

WAUSAU PAPER CORP.
Form 10-K/A
August 05, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2008

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

For the transition period from _____ to _____

Commission File Number 1-13923

WAUSAU PAPER CORP.

(Exact name of registrant as specified in charter)

100 Paper Place

Wisconsin

Mosinee, Wisconsin 54455

(State of incorporation)

(Address of principal executive office)

39-0690900

(I.R.S. Employer Identification Number)

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

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

Title of each class

Name of each exchange on which registered

Common stock, no par value

New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No S

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 No S

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 S

No £

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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.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of June 30, 2008, the aggregate market value of the common stock shares held by non-affiliates was approximately \$347,629,074. For purposes of this calculation, the registrant has assumed its directors and executive officers are affiliates. As of February 17, 2009, 48,885,277 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for use in connection with 2009 annual meeting of shareholders

(to the extent noted herein): Part III

EXPLANATORY NOTE

On March 16, 2009, Wausau Paper Corp. (the Company) filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2008. The Company hereby amends its Annual Report on Form 10-K to amend Item 8, Item 15, and the Exhibit Index to include conformed signatures of Deloitte & Touche LLP (D&T) on each of D&T's reports listed in Item 8, Item 15, and in D&T's consent filed as Exhibit 23.1. These conformed signatures were inadvertently omitted from the original filing of the Company's Form 10-K. At the time of the March 16, 2009, filing of the Form 10-K with the Securities and Exchange Commission, the Company was in possession of the manually signed copies of the audit opinions, but the signatures in typed form were inadvertently omitted from the electronic version. This amendment does not reflect events occurring after the filing of the original Annual Report on Form 10-K. Other than amending Item 8, Item 15, and the Exhibit Index to include the conformed signatures of D&T on each of D&T's reports listed in Item 8, Item 15, and in D&T's consent filed as Exhibit 23.1, this amendment does not modify or update in any way the disclosures in the Company's original Annual Report on Form 10-K. The financial statements included within this amendment have not changed since the filing of the Company's original Annual Report on Form 10-K.

PART II

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management 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, 2008. 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, 2008, 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 39.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Wausau Paper Corp.
Mosinee, WI

We have audited the internal control over financial reporting of Wausau Paper Corp. and subsidiaries (the Company) as of December 31, 2008, 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 Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, 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, 2008, of the Company and our report dated March 13, 2009 expressed an unqualified opinion on those consolidated financial statements and includes an explanatory paragraph relating to the Company's adoption of the measurement date provision of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Pension and Other Postretirement Benefit Plans*, on January 1, 2008.

/s/DELOITTE & TOUCHE LLP

Milwaukee, WI

March 13, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Wausau Paper Corp.
Mosinee, WI

We have audited the accompanying consolidated balance sheets of Wausau Paper Corp. and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. 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 the Company as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the consolidated financial statements, the Company adopted the recognition provision of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Pension and Other Postretirement Benefit Plans* (SFAS 158), on December 31, 2006, the measurement date provision of SFAS 158 on January 1, 2008, and Statement of Financial Accounting Standards No. 123R, *Share-based Payment*, on January 1, 2006.

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, 2008, 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 March 13, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/DELOITTE & TOUCHE LLP

Milwaukee, WI

March 13, 2009

Wausau Paper Corp. and Subsidiaries

Consolidated Balance Sheets

| (all dollar amounts in thousands) | As of December 31, | |
|--|--------------------|------------|
| | 2008 | 2007 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,330 | \$ 18,121 |
| Receivables, net | 96,740 | 110,114 |
| Refundable income taxes | 5,510 | 1,065 |
| Inventories | 118,195 | 108,532 |
| Deferred income taxes | 5,793 | 6,046 |
| Spare parts | 27,375 | 26,108 |
| Other current assets | 4,619 | 4,364 |
| Total current assets | 262,562 | 274,350 |
| Property, plant, and equipment net | 405,408 | 413,296 |
| Other assets | 42,880 | 56,551 |
| Total Assets | \$ 710,850 | \$ 744,197 |
| LIABILITIES | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 51 | \$ 175 |
| Accounts payable | 73,747 | 88,706 |
| Accrued and other liabilities | 69,934 | 72,547 |
| Total current liabilities | 143,732 | 161,428 |
| Long-term debt | 191,963 | 139,358 |
| Deferred income taxes | 25,588 | 54,106 |
| Post-retirement benefits | 70,552 | 74,112 |
| Pension | 38,901 | |
| Other noncurrent liabilities | 32,533 | 34,278 |
| Total liabilities | 503,269 | 463,282 |
| Commitments and contingencies | | |
| STOCKHOLDERS EQUITY | | |
| Preferred stock, no par value (500,000 shares authorized; no shares issued) | | |

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| | | |
|--|-------------------|------------|
| Common stock, no par value (100,000,000 shares authorized; issued 60,122,812 shares in 2008 and 2007) | 174,816 | 173,950 |
| Retained earnings | 233,239 | 268,062 |
| Accumulated other comprehensive loss | (57,700) | (26,225) |
| Treasury stock, at cost (11,326,158 and 10,338,665 shares in 2008 and 2007, respectively) | (142,774) | (134,872) |
| Total stockholders equity | 207,581 | 280,915 |
| Total Liabilities and Stockholders Equity | \$ 710,850 | \$ 744,197 |

See accompanying Notes to Consolidated Financial Statements.

Wausau Paper Corp. and Subsidiaries

Consolidated Statements of Operations

| (all amounts in thousands, except per share data) | For the Year Ended December 31, | | |
|---|---------------------------------|-------------|-------------|
| | 2008 | 2007 | 2006 |
| Net sales | \$1,191,764 | \$1,240,438 | \$1,188,178 |
| Cost of sales | 1,103,076 | 1,162,739 | 1,065,760 |
| Gross profit | 88,688 | 77,699 | 122,418 |
| | | | |
| Selling and administrative | 89,111 | 84,199 | 82,695 |
| Restructuring | 16,331 | 7,267 | 226 |
| Operating (loss) profit | (16,754) | (13,767) | 39,497 |
| | | | |
| Other income (expense): | | | |
| Interest expense | (10,283) | (11,080) | (11,252) |
| Interest income | 153 | 700 | 315 |
| Other, net | 214 | 93 | 309 |
| | | | |
| (Loss) earnings before income taxes and cumulative effect of a change in accounting principle | (26,670) | (24,054) | 28,869 |
| (Credit) provision for income taxes | (10,836) | (22,229) | 10,823 |
| (Loss) earnings before cumulative effect of a change in accounting principle | (15,834) | (1,825) | 18,046 |
| Cumulative effect of a change in accounting principle (net of income taxes) | | | (427) |
| | | | |
| Net (loss) earnings | \$ (15,834) | \$ (1,825) | \$ 17,619 |
| (Loss) earnings per share before cumulative effect of a change in accounting principle-basic | \$ (0.32) | \$ (0.04) | \$ 0.36 |
| Cumulative effect of a change in accounting principle (net of income taxes) per share basic | | | (0.01) |
| | | | |
| Net (loss) earnings per share-basic | \$ (0.32) | \$ (0.04) | \$ 0.35 |
| Weighted average shares outstanding basic | 49,033 | 50,477 | 50,935 |

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| | | | |
|--|-----------|-----------|---------|
| (Loss) earnings per share before cumulative effect of a change in accounting principle-diluted | \$ (0.32) | \$ (0.04) | \$ 0.35 |
| Cumulative effect of a change in accounting principle (net of income taxes) per share diluted | | | (0.01) |
| Net (loss) earnings per share-diluted | \$ (0.32) | \$ (0.04) | \$ 0.34 |
| Weighted average shares outstanding diluted | 49,033 | 50,477 | 51,249 |
| Dividends declared per common share | \$ 0.34 | \$ 0.34 | \$ 0.34 |

See accompanying Notes to Consolidated Financial Statements.

Wausau Paper Corp. and Subsidiaries

Consolidated Statements of Cash Flows

| (all dollar amounts in thousands) | For the Year Ended December 31, | | |
|---|---------------------------------|------------|-----------|
| | 2008 | 2007 | 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net (loss) earnings | \$ (15,834) | \$ (1,825) | \$ 17,619 |
| Provision for depreciation, depletion, and amortization | 69,468 | 94,330 | 57,913 |
| Provision (credit) for losses on accounts receivable | 328 | (169) | (64) |
| Gain on sale of assets | (4,304) | (11,300) | (16,434) |
| Impairment of long-lived assets | 21 | 395 | |
| Compensation expense for stock-based awards | 1,600 | 979 | 659 |
| Deferred income taxes | (9,404) | (27,800) | (3,802) |
| Changes in operating assets and liabilities: | | | |
| Receivables | 13,046 | (5,144) | (6,833) |
| Inventories | (9,663) | 13,999 | (2,884) |
| Other assets | (15,225) | (16,876) | (18,256) |
| Accounts payable and other liabilities | (27,149) | 13,857 | 1,975 |
| Accrued and refundable income taxes | (5,404) | (5,633) | 8,089 |
| Net cash (used in) provided by operating activities | (2,520) | 54,813 | 37,982 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (48,324) | (30,088) | (23,856) |
| Proceeds from sale of assets | 9,056 | 14,705 | 18,860 |
| Net cash used in investing activities | (39,268) | (15,383) | (4,996) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Repayments of notes payable | (66) | (35,081) | (48) |
| Payments under capital lease obligation | (138) | (131) | (146) |
| Issuances of commercial paper, net | 15,910 | | |
| Borrowings under credit agreements, net | 37,500 | 15,000 | |
| Dividends paid | (16,713) | (17,205) | (17,335) |
| Proceeds from stock option exercises | | | 1,503 |
| Excess tax benefit related to share-based compensation | | 35 | 102 |
| Payments for purchase of company stock | (8,496) | (10,049) | (6,440) |
| Net cash provided by (used in) financing activities | 27,997 | (47,431) | (22,364) |
| Net (decrease) increase in cash and cash equivalents | (13,791) | (8,001) | 10,622 |

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| | | | |
|--|-----------------|-----------|-----------|
| Cash and cash equivalents at beginning of year | 18,121 | 26,122 | 15,500 |
| Cash and cash equivalents at end of year | \$ 4,330 | \$ 18,121 | \$ 26,122 |

SUPPLEMENTAL CASH FLOW INFORMATION:

| | | | |
|---|-----------------|-----------|-----------|
| Interest paid net of amount capitalized | \$ 9,271 | \$ 11,345 | \$ 10,891 |
| Income taxes paid | \$ 6,587 | \$ 11,641 | \$ 10,377 |

Noncash investing and financing activities: A capital lease obligation of \$393 was recorded in 2006 when we entered into a new lease agreement for equipment.

See accompanying Notes to Consolidated Financial Statements.

Wausau Paper Corp. and Subsidiaries

Consolidated Statements of Stockholders Equity

| (all dollar amounts in thousands) | Common <u>Stock</u> | Retained <u>Earnings</u> | Accumulated Other Comprehensive <u>Loss</u> | Treasury <u>Stock</u> | Total Stockholders <u>Equity</u> |
|---|------------------------|-----------------------------|--|--------------------------|--|
| Balances December 31, 2005 | \$173,456 | \$286,713 | \$(29,119) | \$(120,831) | \$310,219 |
| Comprehensive earnings, 2006: | | | | | |
| Net earnings | | 17,619 | | | 17,619 |
| Minimum pension liability | | | | | |
| (Net of \$2,661 deferred tax) | | | 4,527 | | 4,527 |
| Comprehensive earnings, 2006 | | | | | 22,146 |
| Adoption of SFAS 158 | | | | | |
| (Net of \$21,494 deferred tax) | | | (36,600) | | (36,600) |
| Cash dividends declared | | (17,309) | | | (17,309) |
| Stock options exercised | (452) | | | 1,955 | 1,503 |
| Settlement of performance unit grant | (426) | | | 257 | (169) |
| Tax benefit related to stock awards | 65 | | | | 65 |
| Stock-based award compensation | 659 | | | | 659 |
| Purchases of treasury stock | | | | (6,440) | (6,440) |
| Balances December 31, 2006 | 173,302 | 287,023 | (61,192) | (125,059) | 274,074 |
| Comprehensive earnings, 2007: | | | | | |
| Net loss | | (1,825) | | | (1,825) |
| Retirement and other post-retirement plans (Net of \$18,482 deferred tax) | | | 34,967 | | 34,967 |
| Comprehensive earnings, 2007 | | | | | 33,142 |
| Adoption of FIN 48 | | 37 | | | 37 |
| Cash dividends declared | | (17,173) | | | (17,173) |
| Settlement of performance unit grant | (366) | | | 236 | (130) |

| | | | | | |
|---|------------------|------------------|-------------------|--------------------|------------------|
| Tax benefit related to stock awards | 35 | | | 35 | |
| Stock-based award compensation | 979 | | | 979 | |
| Purchases of treasury stock | | | | (10,049) | (10,049) |
| Balances December 31, 2007 | 173,950 | 268,062 | (26,225) | (134,872) | 280,915 |
| Comprehensive loss, 2008: | | | | | |
| Net loss | | (15,834) | | | (15,834) |
| Retirement and other post-retirement plans (Net of \$17,890 deferred tax) | | | (31,883) | | (31,883) |
| Comprehensive loss, 2008 | | | | | (47,717) |
| Adoption of measurement date provisions of SFAS 158 (Net of \$1,066 deferred tax) | | (2,274) | 408 | | (1,866) |
| Cash dividends declared | | (16,715) | | | (16,715) |
| Restricted stock grant | (147) | | | 235 | 88 |
| Settlement of performance unit grant | (499) | | | 359 | (140) |
| Stock-based award compensation | 1,512 | | | | 1,512 |
| Purchases of treasury stock | | | | (8,496) | (8,496) |
| Balances December 31, 2008 | \$174,816 | \$233,239 | \$(57,700) | \$(142,774) | \$207,581 |

See accompanying Notes to Consolidated Financial Statements.

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 three principal segments: Specialty Products, Printing & Writing, and Towel & Tissue. The majority of our products are sold within the United States and Canada.

Specialty Products produces a wide variety of technical specialty papers that include supercalendered backing papers for pressure-sensitive labeling applications, tape backing, and packaging materials for a broad range of food, medical, and industrial applications.

Printing & Writing manufactures, converts, and markets a broad line of premium printing and writing grades.

Towel & Tissue 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.

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 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 \$3.9 million and \$13.6 million of cash and cash equivalents on deposit with one bank at December 31, 2008 and 2007, respectively.

Inventories

Pulpwood, finished paper products, and approximately 97% 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 \$0.5 million and \$1.5 million for the years ended December 31, 2008 and 2007, respectively.

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 three- 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.

Our policy is to capitalize interest incurred on debt during the course of projects that exceed one year in construction and \$1 million, or projects that exceed \$10 million. Interest capitalized in 2008 totaled \$0.2 million. Interest capitalized in 2007 and 2006 was not significant.

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, based on a discounted cash flow analysis. See Note 2 for a discussion of asset impairment losses recorded in 2008 and 2007. No impairment losses were recorded in 2006.

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. As the timber is harvested, 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 is 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. Timberland sales gains of \$6.2 million, \$9.6 million, and \$17.3 million were included in cost of sales in the Consolidated Statements of Operations for the years ended December 31, 2008, 2007, and 2006, respectively.

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 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 \$36.4 million and \$17.5 million at December 31, 2008 and 2007, 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. 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 \$37.8 million and \$34.3 million recorded in other assets for dispenser systems at December 31, 2008 and 2007, respectively.

Stock-based Compensation Plans

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123R), using the modified prospective application transition method. Prior to January 1, 2006, we measured compensation cost for stock-based compensation plans using the intrinsic value based method prescribed under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees.

Under SFAS 123R, share-based payment awards that are settled in cash continue to be classified as a liability; however, rather than remeasuring the award at the intrinsic value each reporting period, the award is remeasured at its fair value each reporting period until final settlement. The difference between the liability as previously computed (i.e., intrinsic value) and the fair value of the liability award on January 1, 2006, was \$0.4 million net of any related tax effects (\$0.7 million pre-tax), and was recorded as a cumulative effect of a change in accounting principle in

the Consolidated Statements of Operations. See Note 8 for a further discussion on stock-based compensation plans.

Earnings Per Share

We present both basic and diluted net (loss) earnings 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 8 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.

For the years ended December 31, 2008, 2007, and 2006, stock-based grants for 2,258,220, 2,102,810, and 667,944 shares, respectively, were excluded from the diluted EPS calculation because the shares were antidilutive.

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

| (all amounts in thousands, except per share data) | 2008 | 2007 | 2006 |
|---|-------------|------------|-----------|
| Net (loss) earnings | \$ (15,834) | \$ (1,825) | \$ 17,619 |
| Basic weighted average common shares outstanding | 49,033 | 50,477 | 50,935 |
| Dilutive securities: | | | |
| Stock compensation plans | | | 314 |
| Diluted weighted average common shares outstanding | 49,033 | 50,477 | 51,249 |
| Net (loss) earnings per share basic | \$ (0.32) | \$ (0.04) | \$ 0.35 |
| Net (loss) earnings per share diluted | \$ (0.32) | \$ (0.04) | \$ 0.34 |

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, 2008 and 2007, there were no derivative instruments outstanding.

Research and Development Expenses

Research and development costs are expensed as incurred. Expenditures for product development were \$2.5 million, \$2.6 million, and \$2.1 million in 2008, 2007, and 2006, respectively.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans (SFAS 158), which requires that we recognize in our financial statements the overfunded or underfunded status of a defined benefit post-retirement plan as an asset or liability and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 also requires the measurement date of the funded status of a plan as of the date of the year-end financial statements. The recognition provisions of SFAS 158 were adopted on December 31, 2006. We adopted the measurement date provisions on January 1, 2008, which resulted in an increase in our liabilities for defined benefit pension and other post-retirement plans of \$2.9 million, an increase in deferred tax assets of \$1.0 million, an after-tax increase to accumulated other comprehensive income of \$0.4 million, and an after-tax charge to retained earnings of \$2.3 million.

In September 2007, the FASB ratified Emerging Issues Task Force (EITF) 06-11 Accounting for the Income Tax Benefits of Dividends on Share-Based Payment Awards (EITF 06-11). On January 1, 2008, we adopted the provisions of EITF 06-11, which requires that tax benefits associated with dividends on share-based payment awards be recorded as a component of additional paid-in capital. The adoption of EITF 06-11 did not have a material impact on the consolidated financial statements.

Note 2 Restructuring and Divestitures

In December 2008, we announced plans to permanently close Printing & Writing s converting operations at our Appleton, Wisconsin facility. The operations at the Appleton facility will be reduced in a phased manner beginning in early 2009 and will be permanently closed prior to December 31, 2009. The closure will result in the elimination of approximately 90 permanent jobs. The converting equipment at the Appleton facility will be relocated to our remaining Printing & Writing mills, and distribution activities will also be relocated to a centralized location. The cost of sales in the Consolidated Statements of Operations for the year ended December 31, 2008, includes less than \$0.1 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 also less than \$0.1 million for the year ended December 31, 2008. At December 31, 2008, less than \$0.1 million was recorded as a

current liability for restructuring expenses, consisting of severance and benefit continuation costs. Additional pre-tax closure charges of approximately \$3.4 million are expected to be incurred in 2009.

In August 2008, we announced plans to permanently shut down one of the two paper machines at our Specialty Products mill in Jay, Maine. The shutdown was completed in December 2008, and impacted approximately 150 of the 235 employees at the facility. The cost of sales in the

Consolidated Statements of Operations for the year ended December 31, 2008, includes \$7.2 million in pre-tax charges for depreciation on assets and other associated costs of the machine shutdown. Pre-tax restructuring expense, as reflected in the Consolidated Statements of Operations, related to severance and benefit continuation costs and other associated costs of the machine shutdown was \$2.4 million for the year ended December 31, 2008.

The following table sets forth information with respect to the permanent machine shutdown charges:

| (all dollar amounts in thousands) | 2008 |
|---|-----------------|
| Depreciation on equipment | \$ 6,281 |
| Inventory write-down | 814 |
| Severance and benefit continuation and other associated costs | 2,486 |
| Total | \$ 9,581 |

At December 31, 2008, \$0.8 million was recorded as a current liability for restructuring expenses, consisting primarily of severance and benefit continuation costs. Additional pre-tax charges related to the permanent machine shutdown of approximately \$0.1 million are expected to be incurred in 2009.

In December 2007, the roll wrap portion of our Specialty Products business was sold to Cascades Sonoco, Inc., resulting in a pre-tax gain of \$1.2 million, which is included in cost of sales in the Consolidated Statements of Operations for the year ended December 31, 2007. Subsequent to the sale and closure of the roll wrap operations, asset impairment testing was completed on the remaining net assets, resulting in pre-tax impairment charges of \$0.4 million to reduce the carrying values of the remaining net assets to their estimated fair values. The impairment charges are reflected in cost of sales in the Consolidated Statements of Operations for the year ended December 31, 2007. We continued to manufacture roll wrap and related products for the buyer during a post-closing transition period that expired on July 2, 2008. The cost of sales in the Consolidated Statements of Operations for the year ended December 31, 2008, includes pre-tax charges of \$0.1 million related to additional asset impairment charges and other associated closure costs of the roll wrap operations. Pre-tax restructuring expense, as reflected in the Consolidated Statements of Operations, related to severance and benefit continuation costs and other associated closure costs was \$0.5 million and \$0.2 million, respectively, for the years ended December 31, 2008 and 2007. We do not expect to incur any additional pre-tax closure charges related to the sale and closure of our roll wrap operations.

We have retained and intend to sell the real property at the roll wrap production facilities. At December 31, 2008, both of the facilities used for roll wrap manufacturing met the classification requirements of net assets held for sale as defined in SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Accordingly, the land,

buildings, and land improvements less accumulated depreciation for the facilities are classified as net assets held for sale, which are included in other current assets on our Consolidated Balance Sheets. We continue to sell certain specialty products to our customers that were previously manufactured at these facilities.

In October 2007, we announced plans to cease Printing & Writing's papermaking operations at our Groveton, New Hampshire mill. Papermaking operations ceased in December 2007, and the majority of the papermaking assets were abandoned. The closure resulted in the elimination of approximately 300 permanent jobs. Due to the flexibility of our production platform within the Printing & Writing business segment, as well as shared distribution, sales and marketing, and customer service, we continue to manufacture and sell the same broad line of fine printing and writing paper products at our remaining Printing & Writing facilities. Cost of sales for the years ended December 31, 2008 and 2007, as reflected in the Consolidated Statements of Operations, includes \$10.1 million and \$38.8 million, respectively, in pre-tax charges for accelerated depreciation, an adjustment of spare parts and mill inventory to net realizable value, and other associated closure costs. Pre-tax restructuring expense for the year ended December 31, 2008, as reflected in the Consolidated Statements of Operations, includes \$13.4 million related to contract termination costs and other associated closure costs. Pre-tax restructuring expense for the year ended December 31, 2007, as reflected in the Consolidated Statements of Operations, includes \$7.1 million related to severance and benefit continuation costs and other associated closure costs.

The following table sets forth information with respect to the Groveton, New Hampshire mill closure charges:

| (all dollar amounts in thousands) | 2008 | 2007 |
|--------------------------------------|-----------------|----------|
| Depreciation on abandoned equipment | \$ 5,558 | \$35,134 |
| Inventory and spare parts write-down | 335 | 4,155 |
| Severance and benefit continuation | | 2,982 |
| Contract termination | 11,782 | |
| Other associated costs | 5,850 | 3,605 |
| Total | \$23,525 | \$45,876 |

Following is a summary of the liabilities for restructuring expenses through December 31, 2008, related to the closure of the Groveton, New Hampshire mill:

| (all dollar amounts in thousands) | December 31, 2007 | Net charges/ (payments) | December 31, 2008 |
|------------------------------------|----------------------|----------------------------|----------------------|
| Severance and benefit continuation | \$2,951 | \$(2,886) | \$ 65 |
| Contract termination | | 10,232 | 10,232 |

| | | | |
|------------------------|---------|----------|-----------------|
| Other associated costs | 110 | (110) | |
| Total | \$3,061 | \$ 7,236 | \$10,297 |

At December 31, 2008, \$1.3 million and \$9.0 million are included in current liabilities and noncurrent liabilities, respectively. We will continue to make payments related to the contract termination over the original contractual terms. We do not expect to incur any additional pre-tax closure charges related to the closure of the Groveton, New Hampshire mill.

In July 2005, we announced plans to permanently close the sulfite pulp mill at our Brokaw, Wisconsin, papermaking facility. The pulp mill was closed in November 2005 and the related long-lived assets were abandoned. The closure resulted in the elimination of 57 permanent jobs, or approximately 10% of the facility's total workforce. The cost of sales for the year ended December 31, 2006, as reflected in the Consolidated Statements of Operations, includes \$0.3 million in pre-tax charges for adjustments of pulp mill inventory to net realizable value. Pre-tax restructuring expense related to other associated closure costs was \$0.2 million for the year ended December 31, 2006. There were no charges to cost of sales or restructuring expense in the Consolidated Statements of Operations related to the pulp mill closure for the years ended December 31, 2008 and 2007.

Note 3

Supplemental Balance Sheet Information

| (all dollar amounts in thousands) | 2008 | 2007 |
|--|-------------------|------------|
| Receivables | | |
| Trade | \$ 93,327 | \$ 107,909 |
| Other | 4,336 | 3,257 |
| | 97,663 | 111,166 |
| Less: allowances for doubtful accounts | (923) | (1,052) |
| | \$ 96,740 | \$ 110,114 |
| Inventories | | |
| Raw materials | \$ 46,515 | \$ 37,401 |
| Work in process and finished goods | 115,539 | 115,848 |
| Supplies | 7,390 | 5,204 |
| Inventories at cost | 169,444 | 158,453 |
| LIFO reserve | (51,249) | (49,921) |
| | \$ 118,195 | \$ 108,532 |
| Property, plant, and equipment | | |
| Buildings | \$ 122,224 | \$ 124,465 |
| Machinery and equipment | 985,452 | 983,937 |
| | 1,107,676 | 1,108,402 |
| Less: accumulated depreciation | (748,916) | (713,820) |
| Net depreciated value | 358,760 | 394,582 |
| Land | 6,868 | 7,386 |
| Timber and timberlands, net of depletion | 5,675 | 5,064 |

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| | | |
|-------------------------------|-------------------|------------|
| Construction in progress | 34,105 | 6,264 |
| | \$ 405,408 | \$ 413,296 |
| Accrued and other liabilities | | |
| Payroll | \$ 7,496 | \$ 14,235 |
| Vacation pay | 12,025 | 12,196 |
| Compensation plans | 9,887 | 2,928 |
| Employee retirement plans | 10,718 | 5,910 |
| Rebates | 8,364 | 12,813 |
| Accrued income taxes | 465 | 1,454 |
| Other | 20,979 | 23,011 |
| | \$ 69,934 | \$ 72,547 |

Note 4**Debt**

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

| (all dollar amounts in thousands) | 2008 | 2007 |
|--|------------------|-----------|
| Senior notes with interest from 7.31% to 7.43%, due between August 31, 2009, and August 31, 2011 | \$103,500 | \$103,500 |
| Industrial development bonds due July 1, 2023, with weighted average interest rate of 2.52% in 2008 and 3.87% in 2007 | 19,000 | 19,000 |
| Revolving-credit agreement with financial institutions, with weighted average interest rate of 4.14% in 2008 and 6.16% in 2007 | 52,500 | 15,000 |
| Commercial paper placement agreement, with weighted average interest rate of 3.39% in 2008 | 15,910 | |
| Note payable | 195 | 261 |
| Capitalized leases (see Note 5) | | 138 |
| Subtotal | 191,105 | 137,899 |
| Premium on senior notes | 909 | 1,634 |
| Total debt | 192,014 | 139,533 |
| Less: current maturities of long-term debt | (51) | (175) |
| Total long-term debt | \$191,963 | \$139,358 |

We had \$138.5 million in unsecured private placement notes that were closed and funded on August 31, 1999. On August 31, 2007, \$35 million of the unsecured private placement notes matured and were repaid. The principal amounts, maturities, and interest rates on the remaining notes are (1) \$68.5 million, 10 years, 7.31%; and (2) \$35 million, 12 years, 7.43%. In connection with the note offering, we entered into an interest-rate swap agreement under which the interest rate paid by us with respect to (1) \$58.5 million of the 10-year notes was the three-month LIBOR rate, plus .4925%, and (2) \$30 million of the 12-year notes was the three-month LIBOR rate, plus .55%. During 2001, we terminated this interest-rate swap arrangement in exchange for cash payments of \$6.4 million. The amounts received from the swap counterparties at termination approximated the fair values of the swaps at the respective termination dates. The premium recorded on debt during the period the swaps were outstanding will continue to be amortized using the effective interest-rate method over the remaining term of the respective debt instruments. See Note 11 for additional information regarding the interest-rate swap and amortization of debt premium.

On August 20, 2008, we amended our existing \$125 million unsecured revolving-credit agreement that will expire on July 27, 2011, to increase the aggregate commitments under the revolving-credit agreement to \$165 million. Under the facility, we may elect a base rate which is a fluctuating rate per annum for interest from either domestic or offshore rates plus an applicable rate based upon our consolidated leverage ratio. In addition, the facility 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. We pay the banks a facility fee under this agreement based on quarterly debt/capitalization ratios. Total facility fees paid under this agreement and previous agreements were \$351,000 in 2008, \$166,000 in 2007, and \$268,000 in 2006. There were \$52.5 million and \$15.0 million, respectively, in outstanding borrowings under this agreement at December 31, 2008 and 2007.

In addition to representations and warranties, covenants, and provisions for default customary for facilities of this nature for companies having similar creditworthiness, we are required to maintain, under the unsecured revolving-credit agreement and the unsecured private placement note agreement, a consolidated leverage ratio of not more than 55%, a consolidated interest coverage ratio of not less than 3 to 1, and an adjustable minimum net worth covenant. The adjustable minimum net worth covenant as of December 31, 2008 was \$200.6 million compared to our actual net worth of \$207.6 million. As of December 31, 2008, 2007, and 2006, we were in compliance with all required covenants. We expect to remain in full compliance with all required covenants through 2009. Wausau Paper is currently in the process of obtaining an amendment of the adjustable minimum net worth covenant under both the unsecured revolving-credit agreement and the unsecured private placement note agreement.

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. There were \$15.9 million in outstanding borrowings under this agreement at December 31, 2008. There were no outstanding borrowings under this agreement at December 31, 2007.

On November 2, 2004, we entered into a loan agreement with the Economic Development Authority of the city of Brainerd, Minnesota. Under the agreement, we borrowed \$500,000, of which \$100,000 was forgivable upon meeting certain employment criteria at our Brainerd, Minnesota, facility by November 1, 2006. The employment criteria were met in 2006, therefore, \$100,000 of the loan was forgiven. Interest is payable quarterly on the outstanding balance at a rate of 2% per annum. In accordance with the agreement, quarterly payments of principal and interest began on January 1, 2006. The loan is due and payable no later than November 1, 2013.

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, 2008, under the \$165 million revolving-credit facility, we have the ability and the intent to refinance on a long-term basis the amount of outstanding commercial paper and the \$68.5 million of unsecured private placement notes maturing on August 31, 2009. As a result, we have classified the amounts as long-term on our Consolidated Balance Sheets.

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

Annual

| (all dollar amounts in thousands) | maturities |
|-----------------------------------|------------|
| 2009 | \$ 68,551 |
| 2010 | 69 |
| 2011 | 103,485 |
| 2012 | |
| 2013 | |
| Thereafter | 19,000 |

Note 5**Lease Commitments**

We have various leases for real estate, mobile equipment, and machinery that generally provide for renewal privileges or for purchase at option prices established in the lease agreements. Property, plant, and equipment included the following amounts for capitalized leases as of December 31:

| | |
|-----------------------------------|--------|
| (all dollar amounts in thousands) | 2007 |
| Machinery and equipment | \$ 393 |
| Allowance for amortization | (144) |
| Net value | \$ 249 |

There were no capital leases outstanding at December 31, 2008. Lease amortization is included in depreciation expense.

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, 2008:

| | |
|-----------------------------------|---------------------|
| (all dollar amounts in thousands) | Operating Leases |
| 2009 | \$ 979 |
| 2010 | 977 |
| 2011 | 967 |
| 2012 | 965 |
| 2013 | 85 |
| Thereafter | |
| Total minimum payments | \$3,973 |

Rental expense for all operating leases was as follows:

| (all dollar amounts in thousands) | 2008 | 2007 | 2006 |
|-----------------------------------|---------|---------|---------|
| Rent expense | \$8,700 | \$8,809 | \$8,508 |

Note 6

Pension and Other Post-retirement Benefit Plans

We sponsor 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.

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.

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.

As described in Note 1, effective January 1, 2008, we adopted the measurement date provisions of SFAS 158, which requires that we measure plan assets and benefit obligations as of the date of the year end financial statements.

Accordingly, the measurement date for plan assets and obligations for 2008 was December 31. We historically have used September 30 as our measurement date for our plans. The adoption of the measurement date provisions resulted in a decrease to retained earnings of \$2.3 million, net of tax, and an increase to accumulated other comprehensive income of \$0.4 million, net of tax, representing the periodic benefit cost for the period from October 1, 2007, through the year ended December 31, 2007.

The changes in benefit obligations and plan assets at December 31, 2008, and September 30, 2007, are presented in the following schedule. Due to the adoption of the measurement date provisions of SFAS 158, the changes in benefit obligations and plan assets for the year ended December 31, 2008, include fifteen months of activity.

| (all dollar amounts in thousands) | Retirement Benefits | | Other Post retirement Benefits | |
|---|---------------------|------------|--------------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Change in benefit obligation: | | | | |
| Benefit obligation at September 30, 2007 and 2006 | \$ 201,253 | \$ 196,551 | \$ 80,840 | \$ 106,909 |
| Service cost | 8,140 | 7,799 | 2,321 | 2,516 |
| Interest cost | 15,502 | 11,026 | 5,889 | 5,146 |
| Amendments | 1,061 | 3,374 | (6,649) | (20,295) |
| Net actuarial gain | (3,281) | (7,266) | (100) | (8,538) |
| Participant contributions | | | 2,920 | 2,248 |
| Curtailments | | | (1,839) | |
| Benefits paid | (14,360) | (10,231) | (8,230) | (7,146) |

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| | | | | |
|--|---|------------|------------------|-----------|
| | Benefit obligation at December 31, 2008 | | | |
| | and | | | |
| September 30, 2007 | \$ 208,315 | \$ 201,253 | \$ 75,152 | \$ 80,840 |
| Change in plan assets: | | | | |
| Fair value at September 30, 2007 and 2006 | \$ 198,698 | \$ 164,834 | \$ | \$ |
| Actual (loss) gain | (44,743) | 27,700 | | |
| Company contributions | 10,268 | 16,395 | 5,310 | 4,898 |
| Participant contributions | | | 2,920 | 2,248 |
| Benefits paid | (14,360) | (10,231) | (8,230) | (7,146) |
| Fair value at December 31, 2008 and September 30, 2007 | \$ 149,863 | \$ 198,698 | \$ | \$ |

For 2008 and 2007, the amendments to retirement benefit plans reflect union negotiated rate increases. For 2008 and 2007, the amendment to other post-retirement benefit plans is primarily related to cost sharing changes for the non-union and certain union plans.

The funded status and amounts recognized in the Consolidated Balance Sheets at December 31, 2008 and 2007 were:

| (all dollar amounts in thousands) | Retirement Benefits | | Other Post retirement Benefits | |
|---|---------------------|------------|--------------------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net amount recognized: | | | | |
| Funded status | \$ (58,452) | \$ (2,555) | \$ (75,152) | \$ (80,840) |
| Cash contribution subsequent to measurement date | | 3,799 | | 841 |
| Curtailment (expense) income | | (3,111) | | 607 |
| Unrecognized net loss after remeasurement | | 3,056 | | |
| Accrued benefit cost at December 31 | \$ (58,452) | \$ 1,189 | \$ (75,152) | \$ (79,392) |
| Amounts recognized in the Consolidated Balance Sheets consist of: | | | | |
| Noncurrent assets | \$ | \$ 17,953 | \$ | \$ |
| Current liabilities | (6,054) | (567) | (4,600) | (5,280) |
| Noncurrent liabilities | (52,398) | (16,197) | (70,552) | (74,112) |
| Net amount recognized at December 31 | \$ (58,452) | \$ 1,189 | \$ (75,152) | \$ (79,392) |

For 2008, the curtailment recognized relates to the shutdown of one of the two paper machines at our Specialty Products mill in Jay, Maine. In addition for 2007, the curtailment recognized relates to the closure of Printing & Writing's Groveton, New Hampshire mill. See Note 2 for additional information on the paper machine shutdown and the Groveton mill closure.

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

| (all dollar amounts in thousands) | Retirement Benefits | | Other Post retirement Benefits | |
|-----------------------------------|---------------------|------|--------------------------------|------|
| | 2008 | 2007 | 2008 | 2007 |

| | | | | |
|--------------------------------------|------------------|----------|-------------------|------------|
| Prior service cost (credit) | \$ 7,676 | \$ 8,884 | \$(11,170) | \$(11,265) |
| Net loss | 46,684 | 10,882 | 14,510 | 17,724 |
| Net amount recognized at December 31 | \$ 54,360 | \$19,766 | \$ 3,340 | \$ 6,459 |

The total accumulated benefit obligation for qualified and non-qualified defined benefit pension plans was \$207.7 million and \$198.9 million at December 31, 2008 and September 30, 2007, respectively. At December 31, 2008, the total accumulated benefit obligation for pension plans exceeded the plan assets for all of the qualified defined benefit pension plans. At September 30, 2007, plan assets exceeded the total accumulated benefit obligation for all of the qualified defined benefit pension plans.

| Asset category | Target Allocations | Pension Benefits | |
|-------------------|--------------------|---|------|
| | | Percentage of Plan Assets at Measurement Date | |
| | | 2008 | 2007 |
| Equity securities | 60% | 52% | 66% |
| Debt securities | 40% | 48% | 34% |
| Total | 100% | 100% | 100% |

Wausau Paper's Benefits Committee, as established by the Board of Directors, monitors pension assets and the performance of pension investments. The Benefits Committee manages toward an asset allocation consisting of approximately 60% equity securities and 40% debt securities. An external investment manager is used to assist us in establishing our investment strategies and policies. We consider the historical and projected returns for each asset category and believe that the investment strategy employed will provide a blended rate of return on pension assets consistent with current pension valuation assumptions.

Although we do not expect to have a minimum funding requirement for defined benefit pension plans in 2009, we may elect to make contributions of up to \$10.8 million directly to pension plans. We also expect to contribute \$4.6 million, net of subsidy reimbursements, directly to other post-retirement plans. Benefit payments expected to be paid and subsidy amounts to be received in each of the next five years and in the aggregate for the five years thereafter are:

| (all dollar amounts in thousands) | Pension | Other Post-retirement | |
|-----------------------------------|------------------|-----------------------|---------|
| | Benefit Payments | Benefit Payments | Subsidy |
| 2009 | \$17,408 | \$ 4,843 | \$ 243 |
| 2010 | 17,338 | 4,339 | 270 |
| 2011 | 11,979 | 4,664 | 302 |
| 2012 | 13,357 | 4,893 | 345 |
| 2013 | 12,915 | 5,425 | 375 |

2014-2018

78,262

31,810

2,324

23

The components of net periodic benefit costs recognized in the Consolidated Statements of Operations and the amounts recognized in other comprehensive income are as follows:

| (all dollar amounts in thousands) | Pension Benefits | | | Other Post retirement Benefits | | |
|--|------------------|-------------|-----------|--------------------------------|------------|----------|
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |
| Components of net periodic benefit cost: | | | | | | |
| Service cost | \$ 6,374 | \$ 7,799 | \$ 7,833 | \$ 1,800 | \$ 2,516 | \$ 3,201 |
| Interest cost | 12,406 | 11,026 | 10,382 | 4,662 | 5,146 | 5,242 |
| Expected return on plan assets | (14,779) | (13,416) | (12,011) | | | |
| Amortization of: | | | | | | |
| Prior service cost (benefit) | 1,881 | 2,413 | 2,156 | (3,468) | (3,829) | (3,324) |
| Actuarial loss | 1,952 | 2,468 | 3,190 | 2,017 | 2,332 | 1,967 |
| Subtotal | 7,834 | 10,290 | 11,550 | 5,011 | 6,165 | 7,086 |
| Components charged to restructuring expense: | | | | | | |
| Curtailments | 505 | 3,111 | | (1,051) | (607) | |
| Total net periodic benefit cost | \$ 8,339 | \$ 13,401 | \$ 11,550 | \$ 3,960 | \$ 5,558 | \$ 7,086 |
| Recognized in other comprehensive income (before tax effect): | | | | | | |
| Net actuarial loss (gain) | \$ 59,864 | \$ (21,496) | | \$ (100) | \$ (8,537) | |
| Prior service cost (credit) | 1,061 | 3,375 | | (6,829) | (20,295) | |
| Amortization of: | | | | | | |
| Net actuarial loss | (2,477) | (2,468) | | (2,522) | (2,332) | |
| Prior service cost (credit) | (2,880) | (5,524) | | 4,281 | 3,829 | |
| Total recognized in other comprehensive income | 55,568 | (26,113) | | (5,170) | (27,335) | |
| Total recognized in net periodic benefit cost and other comprehensive income | \$ 63,907 | \$ (12,712) | | \$ (1,210) | \$(21,777) | |

The estimated prior service cost and net actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the year ended December 31, 2009, are charges of \$1.8 million and \$1.2 million, respectively. The estimated prior service credit and net actuarial loss for the

other post-retirement benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the year ended December 31, 2009, are a credit of \$3.5 million and a charge of \$1.8 million, respectively.

The weighted average assumptions used in the calculation of the year-end obligation and net periodic benefit costs are as follows:

| | Pension Benefits | | | Other Post retirement Benefits | | |
|---|------------------|-------|-------|--------------------------------|-------|-------|
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |
| Weighted-average assumptions used to determine benefit obligations at the selected measurement dates: | | | | | | |
| Discount rate | 6.25% | 6.25% | 5.75% | 6.25% | 6.25% | 5.75% |
| Rate of compensation increase | 4.25% | 4.25% | 4.25% | n/a | n/a | n/a |
| Weighted-average assumptions used to determine net periodic benefit cost for year ended December 31: | | | | | | |
| Discount rate | 6.25% | 5.75% | 5.50% | 6.25% | 5.75% | 5.50% |
| Expected return on plan assets | 8.00% | 8.25% | 8.25% | n/a | n/a | n/a |
| Rate of compensation increase | 4.25% | 4.25% | 4.25% | n/a | n/a | n/a |
| Assumed health care cost trend rates at December 31: | | | | | | |
| Health care cost trend rate assumed | n/a | n/a | n/a | 9% | 9% | 9% |
| Ultimate trend rate | n/a | n/a | n/a | 5% | 5% | 5% |
| Year that the rate reaches the ultimate trend rate | n/a | n/a | n/a | 2011 | 2010 | 2010 |

Assumed health care cost trend rates significantly affect reported amounts for retiree medical benefits. For 2008, the effect of a one-percentage-point change in the assumed health care cost trend rate would have had the following effects:

| (all dollar amounts in thousands) | One percentage point | |
|---|----------------------|------------------|
| | Increase | Decrease |
| Effect on the post-retirement benefit obligation | \$10,712 | \$(8,986) |
| Effect on the sum of the service and interest cost components | \$ 963 | \$ (797) |

We also sponsor defined contribution pension plans, several of which provide for company contributions based on a percentage of employee contributions. The cost of such plans totaled \$3.0 million, \$2.8 million, and \$2.7 million in 2008, 2007, and 2006, respectively.

We have deferred-compensation agreements with certain present and past key officers, directors, and employees which allow participants to defer a portion of their compensation. The principal cost of such plans is being or has been accrued over the period of active employment to the full eligibility date. During 2008, we terminated the deferred-compensation agreements with certain present and past key officers and employees. We expect to make payments of approximately \$8.1 million in 2009 as a result of the termination of the agreements. The annual cost of the deferred-compensation agreements was \$0.9 million for the year ending December 31, 2008, and a credit of \$0.4 million for the year ending December 31, 2007. At December 31, 2008 and 2007, the amounts accrued under the deferred-compensation agreements were \$10.1 million and \$8.7 million, respectively, and are included in current and other noncurrent liabilities on the Consolidated Balance Sheets.

Note 7**Income Taxes**

Deferred tax assets and liabilities are determined based on the estimated future tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by the current enacted tax rates. Deferred tax credit is the result of changes in the deferred tax asset and liability.

The (credit) provision for income taxes is comprised of the following:

| (all dollar amounts in thousands) | 2008 | 2007 | 2006 |
|---|-------------|-------------|-----------|
| Current tax expense (credit): | | | |
| Federal | \$ (1,868) | \$ 5,272 | \$ 11,632 |
| State | 436 | 299 | 2,993 |
| Total current | (1,432) | 5,571 | 14,625 |
| Deferred tax credit: | | | |
| Federal | (8,727) | (14,087) | (3,212) |
| State | (677) | (13,713) | (590) |
| Total deferred | (9,404) | (27,800) | (3,802) |
| Total (credit) provision for income taxes | \$ (10,836) | \$ (22,229) | \$ 10,823 |

A reconciliation between taxes computed at the federal statutory rate and our effective tax rate follows:

| (all dollar amounts in thousands) | 2008 | 2007 | 2006 |
|---|--------------------|--------------------|----------------|
| Federal statutory tax rate | \$ (9,334) (35.0%) | \$ (8,419) (35.0%) | \$10,119 35.0% |
| State taxes (net of federal tax benefits) | (394) (1.5) | (2,160) (8.9) | 1,729 6.1 |
| State tax benefit due to reorganization | | (11,645) (48.5) | |
| Export sales benefit | | | (380) (1.3) |

| | | | | | | |
|--------------------|-------------------|----------------|------------|---------|----------|-------|
| Other | (1,108) | (4.1) | (5) | | (645) | (2.3) |
| Effective tax rate | \$(10,836) | (40.6%) | \$(22,229) | (92.4%) | \$10,823 | 37.5% |

Effective January 1, 2007, we reorganized the various subsidiaries which comprised our operating segments to align more closely with our operating structure. Each segment is now organized as a single member limited liability company and operates as a direct subsidiary of Wausau Paper Corp. The new structure allowed us to utilize state net operating loss and credit carryovers of certain subsidiaries for which full valuation allowances had been previously established due to the fact that separate state tax returns were filed under our previous structure. In 2007, we recorded net state tax benefits of \$11.6 million primarily as a result of the reversal of these valuation allowances. At the end of 2008, \$191.8 million of unused state operating loss and credit carryovers existed, which may be used to offset future state taxable income in various amounts through the year 2023. Under the provisions of SFAS No. 109, the benefits of state tax losses are recognized as a deferred tax asset, subject to appropriate valuation allowances.

The major temporary differences that give rise to the deferred tax assets and liabilities at December 31, 2008 and 2007, are as follows:

| (all dollar amounts in thousands) | 2008 | 2007 |
|--|-------------|-------------|
| Deferred tax assets: | | |
| Accrued compensated absences | \$ 4,017 | \$ 4,046 |
| Pensions | 13,969 | |
| Post-retirement benefits | 30,582 | 32,061 |
| State net operating loss carry forward | 15,895 | 16,571 |
| Other | 30,104 | 27,051 |
| Gross deferred tax asset | 94,567 | 79,729 |
| Less valuation allowance | (1,294) | (1,878) |
| Net deferred tax assets | 93,273 | 77,851 |
| Deferred tax liabilities: | | |
| Property, plant, and equipment | (96,445) | (104,166) |
| Other | (16,623) | (21,745) |
| Gross deferred tax liability | (113,068) | (125,911) |
| Net deferred tax liability | \$ (19,795) | \$ (48,060) |

The total deferred tax assets (liabilities) as presented in the accompanying consolidated balance sheets are as follows:

| (all dollar amounts in thousands) | 2008 | 2007 |
|---|------------|------------|
| Net deferred tax assets | \$ 5,793 | \$ 6,046 |
| Net noncurrent deferred tax liabilities | (25,588) | (54,106) |
| Net deferred tax liability | \$(19,795) | \$(48,060) |

A valuation allowance has been recognized for certain state loss carry forwards and future deductible items, as cumulative losses create uncertainty about the realization of the tax benefits in future years.

On January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies whether or not to recognize assets or liabilities for tax positions taken that may be challenged by a taxing authority. As a result of the implementation of FIN 48, we recognized a \$0.04 million decrease in the liability for unrecognized tax benefits, which was accounted for as an increase to retained earnings at January 1, 2007.

The following table summarizes the activity related to our liability for unrecognized tax benefits, all of which would impact our effective tax rate if recognized:

| (all dollar amounts in thousands) | 2008 | 2007 |
|---|-----------------|----------|
| Balance at January 1 | \$ 4,942 | \$ 4,420 |
| Increases related to current year tax positions | | 90 |
| Increases related to tax positions in prior years | 37 | 1,779 |
| Decreases related to tax positions in prior years | (1,557) | (1,347) |
| Settlements | (1,879) | |
| Expiration of statute of limitations | (362) | |
| Total | \$ 1,181 | \$ 4,942 |

We record penalties and accrued interest related to uncertain tax positions in the provision for income taxes in the Consolidated Statements of Operations. During 2008 and 2007, we accrued potential penalties and interest of approximately \$0.2 million and \$0.8 million, respectively, related to unrecognized tax benefits. In total, as of December 31, 2008 and 2007, we have recorded liabilities for potential penalties and interest of approximately \$0.5 million and \$1.8 million, respectively, which are included in the liabilities for unrecognized tax benefits. At December 31, 2008, the liability for uncertain tax positions was \$1.7 million, with \$0.2 million of the liability recorded as a current liability and \$1.5 million recorded as a noncurrent liability. The liability for uncertain tax positions at December 31, 2007, was \$6.7 million, with \$3.8 million of the liability recorded as a current liability and \$2.9 million recorded as a noncurrent liability.

During 2008 we settled an ongoing examination by the Internal Revenue Service (IRS) for our 1998 to 2003 tax years. The examination related to certain research and development credits recorded for these respective tax years. The settlement of the ongoing examination, interest costs, and closure of the 1998 to 2003 tax years resulted in a decrease of \$3.7 million to our total gross liability for unrecognized tax benefits, a credit for income taxes of \$1.1 million, and cash paid of \$2.2 million. We are currently open to audit under the statute of limitations by the IRS for the year ended December 31, 2005, and years thereafter. We also file income tax returns in numerous state jurisdictions with varying statutes of limitations. We do not expect any significant changes to our unrecognized tax benefits during the next twelve months.

Note 8

Stock Compensation Plans

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123R), using the modified prospective application transition method. Prior to January 1, 2006, we measured compensation cost for stock-based compensation plans using the intrinsic value based method prescribed under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees.

Under SFAS 123R, share-based payment awards that are settled in cash continue to be classified as a liability; however, rather than remeasuring the award at the intrinsic value each reporting period, the award is remeasured at its fair value each reporting period until final settlement. The

difference between the liability as previously computed (i.e., intrinsic value) and the fair value of the liability award on January 1, 2006, was \$0.4 million net of any related tax effects (\$0.7 million pre-tax), and was recorded as a cumulative effect of a change in accounting principle in the Consolidated Statements of Operations.

Stock Options, Restricted Stock Awards, and Performance Units

We have one stock incentive plan, the 2000 Stock Incentive Plan, under which awards to grantees are issued. Under the 2000 Stock Incentive Plan, in addition to stock options, awards of restricted shares of common stock and restricted stock units, referred to as performance units, may be granted. We also maintain various other employee stock option plans under which options are outstanding. The plans provide for the determination of purchase price, time, and method of exercise. We are authorized to deliver up to 3.6 million shares of our common stock upon exercise of non-qualified stock options or incentive stock options, or upon grant or in payment of performance shares, performance units, and restricted stock under the various incentive plans. As of December 31, 2008, there were 1.4 million shares available under the 2000 Stock Incentive Plan for future grant. We use treasury stock to deliver common stock shares under these plans.

For the years ended December 31, 2008 and 2007, we recognized approximately \$1.6 million and \$1.0 million, respectively, in share-based compensation expense which included fixed option grants, restricted stock grants, and performance unit awards. We recognize compensation expense on grants of stock options, restricted stock, and performance unit share-based compensation awards on a straight-line basis over the requisite service period of each award. As of December 31, 2008, total unrecognized compensation cost related to share-based compensation awards was approximately \$0.5 million, net of estimated forfeitures, which we expect to recognize over a weighted average period of approximately 0.7 years.

Options

Non-qualified stock options are granted for terms up to 10 years from the grant date. The option price is equal to the fair market value of Wausau Paper common stock at the date of grant for incentive and non-qualified options. Fixed option grant agreements define service condition vesting requirements and other transferability restrictions on a grant-by-grant basis, and performance-based options vest in relation to defined performance.

The following table summarizes the status of all outstanding stock options as of December 31, 2008, 2007, and 2006, and changes during those years:

| | 2008 | | 2007 | | 2006 | |
|---|-----------------|------------------|-----------------|---------------|-----------------|---------------|
| | Weighted | | Weighted | | Weighted | |
| | Average | | Average | | Average | |
| | Exercise | 2008 | Exercise | 2007 | Exercise | 2006 |
| | Price | Shares | Price | Shares | Price | Shares |
| Outstanding at January 1 | \$12.16 | 2,001,624 | | 1,939,624 | \$12.30 | 2,489,842 |
| Granted | 8.07 | 382,669 | | 509,102 | 14.45 | 106,000 |
| Terminated/canceled | 8.32 | (386,669) | | (447,102) | 15.42 | (509,218) |
| Exercised | | | | | | (147,000) |
| Outstanding at December 31 | \$12.12 | 1,997,624 | | 2,001,624 | \$12.16 | 1,939,624 |
| Exercisable at December 31 | \$12.19 | 1,924,292 | | 1,881,624 | \$12.09 | 1,839,624 |
| Fair value of options granted during the year | \$ 1.91 | | | | \$ 4.83 | \$ 3.97 |

The preceding table includes performance-based options that vest in relation to achieving defined performance criteria. The following table summarizes the status of outstanding performance-based stock options as of December 31, 2008, 2007, and 2006, and changes during those years:

| | 2008 | | 2007 | | 2006 | |
|----------------------------|-----------------|------------------|-----------------|---------------|-----------------|---------------|
| | Weighted | | Weighted | | Weighted | |
| | Average | | Average | | Average | |
| | Exercise | 2008 | Exercise | 2007 | Exercise | 2006 |
| | Price | Shares | Price | Shares | Price | Shares |
| Outstanding at January 1 | \$10.74 | 66,000 | | 66,000 | \$10.74 | 456,218 |
| Granted | 8.04 | 346,669 | | 413,102 | 15.17 | |
| Terminated/canceled | 8.04 | (346,669) | | (413,102) | 15.17 | (378,218) |
| Exercised | | | | | | (12,000) |
| Outstanding at December 31 | \$10.74 | 66,000 | | 66,000 | \$10.74 | 66,000 |
| Exercisable at December 31 | \$10.74 | 66,000 | | 66,000 | \$10.74 | 66,000 |

As a result of not achieving certain operating profit levels for the years ended December 31, 2008, 2007, and 2006, no compensation expense was recorded for performance-based option grants.

Additional information regarding all grants outstanding and exercisable at December 31, 2008, is as follows:

(all dollar amounts in thousands, except per share data)

| Range of Exercise Prices | Outstanding Options | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price | Exercisable Options | Weighted Average Exercise Price |
|-----------------------------|------------------------|---|---------------------------------------|------------------------|---------------------------------------|
| \$7.77 \$11.55 | 961,313 | 10.09 | \$9.36 | 912,981 | \$9.36 |
| \$12.36 \$18.50 | 1,036,311 | 8.92 | 14.68 | 1,011,311 | 14.70 |
| Total | 1,997,624 | | | 1,924,292 | |
| Aggregate intrinsic value | \$2,005 | | | \$1,898 | |

For the year ended December 31, 2008, we estimated the fair value of each option on the date of grant using the binomial tree model and the following weighted average assumptions:

| | |
|---------------------------------|--------|
| Average risk-free interest rate | 3.68% |
| Expected dividend yield | 3.64% |
| Expected volatility | 33.00% |
| Expected term (years) | 5.3 |

The average risk-free rate is determined on the grant date using the yield on zero-coupon U.S. Treasury strips. The rate is duration-matched to the term of the option, which may entail an extrapolation of the rate. The expected dividend yield is calculated using the ten year historical yield of Wausau Paper's dividends. The expected volatility assumption is based on a 10 percent weighting factor for implied volatilities of comparable exchange traded-options and a 90 percent weighting factor of the monthly average historical volatilities of Wausau Paper common stock over the expected life of the award. The expected term of the options is calculated using the remaining contractual lives of the grants and expected exercise and expected termination behavior based upon historical data for Wausau Paper.

The table below presents stock option exercise and vesting activity for the years ended December 31, 2008, 2007 and 2006:

| (all dollar amounts in thousands) | Year Ended | | |
|--|------------|------|--------|
| | 2008 | 2007 | 2006 |
| Total intrinsic value of stock options exercised | \$ | \$ | \$ 551 |
| Cash received from stock option exercises | | | 1,503 |
| Income tax benefit from the exercise of stock options | | | 102 |
| Total fair value of stock options vested during period | 246 | 182 | 156 |

Restricted Stock

On January 7, 2008, we granted 18,000 shares of restricted stock. The 18,000 shares were valued based upon the closing price of Wausau Paper's common stock on the date of the grant and reflected in equity as a reduction in treasury stock outstanding. Compensation expense is recognized for the restricted stock award on a straight-line basis

over the vesting period of the entire award with the balance of unearned compensation reflected in the equity section of the balance sheet. Under the plan, shares of restricted stock have voting rights. Cash dividends on the restricted shares are deferred and held by us until satisfaction of the vesting requirements. In accordance with the grant, 6,000 shares of restricted stock became vested on December 31, 2008. The remaining shares vest in two equal installments of 6,000 shares on December 31, 2009 and 2010, respectively. There were no issuances of restricted stock during the years ended December 31, 2007 or 2006. Total compensation expense recognized for restricted stock was \$0.1 million for the year ended December 31, 2008.

Performance Units

Under the 2000 Stock Incentive Plan, we may grant performance units that may vest in relation to (1) achieving certain operating profit levels and (2) completion of a service requirement. Upon satisfaction of the vesting requirements, the performance units and a dividend equivalent calculated based upon shares earned are paid out in whole shares of Wausau Paper's common stock, with fractional shares paid in cash. Prior to vesting, no shares are issued and performance units have no voting rights. Effective January 1, 2006, compensation expense is determined based upon the closing sales price of our common stock on the date of the award and is recognized over the requisite service period of the grant once we have determined that achievement of the performance condition is probable. If it is improbable that the performance condition will be met, no compensation cost is recognized. Service condition vesting ranges from zero to two years.

The following table summarizes the activity relating to performance unit grants:

| | 2008 | 2007 | 2006 |
|--|------------------|----------|----------|
| Outstanding at January 1 (number of units) | 81,233 | 66,465 | 90,529 |
| Granted | 311,290 | 48,317 | 12,269 |
| Terminated | (122,419) | (1,394) | (5,676) |
| Settled | (42,201) | (32,155) | (30,657) |
| Outstanding at December 31 (number of units) | 227,903 | 81,233 | 66,465 |

The aggregate intrinsic value of performance units outstanding at December 31, 2008, was approximately \$2.6 million. Total compensation expense recognized for performance units for the years ended December 31 totaled \$1.3 million in 2008, \$0.6 million in 2007, and \$0.5 million in 2006.

Stock Appreciation Rights

We maintain various stock appreciation rights plans that entitle certain management employees to receive cash equal to the sum of the appreciation in the value of the stock and the hypothetical value of cash dividends which would have been paid on the stock covered by the grant assuming reinvestment in Wausau Paper stock. The stock appreciation rights granted may be exercised in whole or in such installments and at such times as specified in the grant. In all instances, the rights lapse if not exercised within 20 years of the grant date.

The following table summarizes the activity relating to our stock appreciation rights plans:

| | 2008 | 2007 | 2006 |
|--|------------------|---------|---------|
| Outstanding at January 1 (number of shares) | 253,797 | 253,797 | 253,797 |
| Terminated | | | |
| Exercised | (176,184) | | |
| Outstanding and exercisable at December 31 (number of shares) | 77,613 | 253,797 | 253,797 |
| Price range of outstanding and exercisable rights: | | | |
| \$6.26 - \$9.58 | 67,613 | 243,797 | 243,797 |
| \$17.16 | 10,000 | 10,000 | 10,000 |

For the year ended December 31, 2008, \$1.2 million was paid to three participants in settlement of outstanding stock appreciation rights. At December 31, 2008, the weighted average remaining contractual life on outstanding stock appreciation rights with an exercise price of between \$6.26 and \$9.58 was 2.5 years, and with an exercise price of \$17.16 was 10 years.

Dividend Equivalents

We maintain a Dividend Equivalent Plan. Upon termination of employment, or at the time of exercise of options granted in tandem with the dividend equivalents, participants are entitled to receive the cash value of the dividend equivalent grant. The cash value is determined by the sum of the value of cash dividends that would have been paid on the stock covered by the grant had it been actual stock and assuming all such hypothetical dividends had been reinvested in Wausau Paper stock. All of the outstanding dividend equivalents were fully vested as of January 1, 2006.

The following table summarizes the activity relating to our dividend equivalent plan:

| | 2008 | 2007 | 2006 |
|---|----------------|---------|---------|
| Outstanding at January 1 (number of shares) | 151,750 | 151,750 | 154,750 |

| | | | |
|--|----------------|---------|---------|
| Exercised | | | (3,000) |
| Outstanding and exercisable at December 31 | | | |
| (number of shares) | 151,750 | 151,750 | 151,750 |

For the year ended December 31, 2006, \$8,827 was paid to a participant in settlement of outstanding dividend equivalent awards.

Share-based compensation provisions or credits related to stock appreciation rights and dividend equivalents are determined based upon a remeasurement to their fair value at each reporting period in accordance with the provisions of SFAS 123R. The (credit) provision for stock appreciation rights and dividend equivalents is shown in the following table.

| (all dollar amounts in thousands) | 2008 | 2007 | 2006 |
|-----------------------------------|----------|-----------|---------|
| Stock appreciation rights | \$ (108) | \$(1,750) | \$ 866 |
| Dividend equivalents | 202 | (224) | 164 |
| Total | \$ 94 | \$(1,974) | \$1,030 |

Note 9

Commitments and Contingencies

Litigation and Other Claims

We may be involved from time to time in various legal and administrative proceedings or be subject to various claims in the normal course of its 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.

Environmental Matters

We are subject to extensive regulation by various federal, state, provincial, 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.

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. Our estimate of remediation and water replacement costs associated with the landfill is approximately \$1.5 million. These costs will likely be shared among the members of an ad hoc group of PRPs. We are of the opinion that our share of these costs will not have a material adverse effect on our operations, financial condition, or liquidity. We are continuing to pursue coverage of defense costs and liability coverage with our insurance carriers.

It is our policy to accrue remediation costs when it is probable that such costs will be incurred and when a range of loss can be reasonably estimated. Estimates of loss are developed based on currently available information including environmental studies performed by third-party experts and our past experience with these matters. Our accrued environmental liabilities, including all remediation and landfill closure costs, totaled \$5.6 million and \$5.8 million at December 31, 2008 and 2007, respectively. The provision for remediation and landfill costs was not significant for the years ended December 31, 2008, 2007, and 2006, respectively. We periodically review the status of all significant existing or potential environmental issues and adjust our accruals as

necessary. The accruals do not reflect any possible future insurance recoveries. 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. We believe that our share of the costs of cleanup for our current remediation site will not have a material adverse impact on our consolidated financial position. 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 previously or currently owned sites in the future or that the costs associated with such additional sites would not be material.

Other Commitments

As of December 31, 2008, we were committed to spend approximately \$23.0 million on capital projects, which were in various stages of completion.

We contract for the supply and delivery of natural gas at some of our facilities. Under these contracts, we are committed to the transportation of a fixed volume of natural gas from our natural gas suppliers to our facilities. We are not required to buy or sell minimum gas volumes under the agreement but are required to pay a minimum transportation fee for the contracted period. Contracts expire at various times between 2009 and 2019. At December 31, 2008, we also have commitments for the purchase of machine clothing from various suppliers and volume commitments for the supply of fuel oil, natural gas, coal, paper, and certain raw materials. These obligations expire between 2009 and 2011. We may also purchase, from time to time, natural gas contracts with fixed prices for a certain portion of our facility requirements.

Note 10

Preferred Share Purchase Rights Plan

We maintain a rights plan under which one preferred share purchase right is issued for each outstanding share of common stock. Each right entitles its holder to purchase 1 one-thousandth of a share of Series A Junior Participating Preferred Stock, at an exercise price of \$60 per 1 one-thousandth of a preferred share, subject to adjustment. The rights will become exercisable only if a person or group (with certain exceptions) acquires beneficial ownership of 15% or more of the outstanding common stock (an Acquiring Person). Once exercisable, each holder of a right, other than the Acquiring Person, will thereafter have the right to receive common stock having a market value of two times the exercise price of the right. Upon the occurrence of certain events, each holder of a right, other than an Acquiring Person, will have the right to receive (in lieu of preferred shares) our common stock (or a successor company) that has a market value of two times the exercise price of the right. Until exercisable, the rights will not be issued or traded in separate form from the common stock. After any person or group becomes an Acquiring Person, and prior to the acquisition by the Acquiring Person of 50% or more of the common stock, we may exchange the rights, other than

rights owned by the Acquiring Person, at an exchange ratio of one share per right (subject to adjustment). At any time prior to any person or group becoming an Acquiring Person, we may redeem the rights at a price of \$0.01 per right. The expiration date of the rights plan is October 31, 2018.

Note 11

Financial Instruments

Financial instruments consisted of the following:

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Cash and Cash Equivalents

The carrying amount approximates fair value due to the relatively short period to maturity for these instruments.

Accounts Receivable, Accounts Payable, and Accrued Liabilities

The carrying amounts approximate fair value due to the relatively short-term nature of these instruments.

Long-Term Debt

The fair value of our long-term debt is estimated based on current rates offered to us for debt of the same remaining maturities. At December 31, 2008 and 2007, the estimated fair value of the long-term debt exceeded the carrying value by approximately \$0.2 million and \$4.7 million, respectively.

Interest Rate Agreement

Interest-rate swaps designated in fair value hedge relationships have been used by us in the past to mitigate the risk of reductions in the fair value of existing fixed-rate long-term notes due to decreases in LIBOR-based interest rates.

Gains and losses on these instruments were reflected in interest expense in the period in which they occurred, and an offsetting gain or loss is also reflected in interest expense based on changes in the fair value of the debt instrument being hedged due to changes in LIBOR-based interest rates. During 2001, the interest rate agreements were terminated. The amounts received from the swap counterparties at termination approximated the fair values of the swaps at the respective termination dates. The premium recorded on debt during the period the swaps were outstanding will continue to be amortized using the effective interest rate method over the remaining term of the respective debt instruments. Debt premium amortization reduced interest expense by approximately \$0.7 million for the years ended December 31, 2008, 2007, and 2006.

Note 12 Segment Data

Factors Used to Identify Reportable Segments

Our operations are classified into three principal reportable segments: Specialty Products, Printing & Writing, and Towel & Tissue, each providing different products. Separate management of each segment is required because each business unit is subject to different marketing, production, and technology strategies.

Products From Which Revenue Is Derived

Specialty Products produces specialty papers at its manufacturing facilities in Rhinelander, Wisconsin; Mosinee, Wisconsin; and Jay, Maine. Specialty Products also includes two converting facilities that produce laminated roll wrap and related specialty finishing and packaging products. For additional information on the sale of the roll wrap portion of the Specialty Products business, please see Note 2. Printing & Writing produces a broad line of

premium printing and writing grades at manufacturing facilities in Brokaw, Wisconsin; and Brainerd, Minnesota. The Printing & Writing 2007 and 2006 segment information also includes a manufacturing facility in Groveton, New Hampshire, which ceased papermaking operations in December 2007. Please see Note 2 for additional information on the closure of the Groveton, New Hampshire mill. Printing & Writing also includes a converting facility which converts printing and writing grades. Towel & Tissue produces a complete line of towel and tissue products that are marketed along with soap and dispensing systems for the away-from-home market. Towel & Tissue operates a paper mill in Middletown, Ohio, and a converting facility in Harrodsburg, Kentucky.

During 2008, no single customer accounted for 10% or more of our consolidated net sales. On a segment basis, two customers accounted for approximately 29% of Printing & Writing net sales and one customer accounted for approximately 13% of Towel & Tissue net sales, while no single customer of the Specialty Products business segment comprised 10% or more of the respective segment net sales.

Measurement of Segment Profit and Assets

We evaluate performance and allocate resources based on operating profit or loss. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Reconciliations

The following are reconciliations to corresponding totals in the accompanying consolidated financial statements:

| (all dollar amounts in thousands) | 2008 | 2007 | 2006 |
|-----------------------------------|--------------------|-------------|-------------|
| Net sales external customers: | | | |
| Specialty Products | \$ 481,390 | \$ 488,343 | \$ 468,866 |
| Printing & Writing | 376,963 | 444,516 | 431,022 |
| Towel & Tissue | 333,411 | 307,579 | 288,290 |
| | \$1,191,764 | \$1,240,438 | \$1,188,178 |
| Operating (loss) profit: | | | |
| Specialty Products | \$ (11,609) | \$ 4,433 | \$ 4,412 |

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| | | | |
|----------------------------|--------------------|-------------|-----------|
| Printing & Writing | (26,983) | (57,415) | (10,975) |
| Towel & Tissue | 32,793 | 43,032 | 44,621 |
| Corporate and eliminations | (10,955) | (3,817) | 1,439 |
| | \$ (16,754) | \$ (13,767) | \$ 39,497 |

Segment assets:

| | | |
|---------------------------|-------------------|------------|
| Specialty Products | \$ 279,354 | \$ 305,083 |
| Printing & Writing | 180,221 | 205,349 |
| Towel & Tissue | 210,977 | 178,214 |
| Corporate and unallocated | 40,298 | 55,551 |
| | \$ 710,850 | \$ 744,197 |

Other Significant Items

| (all dollar amounts in thousands) | Depreciation, Depletion, and Amortization | Expenditures for Long Lived Assets |
|-----------------------------------|---|--|
| 2008 | | |
| Specialty Products | \$27,404 | \$11,824 |
| Printing & Writing | 13,963 | 11,998 |
| Towel & Tissue | 27,278 | 18,891 |
| Corporate and unallocated | 823 | 5,611 |
| | \$69,468 | \$48,324 |
| 2007 | | |
| Specialty Products | \$22,857 | \$10,773 |
| Printing & Writing | 46,684 | 11,405 |
| Towel & Tissue | 24,110 | 6,515 |
| Corporate and unallocated | 679 | 1,395 |
| | \$94,330 | \$30,088 |
| 2006 | | |
| Specialty Products | \$23,052 | \$13,305 |
| Printing & Writing | 12,382 | 6,505 |
| Towel & Tissue | 21,533 | 3,152 |
| Corporate and unallocated | 946 | 894 |
| | \$57,913 | \$23,856 |

Company Geographic Data

We have no long-lived assets outside the United States. Net sales to customers within the United States and other countries, of which the majority relates to Canadian customers, are as follows:

| (all dollar amounts in thousands) | 2008 | 2007 | 2006 |
|-----------------------------------|-------------|------|------|
|-----------------------------------|-------------|------|------|

| | | | |
|-----------------------|--------------------|-------------|-------------|
| United States | \$1,087,155 | \$1,143,303 | \$1,099,165 |
| All foreign countries | 104,609 | 97,135 | 89,013 |
| | \$1,191,764 | \$1,240,438 | \$1,188,178 |

Quarterly Financial Data (Unaudited)

| (all dollar amounts in thousands, except per share data) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Annual |
|---|------------------|-------------------|------------------|-------------------|--------------------|
| 2008* | | | | | |
| Net sales | \$298,718 | \$305,211 | \$312,162 | \$275,673 | \$1,191,764 |
| Gross profit | 13,935 | 21,769 | 29,573 | 23,411 | 88,688 |
| Operating (loss) profit | (8,166) | (12,754) | 4,667 | (501) | (16,754) |
| Net (loss) earnings | (6,806) | (9,580) | 2,329 | (1,777) | (15,834) |
| Net (loss) earnings per share basic and diluted | \$ (0.14) | \$ (0.20) | \$ 0.05 | \$ (0.04) | \$ (0.32) |
| 2007** | | | | | |
| Net sales | \$299,393 | \$317,235 | \$319,342 | \$304,468 | \$1,240,438 |
| Gross profit (loss) | 28,086 | 32,005 | 33,026 | (15,418) | 77,699 |
| Operating profit (loss) | 7,284 | 10,627 | 11,956 | (43,634) | (13,767) |
| Net earnings (loss) | 14,965 | 4,753 | 6,079 | (27,622) | (1,825) |
| Net earnings (loss) per share basic and diluted | \$ 0.29 | \$ 0.09 | \$ 0.12 | \$ (0.55) | \$ (0.04) |
| 2006 | | | | | |
| Net sales | \$283,663 | \$297,286 | \$306,699 | \$300,530 | \$1,188,178 |
| Gross profit | 23,606 | 28,498 | 35,978 | 34,336 | 122,418 |
| Operating profit | 2,498 | 8,686 | 14,193 | 14,120 | 39,497 |
| Net earnings (loss) | (536) | 3,688 | 7,188 | 7,279 | 17,619 |
| Net earnings (loss) per share - basic | \$ (0.01) | \$ 0.07 | \$ 0.14 | \$ 0.14 | \$ 0.35 |
| Net earnings (loss) per share - diluted | \$ (0.01) | \$ 0.07 | \$ 0.14 | \$ 0.14 | \$ 0.34 |

* In 2008, the first, second, third, and fourth quarters include after-tax expense of \$5.0 million (\$7.9 million pre-tax) or \$0.10 per share, \$8.8 million (\$13.9 million pre-tax) or \$0.18 per share, \$3.9 million (\$6.2 million pre-tax) or \$0.08 per share, and \$3.6 million (\$5.8 million pre-tax) or \$0.07 per share, respectively, related to closure costs and restructuring expenses as a result of the closure of Printing & Writing's Groveton, New Hampshire mill, the sale and closure of Specialty Products' roll wrap operations, the permanent shutdown of a paper machine at Specialty Products Jay, Maine mill, and the ceasing of converting operations at Printing & Writing's Appleton, Wisconsin facility. Also in 2008, the third quarter includes income tax benefits of \$0.9 million or \$0.02 per share, related to the settlement of a Federal tax audit.

** In 2007, the first quarter includes state income tax benefits of \$12.0 million or \$0.24 per share and the second quarter includes state income tax charges of \$0.4 million or \$0.01 per share, primarily related to the release of

valuation allowances on state net operating loss and credit carryovers of certain subsidiaries due to the reorganization of various subsidiaries which comprised our operating segments to align more closely to our operating structure. Also in 2007, the fourth quarter includes after-tax expense of \$28.8 million (\$45.9 million pre-tax) or \$0.57 per share, related to closure costs and restructuring expenses as a result of the ceasing of papermaking operations at Printing & Writing's Groveton, New Hampshire mill

Market Prices For Common Shares (Unaudited)

| Quarter | 2008 | | | 2007 | | | 2006 | | |
|---------|----------------|---------------|--|---------------|--------------|--|---------------|--------------|--|
| | Price High | Price Low | Cash Dividends Paid Per Share | Price High | Price Low | Cash Dividends Paid Per Share | Price High | Price Low | Cash Dividends Paid Per Share |
| 1st | \$10.12 | \$6.97 | \$0.085 | \$15.60 | \$13.57 | \$0.085 | \$14.35 | \$11.36 | \$0.085 |
| 2nd | 9.74 | 7.30 | 0.085 | 15.58 | 12.73 | 0.085 | 15.33 | 11.20 | 0.085 |
| 3rd | 10.90 | 7.08 | 0.085 | 13.66 | 8.56 | 0.085 | 13.93 | 11.50 | 0.085 |
| 4th | 11.70 | 6.51 | 0.085 | 12.12 | 8.60 | 0.085 | 15.48 | 13.07 | 0.085 |

All prices represent the high and the low sales prices for the common stock as reported on the New York Stock Exchange.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Wausau Paper Corp.
Mosinee, WI

We have audited the consolidated financial statements of Wausau Paper Corp. and subsidiaries (the Company) as of December 31, 2008 and 2007, and for each of the three years in the period ended December 31, 2008, and the Company's internal control over financial reporting as of December 31, 2008, and have issued our reports thereon dated March 13, 2009 (which report on the Company's consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's adoption of the recognition provision of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Pension and Other Postretirement Benefit Plans* (SFAS 158), on December 31, 2006, the measurement date provision of SFAS 158 on January 1, 2008, and Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*, on January 1, 2006). Our audits also included the consolidated financial statement schedule of the Company listed in Item 8. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/DELOITTE & TOUCHE LLP

Milwaukee, WI

March 13, 2009

Financial Statement Schedule II Valuation and Qualifying Accounts

| | Allowance for Doubtful Accounts | Valuation Allowance for Deferred Tax Assets |
|---------------------------------------|------------------------------------|--|
| Balance December 31, 2005 | \$1,661 | \$ 10,927 |
| Charges (credits) to cost and expense | (64) | 1,358 |
| Deductions | (236) | (18) |
| Balance December 31, 2006 | 1,361 | 12,267 |
| Charges (credits) to cost and expense | (235) | 629 |
| Deductions | (74) | (11,018) |
| Balance December 31, 2007 | 1,052 | 1,878 |
| Charges to cost and expense | 331 | 664 |
| Deductions | (460) | (1,248) |
| Balance December 31, 2008 | \$ 923 | \$ 1,294 |

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PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)

Documents filed as part of this report

(1)

The following consolidated financial statements of Wausau Paper and the Reports of our Independent Registered Public Accounting Firm thereon are filed as part of this report:

(i)

Consolidated Balance Sheets as of December 31, 2008 and 2007

(ii)

Consolidated Statements of Operations for the years ended December 31, 2008, 2007, and 2006

(iii)

Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007, and 2006

(iv)

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2008, 2007, and 2006

(v)

Notes to Consolidated Financial Statements

(2)

Financial Statement Schedules

The following financial statement schedule is filed as part of this report:

(i)

Financial Statement Schedule II Valuation and Qualifying Accounts for the years ended December 31, 2008, 2007, and 2006 (page 77)

All other schedules prescribed by Regulation S-X are not submitted because they are not applicable or not required, or because the required information is included in the Consolidated Financial Statements and Notes thereto.

(3)

Exhibits

The following exhibits required by Item 601 of Regulation S-K are filed as part of this report. All reports incorporated by reference were filed by the Company.

Exhibit

Number

Description

3.1

Restated Articles of Incorporation, as amended May 12, 2005 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K dated May 12, 2005)

3.2

Restated Bylaws, as last amended October 17, 2008 (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K dated October 17, 2008)

4.1

Rights Agreement, dated as of October 21, 1998, including the Form of Restated Articles of Incorporation as Exhibit A and the Form of Rights Certificate as Exhibit B (incorporated by reference to Exhibit 4.1 to Registration Statement

on Form 8-A dated October 21, 1998)

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4.2

First Amendment dated August 22, 2000, to Rights Agreement dated October 21, 1998 (incorporated by reference to Exhibit 4.1(a) to Amendment No. 1 to Registration Statement on Form 8-A/A, filed on December 19, 2000)

4.3

Second Amendment dated October 17, 2008, to Rights Agreement dated October 21, 1998 (incorporated by reference to Exhibit 4.1(b) to Amendment No. 2 to Registration Statement on Form 8-A, filed on October 20, 2008)

4.4

Summary of Rights to Purchase Preferred Shares, Exhibit C to Rights Agreement filed as Exhibit 4.1 thereto (incorporated by reference to Exhibit 4.2 to Registration Statement on Form 8-A, filed on October 29, 1998)

4.5

\$138,500,000 Note Purchase Agreement dated August 31, 1999 (incorporated by reference to Exhibit 4.3 to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999)

4.6

Amendment No. 1, dated June 28, 2005, to \$138,500,000 Note Purchase Agreement dated as of August 31, 1999 (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K dated June 28, 2005)

4.7

Amendment No. 2, dated as of December 21, 2006, to \$138,500,000 Note Purchase Agreement dated as of August 31, 1999 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated December 22, 2006)

4.8

Amendment No. 3, dated as of October 19, 2007, to \$138,500,000 Note Purchase Agreement dated as of August 31, 1999 (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K dated October 19, 2007)

4.9

\$125,000,000 Credit Agreement dated as of July 27, 2006, among Wausau Paper Corp. and Bank of America, N.A., M&I Marshall & Ilsley Bank, Harris N.A., Wells Fargo Bank, N. A., and Northwest Farm Credit Services, PCA (incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K dated July 27, 2006)

4.10

First Amendment, dated as of December 21, 2006, to \$125,000,000 Credit Agreement (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated December 22, 2006)

4.11

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Second Amendment, dated as of October 19, 2007, to \$125,000,000 Credit Agreement dated as of July 27, 2006 (incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K dated October 19, 2007)

4.12

Third Amendment, dated as of August 20, 2008, to \$125,000,000 Credit Agreement dated as of July 27, 2006 (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K dated August 20, 2008)

4.13

Indenture of Trust dated July 1, 1995, relating to \$19,000,000 in Series 1995 variable rate industrial revenue bonds (incorporated by reference to Exhibit 4.9 to Annual Report on Form 10-K for the fiscal year ended December 31, 2006)

10.1

Supplemental Retirement Plan, as last amended effective June 12, 2008 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated June 12, 2008)*

10.2

2008 Supplemental Retirement Plan dated June 12, 2008 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated June 12, 2008)*

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10.3

1988 Stock Appreciation Rights Plan, as last amended May 4, 2007 (incorporated by reference to Exhibit 10.2 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007)*

10.4

1990 Stock Appreciation Rights Plan, as last amended May 4, 2007 (incorporated by reference to Exhibit 10.3 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007)*

10.5

Deferred Compensation Agreement dated March 2, 1990, as last amended December 17, 2008*

10.6

1991 Employee Stock Option Plan, as last amended May 4, 2007 (incorporated by reference to Exhibit 10.5 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007)*

10.7

1991 Dividend Equivalent Plan, as last amended May 4, 2007 (incorporated by reference to Exhibit 10.6 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007)*

10.8

Supplemental Retirement Benefit Plan dated January 16, 1992, as last amended November 20, 2008*

10.9

Directors' Deferred Compensation Plan, as last amended December 19, 2007 (incorporated by reference to Exhibit 10.8 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007)*

10.10

Directors' Retirement Benefit Policy, as amended December 16, 2005 (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K dated December 16, 2005)*

10.11

Mosinee Paper Corporation 1985 Executive Stock Option Plan, as last amended May 4, 2007 (incorporated by reference to Exhibit 10.10 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007)*

10.12

Mosinee Paper Corporation 1988 Stock Appreciation Rights Plan, as last amended May 4, 2007 (incorporated by reference to Exhibit 10.11 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007)*

10.13

Mosinee Paper Corporation Supplemental Retirement Benefit Agreement dated November 12, 1991, as last amended November 20, 2008*

10.14

Mosinee Paper Corporation 1994 Executive Stock Option Plan, as last amended May 4, 2007 (incorporated by reference to Exhibit 10.13 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007)*

10.15

2000 Stock Incentive Plan as last amended October 20, 2006 (incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006)*

10.16

Executive Deferred Compensation Plan as last amended December 17, 2008*

10.17

2005 Directors Deferred Compensation Plan as last amended December 19, 2007 (incorporated by reference to Exhibit 10.18 to Annual Report on Form 10-K for the fiscal year ended December 31, 2007)*

10.18

2005 Executive Deferred Compensation Plan as last amended December 17, 2008*

10.19

Standard Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated December 17, 2004)*

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10.20

Standard Form of Performance Unit Grant Agreement (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004)*

10.21

Standard Form of Non-Qualified Performance Stock Option Agreement (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008)*

10.22

Standard Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008)*

10.23

Standard Form of Non-Qualified Stock Option Agreement for Directors (incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008)*

10.24

Board of Directors Compensation Policy dated December 19, 2007 (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K dated December 19, 2007)*

10.25

Form of Grant of Performance Units Pursuant to Director Compensation Policy (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated December 16, 2005)*

10.26

2008 Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated December 19, 2007)*

10.27

2008 Cash Incentive Compensation Plan for Executive Officers (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated December 19, 2007)*

10.28

2009 Equity Incentive Compensation Plan*

10.29

2009 Cash Incentive Compensation Plan for Executive Officers (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K dated January 5, 2009)*

21.1

Subsidiaries of Wausau Paper (incorporated by reference to Exhibit 21.1 to Annual Report on Form 10-K for the fiscal year ended December 31, 2006)

23.1

Consent of Deloitte & Touche LLP

31.1

Certification of CEO pursuant to Section 302 of Sarbanes-Oxley Act of 2002

31.2

Certification of CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002

32.1

Certification of CEO and CFO furnished pursuant to Section 906 of Sarbanes-Oxley Act of 2002

* Executive compensation plans or arrangements. All plans are sponsored or maintained by Wausau Paper unless otherwise noted.

(b)

Exhibits

See Item 15(a)(3).

(c)

Financial Schedules

See Item 15(a)(2).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WAUSAU PAPER CORP.

August 5, 2009

SCOTT P. DOESCHER
Scott P. Doescher
Senior Vice President Finance,
Secretary and Treasurer

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

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EXHIBIT INDEX*

to

FORM 10-K

of

WAUSAU PAPER CORP.

for the fiscal year ended December 31, 2008

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

(17 C.F.R. §232.102(d))

Exhibit 10.5

Deferred Compensation Agreement dated March 2, 1990, as last amended December 17, 2008

Exhibit 10.8

Supplemental Retirement Benefit Plan dated January 16, 1992, as last amended November 20, 2008

Exhibit 10.13

Mosinee Paper Corporation Supplemental Retirement Benefit Agreement dated November 12, 1991, as last amended November 20, 2008

Exhibit 10.16

Executive Deferred Compensation Plan as last amended December 17, 2008

Exhibit 10.18

2005 Executive Deferred Compensation Plan as last amended December 17, 2008

Exhibit 10.28

2009 Equity Incentive Compensation Plan

Exhibit 23.1

Consent of Deloitte & Touche LLP

Exhibit 31.1

Certification of CEO pursuant to Section 302 of Sarbanes-Oxley Act of 2002

Exhibit 31.2

Certification of CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002

Exhibit 32.1

Certification of CEO and CFO pursuant to Section 906 of Sarbanes-Oxley Act of 2002

* Exhibits required by Item 601 of Regulation S-K which have previously been filed and are incorporated herein by reference are set forth in Part IV, Item 15 of Form 10-K to which this Exhibit Index relates.