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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended September 30, 2015

OR

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)

WISCONSIN	**39-0690900**
(State of incorporation)	(I.R.S. Employer Identification Number)

100 Paper Place

Mosinee, Wisconsin 54455-9099

(Address of principal executive office)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date 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 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

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

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WAUSAU PAPER CORP.

AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. **Financial Statements**

Wausau Paper Corp. and Subsidiaries

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

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

See Notes to Condensed Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

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

See Notes to Condensed Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

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

See Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Note 1. Basis of Presentation

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

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

Note 2. New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

Note 3. Discontinued Operations and Other

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Note 4. **Earnings Per Share (EPS)**

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

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

*Totals may not foot due to rounding differences.

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

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Note 5. Receivables

Accounts receivable consisted of the following:

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

Note 6. Inventories

The various components of inventories were as follows:

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

Note 7. Property, Plant, and Equipment

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

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

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

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

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

Note 8. Debt

A summary of long-term debt is as follows:

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

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

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

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

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

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

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

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

Note 9. Pension and Other Post-retirement Benefit Plans

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

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

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

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

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

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

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

Note 10. Share-Based Compensation

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

Stock Options, Restricted Stock Awards, and Performance Units

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

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

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

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

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

Note 11. Accumulated Other Comprehensive Loss

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

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

(all dollar amounts in thousands)

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

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

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

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

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