Plans

We have adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 718-10 Compensation Stock Compensation , which requires that certain share-based compensation awards be remeasured at their fair value at each interim reporting period until final settlement. See Note 9 for a further discussion on stock-based compensation plans.

Earnings Per Share

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

Due to the net loss for the year ended December 31, 2011, stock-based grants for 2,201,350 were considered to be antidilutive. For the years ended December 31, 2010 and 2009, stock-based grants for 1,981,893 and 1,734,476 shares, respectively, were excluded from the diluted EPS calculation because the shares were antidilutive.

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

(all amounts in thousands, except per share data)		**2011**		**2010**		**2009**
Net (loss) earnings	**$**	**(21,698)**	$	36,856	$	20,563
Basic weighted average common shares outstanding		**49,160**		48,965		48,834
Dilutive securities:						
Stock compensation plans				327		283
Diluted weighted average common shares outstanding		**49,160**		49,292		49,117
Net (loss) earnings per share basic	**$**	**(0.44)**	$	0.75	$	0.42
Net (loss) earnings per share diluted	**$**	**(0.44)**	$	0.75	$	0.42

Derivatives

In the past, we have used derivative instruments to mitigate our exposure to interest rate risk. We do not issue such instruments for trading purposes. At December 31, 2011 and 2010, there were no derivative instruments outstanding.

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Research and Development Expenses

Research and development costs are expensed as incurred. Expenditures for product development were $3.3 million, $3.1 million, and $2.4 million in 2011, 2010, and 2009, respectively.

Future Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Presentation of Comprehensive Income , which amends ASC 220, Comprehensive Income . This guidance requires the presentation of total comprehensive income, total net income and the components of net income and comprehensive income either in a single continuous statement or in two separate but consecutive statements. The requirements do not change how earnings per share is calculated or presented. The effective date will be the first quarter of fiscal year 2012 and must be applied retrospectively. The adoption will not have a material effect on our consolidated financial statements.

Restatements

We have restated the presentation of borrowings (payments) under our credit agreements in our Consolidated Statements of Cash Flows for the years ended December 31, 2010 and 2009. The related amounts had previously been presented on a net basis, rather than on a gross basis, in accordance with FASB ASC 230, Statement of Cash Flows. The restatement did not have an impact on net cash (used in) provided by financing activities.

Note 2 Restructuring

In December 2011, we announced the completion of an agreement related to the sale of our Paper segment s premium Print & Color brands, and the decision to close our Brokaw, Wisconsin paper mill. The sale, to Neenah Paper, Inc., closed on January 31, 2012. The Brokaw mill is expected to be permanently closed by mid-year 2012, and will affect approximately 450 hourly and salaried employees. As a result of these events, we have evaluated the recoverability of the carrying amount of the long-lived assets at the Brokaw mill. As part of our impairment evaluation, we have estimated the future cash flows related to the Brokaw mill assets and determined those cash flows are not sufficient to recover the carrying value of the long-lived assets. As there are no quoted market prices available for these or similar assets, we have used our best estimates in determining the fair value of the long-lived assets at the Brokaw mill. The use of these significant unobservable inputs, or level 3 inputs, resulted in $58.8 million in pre-tax impairment charges on mill assets for the year ended December 31, 2011. The impairment charges are included in cost of sales in the Consolidated Statements of Operations.

In addition, the cost of sales for the year ended December 31, 2011 includes $16.8 million in pre-tax charges as a result of an adjustment of mill inventory and spare parts to net realizable value, and a curtailment charge related to an hourly defined benefit pension plan. Pre-tax restructuring expense related to severance and benefit continuation costs and other associated closure costs was $6.2 million for the year ended December 31, 2011. Sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment to Neenah Paper was completed in late January 2012, generating cash proceeds of $20.5 million.

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The following table sets forth information with respect to charges related to the closure of the Brokaw, Wisconsin paper mill:

(all dollar amounts in thousands)		**2011**
Impairment of long-lived assets	**$**	**58,837**
Inventory, spare-parts, and other write-downs		**13,093**
Severance and benefit continuation		**4,997**
Curtailment charge		**4,314**
Other associated costs		**580**
Total	**$**	**81,821**

At December 31, 2011, $5.0 million is included in current liabilities related to accrued severance and benefit continuation costs and $0.6 million is included for other associated costs. In 2012, we expect to incur additional pre-tax closure charges of approximately $5 million, consisting of severance and benefit continuation costs, contract termination costs, and other associated closure costs, net of an expected credit related to our other post-retirement benefit plans.

In December 2008, we announced plans to permanently close our Paper segment s converting operations at our Appleton, Wisconsin facility. In December 2009, operations fully ceased and the Appleton facility was closed. The converting equipment at the Appleton facility was relocated to our paper mills in Brokaw, Wisconsin and Brainerd, Minnesota, and distribution activities were relocated to a distribution facility in Bedford Park, Illinois. The cost of sales in the Consolidated Statements of Operations for the year ended December 31, 2009 includes $1.4 million in pre-tax charges for associated closure costs. Pre-tax restructuring expense, as reflected in the Consolidated Statements of Operations, related to severance and benefit continuation costs was $0.5 million for the year ended December 31, 2009. No closure charges were incurred during 2011 or 2010.

In March 2009, we announced plans to permanently shut down all operations at our Paper segment s Jay, Maine paper mill. The paper mill was closed during the second quarter of 2009. The cost of sales in the Consolidated Statements of Operations for the year ended December 31, 2009 included $20.8 million in pre-tax charges for depreciation on assets and other associated closure costs. Pre-tax restructuring expense, as reflected in the Consolidated Statements of Operations, related to severance and benefit continuation costs and other associated closure costs for the year ended December 31, 2009 was $4.7 million. No closure costs were incurred during 2011 or 2010.

In the fourth quarter of 2010, we incurred pre-tax charges of $3.8 million due to a rate adjustment associated with a natural gas transportation contract for our former Groveton, New Hampshire paper mill. The charge is included in selling and administrative expenses in the Consolidated Statements of Operations. At December 31, 2011, $2.3 million and $7.9 million are included in current liabilities and noncurrent liabilities, respectively, consisting of contract termination costs. At December 31, 2010, $2.3 million and $9.6 million are included in current liabilities and noncurrent liabilities, respectively, consisting of contract termination costs. We will continue to make payments related to the contract over the original contractual term.

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Note 3 Alternative Fuel Mixture Credits

During 2009, the Internal Revenue Code provided for a tax credit for the use of qualified alternative fuel mixtures in a taxpayer s trade or business. The credit expired on December 31, 2009. We began mixing black liquor and diesel fuel in February 2009 and filed an application to be registered as an alternative fuel mixer with the Internal Revenue Service (IRS) in March 2009. In May 2009, our Paper segment s mill in Mosinee, Wisconsin was approved by the IRS as a producer and consumer of a qualified alternative fuel mixture which is used as a fuel source to generate energy in the Mosinee mill. For the year ended December 31, 2009, the cost of sales in the Consolidated Statements of Operations includes credits for eligible alternative fuel mixture tax refunds of $13.5 million, which represent eligible alternative fuel mixture credits earned less associated expenses of $1.0 million.

In October 2010, we were approved by the IRS to be registered as a producer of cellulosic biofuel under the Internal Revenue Code. The cellulosic biofuel credit was equal to $1.01 per gallon of black liquor produced in our pulp and paper mill operations. After approval by the IRS, we made the decision to convert the previously utilized alternative fuel mixture credit to the cellulosic biofuel credit and claimed the credit for all black liquor gallons produced in 2009. See Note 8 for additional information on the conversion to the cellulosic biofuel credit.

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Note 4 Supplemental Balance Sheet Information

(all dollar amounts in thousands)	2011	2010
Receivables		
Trade	**$ 87,152**	$ 91,159
Other	**1,719**	4,736
	88,871	95,895
Less: allowances for doubtful accounts	**(953)**	(1,747)
	$ 87,918	$ 94,148
Inventories		
Raw materials	**$ 32,069**	$ 37,982
Work in process and finished goods	**100,044**	116,456
Supplies	**4,166**	6,093
Inventories at cost	**136,279**	160,531
LIFO reserve	**(55,754)**	(54,203)
	$ 80,525	$ 106,328
Property, plant, and equipment		
Buildings	**$ 121,625**	$ 119,835
Machinery and equipment	**992,244**	965,173
	1,113,869	1,085,008
Less: accumulated depreciation	**(820,815)**	(736,594)
Net depreciated value	**293,054**	348,414
Land	**6,776**	6,747
Timber and timberlands, net of depletion	**48**	5,748
Construction in progress	**69,958**	19,892
	$ 369,836	$ 380,801
Accrued and other liabilities		
Payroll	**$ 6,236**	$ 10,635
Vacation pay	**11,790**	11,670
Compensation plans	**628**	486
Employee retirement plans	**28,402**	5,297
Rebates	**10,252**	13,573
Accrued income taxes	**1,916**	400
Other	**18,146**	17,181
	$ 77,370	$ 59,242

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Note 5 Debt

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

(all dollar amounts in thousands)	2011	2010
Unsecured private placement notes with interest of 7.43%, due August 31, 2011	$	$ 35,000
Unsecured private placement notes with interest of 5.69%, due April 9, 2017	**50,000**	50,000
Unsecured private placement notes with interest of 4.68%, due April 4, 2018	**50,000**	
Industrial development bonds due July 1, 2023, with weighted average interest rate of 0.43% in 2011 and 0.51% in 2010	**19,000**	19,000
Revolving-credit agreement with financial institutions, with weighted average interest rate of 3.26% in 2011 and 2.09% in 2010		
Commercial paper placement agreement, with weighted average interest rate of 1.68% in 2011 and 1.70% in 2010	**8,650**	23,240
Subtotal	**127,650**	127,240
Premium on senior notes		142
Total long-term debt	**$ 127,650**	$ 127,382

On March 31, 2010, we entered into a note purchase and private-shelf agreement. This agreement provided for the April 9, 2010 issuance of $50 million of unsecured seven-year senior notes having an interest rate of 5.69%, and also established a three-year private shelf facility under which up to $125 million of additional promissory notes may be issued at terms agreed upon by the parties at the time of issuance. On April 4, 2011, we issued an additional aggregate principal amount of $50 million of our senior notes under the terms of this note purchase and private-shelf agreement. The notes bear interest at 4.68% and mature on April 4, 2018. On August 22, 2011, the private-shelf agreement was amended to expand the total amount available under the private-shelf agreement to $150 million. In connection with this amendment, the parties to the private-shelf agreement agreed to issue additional notes totaling $50 million on April 9, 2012. These notes will bear interest at 4.00% and will mature on June 30, 2016. At December 31, 2011, $100 million was outstanding under the note purchase and private-shelf agreement.

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

On June 23, 2010, we entered into a $125 million revolving-credit agreement with five financial institutions that will expire on June 23, 2014. Under this agreement, we may elect the base for interest from either domestic or offshore rates. In addition, the agreement provides for sublimits of $50 million for the issuance of standby letters of credit and $10 million for certain short-term bid loans among the bank group. Under the credit agreement, we pay an annual facility fee. Total facility fees paid under this agreement and previous agreements were $403,000 in 2011,

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$581,000 in 2010, and $815,000 in 2009. At December 31, 2011 and 2010, there were no amounts outstanding under the revolving-credit agreement.

In addition to representations and warranties, covenants, and provisions for default customary for facilities of this nature for customers of the banks having similar creditworthiness, we are required to maintain a consolidated leverage ratio of not more than 55%, a consolidated interest coverage ratio of not less than 3.0 to 1, and an adjusted consolidated net worth of $215 million (increased by 25% of net quarterly income and proceeds from equity sales). Also, we are subject to similar financial and other covenants under the note purchase and private-shelf agreement. At December 31, 2011 and 2010, we were in compliance with all required covenants.

We maintain an unrated commercial paper placement agreement with a bank to issue up to $50 million of unsecured debt obligations. The agreement requires unused credit availability under our revolving-credit agreement equal to the amount of outstanding commercial paper. Outstanding borrowings under this agreement at December 31, 2011 and 2010 were $8.7 million and $23.2 million, respectively.

In August 1995, we obtained $19 million in industrial development bond financing to fund an upgrade of the Brokaw mill wastewater treatment plant. The bonds mature in 2023 and bear interest at short-term rates. The bonds are supported by a letter of credit that is issued under our revolving-credit agreement.

On December 31, 2011, we had a total of approximately $196 million available for borrowing under existing credit facilities.

At December 31, 2011, the amount of commercial paper outstanding has been classified as long-term on our Consolidated Balance Sheets as we have the ability and intent to refinance the obligations under our revolving-credit agreement.

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

(all dollar amounts in thousands)		**Annual maturities**
2012	$	8,650
2013		
2014		
2015		
2016		
Thereafter		119,000

Note 6 Lease Commitments

Future minimum payments, by year and in the aggregate, under noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2011:

(all dollar amounts in thousands)		Operating Leases
2012	$	1,232
2013		108
2014		73
2015		53
2016		6
Thereafter		
Total minimum payments	$	1,472

Rental expense for all operating leases was as follows:

(all dollar amounts in thousands)		2011		2010		2009
Rent expense	**$**	**13,771**	$	13,801	$	12,366

Note 7 Pension and Other Post-retirement Benefit Plans

We have sponsored defined benefit pension plans covering substantially all employees. Retirement benefits for salaried and nonunion employees are based on pay and years of service. Plans covering hourly employees provide benefits based on years of service and fixed benefit amounts for each year of service. The defined benefit pension plans are funded in accordance with federal laws and regulations. During 2010, we froze the benefits associated with a certain cash balance pension plan.

We have supplemental retirement agreements with certain present and past key officers, directors, and employees. The principal cost of such plans is being or has been accrued over the period of active employment to the full eligibility date. The supplemental retirement agreements are unfunded. In 2010, we made the decision to freeze the benefits under certain defined benefit supplemental retirement plans.

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

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The changes in benefit obligations and plan assets at December 31, 2011 and 2010, are presented in the following schedule.

	Retirement Benefits		Other Post retirement Benefits	
(all dollar amounts in thousands)	**2011**	**2010**	**2011**	**2010**
Change in benefit obligation:				
Benefit obligation at December 31, 2010 and 2009	**$ 241,484**	$ 222,675	**$ 85,302**	$ 85,955
Service cost	**2,965**	5,115	**1,506**	1,464
Interest cost	**12,378**	12,281	**4,373**	4,827
Amendments	**8,810**	(318)	**642**	143
Net actuarial loss (gain)	**36,568**	15,748	**12,644**	(1,968)
Participant contributions			**2,589**	2,286
Curtailments	**(3,316)**	(63)		
Settlements		(1,052)		
Benefits paid	**(12,985)**	(12,902)	**(5,835)**	(7,405)
Benefit obligation at December 31	**$ 285,904**	$ 241,484	**$ 101,221**	$ 85,302
Change in plan assets:				
Fair value at December 31, 2010 and 2009	**$ 190,272**	$ 171,963	**$**	$
Actual (loss) gain	**(1,326)**	18,742		
Company contributions	**3,942**	13,521	**3,246**	5,119
Participant contributions			**2,589**	2,286
Settlements		(1,052)		
Benefits paid	**(12,985)**	(12,902)	**(5,835)**	(7,405)
Fair value at December 31	**$ 179,903**	$ 190,272	**$**	$
Funded status at December 31	**$ (106,001)**	$ (51,212)	**$ (101,221)**	$ (85,302)
Amounts recognized in the Consolidated Balance Sheets consist of:				
Current liabilities	**$ (22,771)**	$ (597)	**$ (3,800)**	$ (4,500)
Noncurrent liabilities	**(83,230)**	(50,615)	**(97,421)**	(80,802)
Amounts recognized at December 31	**$ (106,001)**	$ (51,212)	**$ (101,221)**	$ (85,302)

For 2011, the amendments to retirement benefit plans reflect changes to union and non-union plans, while for 2010 the amendments to retirement benefit plans reflect changes to certain non-union plans.

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

	Retirement Benefits		Other Post retirement Benefits	
(all dollar amounts in thousands)	**2011**	**2010**	**2011**	**2010**
Prior service cost (credit)	**$ 5,635**	$ 3,947	**$ (7,787)**	$ (11,376)
Net loss	**77,862**	49,339	**28,367**	24,269
Net amount recognized at December 31	**$ 83,497**	$ 53,286	**$ 20,580**	$ 12,893

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The total accumulated benefit obligation for qualified and non-qualified defined benefit pension plans was $285.9 million and $241.5 million at December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, the total accumulated benefit obligation for pension plans exceeded the plan assets for all of the qualified defined benefit pension plans.

	Pension Benefits		
	Target Allocations	Percentage of Plan Assets at Measurement Date 2011	2010
Asset category			
Equity securities	60%	**58**	