WAUSAU PAPER CORP.
Form 10-Q
November 05, 2014
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# FORM 10-Q

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**(Mark One)**

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

**For the quarterly period ended September 30, 2014**

**OR**

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

**For the transition period from to**

**Commission file number: 1-13923**

# WAUSAU PAPER CORP.

(Exact name of registrant as specified in charter)

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

**100 Paper Place**

**Mosinee, Wisconsin 54455-9099**

(Address of principal executive office)

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

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

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

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

| | |
|---|---|
| Large accelerated filer £ | Accelerated filer T |
| Non-accelerated filer £<br>(Do not check if a smaller reporting company) | Smaller reporting company £ |

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

The number of common shares outstanding at October 31, 2014 was 50,001,095.

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**WAUSAU PAPER CORP.**

**AND SUBSIDIARIES**

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## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements**

Wausau Paper Corp. and Subsidiaries

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

| (all amounts in thousands, except per share data) | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| **Net sales** | **$ 95,423** | $ 91,663 | **$ 262,144** | $ 257,480 |
| Cost of sales | **80,013** | 78,290 | **226,965** | 223,018 |
| **Gross profit** | **15,410** | 13,373 | **35,179** | 34,462 |
| | | | | |
| Selling and administrative | **13,041** | 13,557 | **40,966** | 39,265 |
| **Operating profit (loss)** | **2,369** | (184) | **(5,787)** | (4,803) |
| | | | | |
| Interest expense | **(2,894)** | (1,972) | **(7,473)** | (6,840) |
| Loss on early extinguishment of debt | **(14,350)** | | **(14,350)** | |
| Other expense, net | **(14)** | (10) | **(11)** | (15) |
| **Loss from continuing operations before income taxes** | **(14,889)** | (2,166) | **(27,621)** | (11,658) |
| | | | | |
| (Credit) provision for income taxes | **(5,734)** | (132) | **(10,299)** | 8,703 |
| **Loss from continuing operations** | **(9,155)** | (2,034) | **(17,322)** | (20,361) |
| | | | | |
| Loss from discontinued operations, net of taxes | **(321)** | (818) | **(882)** | (66,922) |
| | | | | |
| **Net loss** | **$ (9,476)** | $ (2,852) | **$ (18,204)** | $ (87,283) |
| | | | | |
| **Net loss per share - basic and diluted:** | | | | |
| Continuing operations | **$ (0.18)** | $ (0.04) | **$ (0.35)** | $ (0.41) |
| Discontinued operations | **(0.01)** | (0.02) | **(0.02)** | (1.35) |
| Net loss | **$ (0.19)** | $ (0.06) | **$ (0.36)** | $ (1.77) |
| | | | | |
| Weighted average shares outstanding basic | **50,433** | 49,431 | **50,099** | 49,398 |
| Weighted average shares outstanding diluted | **50,433** | 49,431 | **50,099** | 49,398 |
| | | | | |
| **Other comprehensive income (loss)** | | | | |
| Retirement and other post-retirement plans, net of tax of $(58) and $1,080 for the three months ended September 30, 2014 and 2013, respectively, and $168 and $15,139 for the nine months ended September 30, 2014 and 2013, respectively | **$ (96)** | $ 314 | **$ 281** | $ 23,253 |
| Other comprehensive income (loss) | **(96)** | 314 | **281** | 23,253 |
| **Comprehensive loss** | **$ (9,572)** | $ (2,538) | **$ (17,923)** | $ (64,030) |

See Notes to Condensed Consolidated Financial Statements.

Wausau Paper Corp. and Subsidiaries

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| (all dollar amounts in thousands) | September 30, 2014 (unaudited) | December 31, 2013 (derived from audited financial statements) |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 4,367** | $ 19,594 |
| Receivables, net | **27,493** | 29,106 |
| Refundable income taxes | **1,285** | 1,927 |
| Inventories | **30,910** | 35,718 |
| Spare parts | **12,034** | 10,607 |
| Other current assets | **2,424** | 2,243 |
| Assets of discontinued operations - current | **48** | 8,587 |
| Total current assets | **78,561** | 107,782 |
| Property, plant, and equipment, net | **294,040** | 298,964 |
| Deferred income taxes | **33,237** | 20,470 |
| Other assets | **57,368** | 54,347 |
| Assets of discontinued operations long-term | **13** | |
| | | |
| **Total Assets** | **$ 463,219** | $ 481,563 |
| | | |
| **Liabilities and Stockholders Equity** | | |
| | | |
| Current liabilities: | | |
| Accounts payable | **$ 28,195** | $ 29,900 |
| Deferred income taxes | **10,946** | 10,118 |
| Accrued and other liabilities | **36,655** | 31,965 |
| Liabilities of discontinued operations - current | **1,918** | 1,894 |
| Total current liabilities | **77,714** | 73,877 |
| Long-term debt | **171,160** | 150,000 |
| Post-retirement benefits | **29,912** | 30,247 |
| Pension | **19,045** | 38,838 |
| Other noncurrent liabilities | **16,481** | 19,470 |
| Noncurrent liabilities of discontinued operations | **866** | 989 |
| Total liabilities | **315,178** | 313,421 |
| Stockholders equity | **148,041** | 168,142 |
| | | |
| **Total Liabilities and Stockholders Equity** | **$ 463,219** | $ 481,563 |

See Notes to Condensed Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

| (all dollar amounts in thousands) | Nine Months Ended September 30, 2014 | 2013 |
|---|---|---|
| Net loss | **$ (18,204)** | $ (87,283) |
| Provision for depreciation, depletion, and amortization | **30,788** | 71,990 |
| Gain on sale of assets | **(227)** | |
| Impairment of long-lived assets | | 63,712 |
| Loss on early extinguishment of debt | **14,350** | |
| Non-cash inventory, spare parts and other writedowns | **211** | 6,653 |
| Deferred income taxes | **(10,628)** | (23,097) |
| Other non-cash items | **2,588** | 1,582 |
| Changes in operating assets and liabilities | | |
| Receivables | **3,808** | (1,235) |
| Inventories | **4,957** | (3,420) |
| Other assets | **(16,865)** | (17,235) |
| Accounts payable and other liabilities | **(20,884)** | (16,971) |
| Net cash used in operating activities | **(10,106)** | (5,304) |
| | | |
| Cash flows from investing activities: | | |
| Capital expenditures | **(12,831)** | (29,457) |
| Proceeds from sale of business | | 105,067 |
| Proceeds from sale of assets | **7,056** | 1,243 |
| | | |
| Net cash (used in) provided by investing activities | **(5,775)** | 76,853 |
| | | |
| Cash flows from financing activities: | | |
| Net payments of commercial paper | | (40,700) |
| Payments of debt issuance costs | **(3,544)** | |
| Payments of premium on early extinguishment of debt | **(13,833)** | |
| Borrowings under credit agreements | **171,500** | 65,000 |
| Payments under credit agreements | **(150,437)** | (70,500) |
| Proceeds from stock option exercises | **1,450** | 406 |
| Dividends paid | **(4,482)** | (4,446) |
| | | |
| Net cash provided by (used in) financing activities | **654** | (50,240) |
| | | |
| Net (decrease) increase in cash and cash equivalents | **(15,227)** | 21,309 |
| Cash and cash equivalents, beginning of period | **19,594** | 4,044 |
| | | |
| Cash and cash equivalents, end of period | **$ 4,367** | $ 25,353 |

See Notes to Condensed Consolidated Financial Statements.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**Note 1. Description of the Business**

Wausau Paper Corp. manufactures, converts, and sells a complete line of towel and tissue products that are marketed along with soap and dispensing systems for the industrial and commercial away-from-home market. Our products are primarily sold within the United States and Canada.

During 2013, we announced our intent to focus our management efforts and future investments in the industrial and commercial away-from-home towel and tissue market. As a result, we exited our participation in the technical specialty paper business in which we had competed. See Note 4, Discontinued Operations and Other for further information regarding discontinued operations.

**Note 2. Basis of Presentation**

The condensed consolidated financial statements include the results of Wausau Paper Corp. and our consolidated subsidiaries. The accompanying condensed consolidated financial statements, in the opinion of management, reflect all adjustments, which are normal and recurring in nature and which are necessary for a fair statement of the results for the periods presented. Results for the interim period are not necessarily indicative of future results. In all regards, the financial statements have been presented in accordance with accounting principles generally accepted in the United States of America ( GAAP ). Refer to the notes to consolidated financial statements, which appear in the Annual Report on Form 10-K for the year ended December 31, 2013, for our accounting policies and other disclosures, which are pertinent to these statements.

The results of operations of our former technical specialty paper business are reported as a discontinued operation in the Condensed Consolidated Statements of Comprehensive Loss for all periods presented. The corresponding assets and liabilities of the discontinued operations in the Condensed Consolidated Balance Sheets have been reclassified in accordance with authoritative literature on discontinued operations for all periods presented. Also, in accordance with the authoritative literature, we have elected to not separately disclose the cash flows related to the discontinued operation. See Note 4, Discontinued Operations and Other for further information regarding discontinued operations.

**Note 3. New Accounting Pronouncements**

In July 2013, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2013-11 Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists . This guidance requires unrecognized tax benefits to be presented as a decrease in net operating loss, similar tax loss or tax credit carryforward if certain criteria are met. The guidance is to be applied prospectively beginning

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January 1, 2014. The adoption of ASU No. 2013-11 did not have an impact on our results of operations or financial position.

On September 13, 2013, the Internal Revenue Service released final tangible property regulations under Sections 162(a) and 263(a) of the Internal Revenue Service Code ( IRC ) and proposed regulations under Section 168 of the IRC. These regulations generally apply to taxable years beginning on or after January 1, 2014 and affect all taxpayers that acquire, produce, or improve tangible property. The adoption of these regulations did not have a material impact on our Condensed Consolidated Financial Statements.

On April 10, 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This guidance changes the definition of a discontinued operation to a strategic shift that has or will have a major impact on an entity s operations or financial results. Additionally, there are new disclosure requirements to enhance transparency for reporting purposes. ASU 2014-08 is to be applied prospectively to all disposals that occur in annual periods beginning on or after December 15, 2014. We do not expect the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This standard provides companies with a single model for use in accounting for revenue arising from contracts with customers. The core principle of this model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU No. 2014-09 is effective with annual periods beginning after December 15, 2016, with early adoption not permitted. The guidance allows companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption through a cumulative adjustment. We do not expect the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

On June 19, 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. For share-based payments with a performance target that could be achieved after the requisite vesting period, the guidance requires the target be treated as a performance condition under FASB ASC Topic 718, Compensation-Stock Compensation, and, as a result, should not be included in the estimation of the grant-date fair value of the award. Instead, ASU No. 2014-12 requires companies to recognize compensation expense for the award when it becomes probable that the performance target will be achieved. ASU No. 2014-12 is effective for annual periods beginning after December 15, 2015, and may be applied either prospectively or retrospectively. We do not expect the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

On August 27, 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements-Going Concern. This standard provides guidance on management s

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responsibility to evaluate whether there is substantial doubt about a company s ability to continue as a going concern and related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company s ability to continue as a going concern within one year from the date the financial statements are issued. ASU No. 2014-15 is effective for annual periods ending after December 15, 2016, and for interim and annual periods thereafter, with early adoption permitted. We do not expect the adoption of this guidance will have a material impact on our Consolidated Financial Statements.

**Note 4. Discontinued Operations and Other**

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

The sale of the specialty paper business and primarily all related assets and selected liabilities, excluding Brainerd, closed on June 26, 2013. The sale generated a pre-tax impairment charge of $63.7 million, which is recorded in loss from discontinued operations in the Condensed Consolidated Statements of Comprehensive Loss for the nine months ended September 30, 2013. As there were no quoted market prices available for these or similar assets, we used the actual sales price to determine the fair market value of the assets, which is a level 3, unobservable input. Included in the impairment charge is a net pre-tax credit of approximately $5.9 million related to pension and other postretirement plan settlements, curtailments, and special termination benefits resulting from modifications made to the plans in connection with the transaction. Additionally, pre-tax charges related to severance and benefits, contract termination, and other associated closure costs totaled $0.6 million and $1.4 million for the three months ended September 30, 2014 and September 30, 2013, respectively. For the nine months ended September 30, 2014 and September 30, 2013, the aforementioned pre-tax closure charges were $1.3 million and $5.7 million, respectively.

The agreement to sell the specialty paper business also includes a provision whereby we would receive a contingent payment from the buyer if certain performance thresholds and other events occur. At September 30, 2014, no amounts have been recognized related to this provision, as we are not able to determine whether such events will occur.

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In February 2013, we announced the planned closure of Brainerd and the facility permanently closed on March 29, 2013. Pre-tax charges related to severance and benefit continuation costs and other associated closure costs recorded for the three and nine months ended September 30, 2014 were $0.3 million and $0.5 million, respectively. These amounts include $0.2 million to writedown the value of assets held for sale. Pre-tax charges for severance and benefit continuation costs and other associated closure costs totaled $0.4 million for the three months ended September 30, 2013. For the nine months ended September 30, 2013, pre-tax charges included accelerated depreciation on long lived assets of $35.7 million; inventory and spare parts write downs of $6.7 million; and other associated closure costs of $3.0 million.

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

At September 30, 2014, there was $0.1 million in assets of discontinued operations, comprised primarily of land held for sale. Also at September 30, 2014, there were $1.9 million in current liabilities and $0.9 million in other noncurrent liabilities that are primarily related to contract termination costs and are classified as discontinued operations in the Condensed Consolidated Balance Sheets. At December 31, 2013, there was $8.6 million in current assets of discontinued operations, comprised primarily of $6.7 million related to assets held for sale of Brainerd. Also at December 31, 2013, there were $1.9 million in current liabilities and $1.0 million in other noncurrent liabilities that are primarily related to contract termination costs and were classified as discontinued operations in the Condensed Consolidated Balance Sheets.

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

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| **(all amounts in thousands, except per share data)** | **2014** | **2013** | **2014** | **2013** |
| Net sales | $ 49 | $ 1,644 | $ 428 | $ 209,756 |
| Earnings (loss) from discontinued operations before income taxes | (673) | (1,527) | (1,871) | (107,971) |
| Provision (credit) for income taxes | (352) | (709) | (989) | (41,049) |
| Loss from discontinued operations, net of taxes | $ (321) | $ (818) | $ (882) | $ (66,922) |
| Net loss per share basic and diluted | $ (0.01) | $ (0.02) | $ (0.02) | $ (1.35) |

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The following table summarizes the components of costs included in loss from discontinued operations in the Condensed Consolidated Statements of Comprehensive Loss associated with the sale of the specialty paper business and closure of Brainerd.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **(all dollar amounts in thousands)** | **2014** | **2013** | **2014** | **2013** |
| Impairment of long-lived assets | **$** | $ | **$** | $ 63,712 |
| Accelerated depreciation on long-lived assets | | | | 35,716 |
| Inventory and spare parts write-downs | | | | 6,712 |
| Severance and benefit continuation costs | **37** | 749 | **208** | 3,127 |
| Other associated costs, net | **872** | 1,079 | **1,536** | 5,573 |
| Total | **$ 909** | $ 1,828 | **$ 1,744** | $ 114,840 |

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

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

In addition, the Company is responsible for a contract that expires in 2019 related to our previously closed Groveton, New Hampshire mill. The liabilities and charges associated with this contract are recorded in continuing operations. At September 30, 2014, $1.5 million and $7.2 million are included in current liabilities and noncurrent liabilities, respectively.  At December 31, 2013, $0.8 million and $7.8 million were included in current liabilities and noncurrent liabilities, respectively. During the first nine months of 2014 and 2013, we made payments related to this contract of approximately $0.6 million and $1.0 million, respectively.  There were associated charges of $0.2 million and $0.7 million, respectively, within selling and administrative expenses for the three and nine months ended September 30, 2014.  For the three and nine months ending September 30, 2013, recognized within selling and administrative expenses were associated charges of $0.2 million and credit of $1.1 million, respectively. We will continue to make payments related to the contract over the remaining contractual term.

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**Note 5. Earnings Per Share ( EPS )**

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

| (all amounts in thousands, except per share data) | Three Months Ended September 30, 2014 | 2013 | Nine Months Ended September 30, 2014 | 2013 |
|---|---|---|---|---|
| Basic weighted average common shares outstanding | **50,433** | 49,431 | **50,099** | 49,398 |
| Dilutive securities: | | | | |
| Stock compensation plans | | | | |
| Diluted weighted average common shares outstanding | **50,433** | 49,431 | **50,099** | 49,398 |
| Loss from continuing operations, net of tax | **$ (9,155)** | $ (2,034) | **$ (17,322)** | $ (20,361) |
| Loss from discontinued operations, net of tax | **(321)** | (818) | **(882)** | (66,922) |
| Net loss | **$ (9,476)** | $ (2,852) | **$ (18,204)** | $ (87,283) |
| Loss from continuing operations, net of tax, per share basic and diluted | **$ (0.18)** | $ (0.04) | **$ (0.35)** | $ (0.41) |
| Loss from discontinued operations, net of tax, per share basic and diluted | **(0.01)** | (0.02) | **(0.02)** | (1.35) |
| Net loss per share basic and diluted | **$ (0.19)** | $ (0.06) | **$ (0.36)** | $ (1.77) |

Due to the net loss from continuing operations for the three and nine months ended September 30, 2014, stock-based grants for 1,022,000 shares and 1,151,706 shares, respectively, were considered to be antidilutive. Due to the net loss from continuing operations for the three and nine months ended September 30, 2013, stock-based grants for 1,761,065 shares and 1,801,659 shares, respectively, were considered to be antidilutive.

**Note 6. Receivables**

Accounts receivable consisted of the following:

| (all dollar amounts in thousands) | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Trade | **$ 27,392** | $ 28,549 |
| Other | **203** | 708 |
| | **27,595** | 29,257 |
| Less: allowances for doubtful accounts | **(102)** | (151) |

| | | | | |
|---|---|---|---|---|
| | **$** | **27,493** | $ | 29,106 |

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**Note 7.** **Inventories**

The various components of inventories were as follows:

| (all dollar amounts in thousands) | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Raw materials | **$ 17,777** | $ 25,714 |
| Work in process and finished goods | **19,830** | 17,087 |
| Supplies | **2,110** | 1,992 |
| Inventories at cost | **39,717** | 44,793 |
| Less: LIFO reserve | **(8,807)** | (9,075) |
| | **$ 30,910** | $ 35,718 |

**Note 8.** **Property, Plant, and Equipment**

Property, plant, and equipment included the following:

| (all dollar amounts in thousands) | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Property, plant, and equipment | | |
| Buildings | **$ 82,246** | $ 82,610 |
| Machinery and equipment | **444,397** | 447,396 |
| | **526,643** | 530,006 |
| Less: accumulated depreciation | **(251,354)** | (239,983) |
| Net depreciated value | **275,289** | 290,023 |
| Land | **1,697** | 1,734 |
| Construction in progress | **17,054** | 7,207 |
| | **$ 294,040** | $ 298,964 |

Depreciation and amortization for the three months ended September 30, 2014 and 2013 was $10.2 million and $9.9 million, respectively. For the nine months ended September 30, 2014 and 2013, depreciation and amortization was $30.7 million and $29.7 million, respectively.

**Note 9.** **Debt**

A summary of total debt is as follows:

| (all dollar amounts in thousands) | | September 30, 2014 | | December 31, 2013 |
|---|---|---|---|---|
| Secured term loan facility | $ | **174,563** | $ | |
| Less unamortized discount | | **(3,403)** | | |
| | | **171,160** | | |
| Unsecured private placement notes | | | | 150,000 |
| Total long-term debt | $ | **171,160** | $ | 150,000 |

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

The $50 million secured revolving credit facility matures in July 2019 and the $175 million term loan facility has a final maturity of July 2020. The secured debt agreements contain various restrictive covenants, including fixed charge coverage ratios in the case of the secured revolving credit facility and leverage ratios in the case of the term loan facility, and contain restrictions on dividends and other restricted payments. Both agreements are secured by substantially all of the assets of the Company. At September 30, 2014, we were in compliance with all required covenants.

The $175 million secured term loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1% of the original principal amount, with the remainder due at maturity. In addition to the annual amortization, the secured term loan is subject to mandatory prepayments subject to excess cash flow requirements. The annual interest rate is based on LIBOR, subject to a 1% floor, plus 5.5%, or at the option of the Company, a base rate as defined in the agreement, plus 4.5%. The interest rate at September 30, 2014 was 6.5%.

Borrowings under the $50 million secured revolving credit facility bear interest at a rate equal to LIBOR or a base rate plus an applicable margin determined on the first day of the calendar month following each fiscal quarter end. Until December 31, 2014, the applicable margin for LIBOR-based borrowings is 1.75% and, for base rate borrowings is 0.75%. The revolving credit facility is subject to an unused line fee that ranges from 25 to 37.5 basis points. At September 30, 2014, there were no amounts outstanding under the revolving credit agreement.

We have estimated the fair value of our long-term debt in accordance with FASB authoritative guidance. The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. Fair value information for long-term debt is within Level 2 of the fair value hierarchy and is based on current market interest rates and estimates of current market conditions for instruments with similar terms and maturities. At September 30, 2014, the estimated fair value of long-term debt is approximately $186 million which compares to the carrying value of $175 million.

Early in 2014 and during prior years, we had an unrated commercial paper placement agreement with a bank to issue up to $50 million of unsecured debt obligations. The

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agreement required unused credit availability under our revolving credit agreement equal to the amount of outstanding commercial paper. On February 24, 2014, we terminated this commercial paper placement agreement. There were no outstanding borrowings under this agreement as of the date of termination or at December 31, 2013.

**Note 10. Pension and Other Post-retirement Benefit Plans**

Inclusive of discontinued operations, the components of net periodic benefit cost recognized in the Condensed Consolidated Statements of Comprehensive Loss for the three months ended September 30, 2014 and 2013 are as follows:

| | Pension Benefits | | Other Post-retirement Benefits | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Service cost | **$ 147** | $ 380 | **$ 46** | $ 76 |
| Interest cost | **2,485** | 2,452 | **99** | 488 |
| Expected return on plan assets | **(3,094)** | (3,247) | | |
| Amortization of: | | | | |
| Prior service cost (benefit) | **78** | 80 | **(372)** | (190) |
| Actuarial loss (gain) | **619** | 1,233 | **(479)** | 67 |
| Settlements | **61** | 801 | | |
| Net periodic benefit cost (benefit) | **$ 296** | $ 1,699 | **$ (706)** | $ 441 |

The settlements recognized during the three months ended September 30, 2014 relate to the payment of a supplemental retirement liability to a retired participant. The settlements recognized during the three months ended September 30, 2013, relate to benefits associated with a cash balance pension plan.

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Inclusive of discontinued operations, the components of net periodic benefit cost recognized in the Condensed Consolidated Statements of Comprehensive Loss for the nine months ended September 30, 2014 and 2013 are as follows:

| | Pension Benefits | | Other Post-retirement Benefits | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Service cost | **$ 445** | $ 1,138 | **$ 157** | $ 1,191 |
| Interest cost | **7,688** | 7,360 | **784** | 2,129 |
| Expected return on plan assets | **(9,496)** | (9,710) | | |
| Amortization of: | | | | |
| Prior service cost (benefit) | **232** | 625 | **(1,115)** | (1,715) |
| Actuarial loss (gain) | **1,902** | 3,666 | **(570)** | 1,251 |
| Settlement | **61** | 2,121 | | |
| Curtailment | | 5,369 | | (16,004) |
| Special termination benefits | | 4,721 | | |
| Net periodic benefit cost (benefit) | **$ 832** | $ 15,290 | **$ (744)** | $ (13,148) |

Similar to the three  months noted above, the settlements recognized during the nine months ended September 30, 2014 relate to the payment of a supplemental retirement liability to a retired participant and the settlements recognized during the nine months ended September 30, 2013, relate to benefits associated with a cash balance pension plan. In addition, for the nine months ended September 30, 2013, the curtailments and special termination benefits are due to the sale of our specialty paper business and are included in discontinued operations.  See Note 4, Discontinued Operations and Other  for additional information regarding discontinued operations.

Coincident with the third quarter 2014 securitization of the Company s debt obligations, a settlement agreement was entered into with the Pension Benefit Guaranty Corporation (the  PBGC ) with respect to the Company s unfunded defined benefit pension obligations. Under the agreement, the Company has agreed to grant a lien on substantially all of its assets to the PBGC that is junior and subordinate to the lien security interest on assets pledged under the secured term loan and revolving credit agreement. The Company has also agreed to make contributions in excess of minimum funding requirements of up to $36 million to its defined benefit pension plans through 2018. The first contribution under this agreement of $7.5 million was made in August 2014.

We previously disclosed in our consolidated financial statements for the year ended December 31, 2013 that we anticipate making contributions of approximately $5.5 million directly to our pension and retirement plans as a result of minimum funding requirements and elective contributions in 2014.  As of September 30, 2014, we have made contributions of approximately $11.2 million to our pension plans.  Included in that amount is the $7.5 million third quarter 2014 contribution to our defined benefit

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pension plans, as required by the settlement agreement with the Pension Benefit Guaranty Corporation.  As of September 30, 2014, we have contributed approximately $2.1 million to our other post-retirement plans.  We expect to contribute approximately $2.8 million to our other post-retirement plans in 2014.

**Note 11. Share-Based Compensation**

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

***Stock Options, Restricted Stock Awards, and Performance Units***

During the three months ended September 30, 2014, we granted 4,794 performance units as part of compensation for a newly appointed director.  Including the grant of 4,794 performance units that occurred in the third quarter of 2014, for the nine months ended September 30, 2014, we granted a total of 275,444 awards of performance units to our directors and certain employees of Wausau Paper.  Of the awards granted, 36,692 performance units were granted to directors.  We also granted 5,000 performance units to our chief executive officer.  The grants to certain employees, other than those granted to our chief executive officer, were comprised of two types of awards. The first type of award included 114,078 of performance units with the award subject to achievement of a targeted shareholder return on our common stock over a three-year period.  The second type of award was comprised of 119,674 performance units with vesting contingent on (1) achieving certain operating profit levels and (2) completion of a service requirement.

On June 19, 2014, effective with the departure of two members of our Board of Directors, a change in control event as defined within provisions of our equity compensation plans and related grants occurred. As a result, subject to such provisions, conditions to vesting for awards outstanding on June 19, 2014, were deemed to have been satisfied, with the exception of the portion of any awards subject to the attainment of a certain level of operating profit for 2014. Consequently, $1.4 million of share-based compensation expense was recognized for the remaining unamortized portion of the outstanding awards. Prior to the change in control event, we recognized compensation expense on grants of non-qualified stock options, restricted stock awards, and performance unit awards on a straight-line basis over the requisite service period of each award. Forfeiture rates were estimated based upon our historical experience for each grant type.

Including the share-based compensation expense recognized for the change in control event, total share-based compensation expense was less than $0.1 million and $2.4 million for the three and nine month periods ended September 30, 2014, respectively. For the three and nine month periods ended September 30, 2013, share-based compensation expense was $0.2 million and $1.6 million, respectively.

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**Note 12. Accumulated Other Comprehensive Loss**

For all periods presented in the Condensed Consolidated Financial Statements, accumulated other comprehensive loss is comprised solely of cumulative net actuarial losses and prior service cost not yet recognized as a component of net periodic benefit costs for retirement and other post-retirement plans. For the three and nine months ended September 30, 2014 and 2013, the changes in accumulated other comprehensive loss, net of tax, were as follows:

**(all dollar amounts in thousands)**

| | | |
|---|---|---|
| Balance at December 31, 2013 | **$** | **(27,220)** |
| Amounts reclassified from other comprehensive loss | | **189** |
| Balance at March 31, 2014 | **$** | **(27,031)** |
| Amounts reclassified from other comprehensive loss | | **188** |
| Balance at June 30, 2014 | **$** | **(26,843)** |
| Amounts reclassified from other comprehensive loss | | **(96)** |
| Balance at September 30, 2014 | **$** | **(26,939)** |
| | | |
| Balance at December 31, 2012 | **$** | **(91,096)** |
| Amounts reclassified from other comprehensive loss | | **1,000** |
| Balance at March 31, 2013 | **$** | **(90,096)** |
| Amounts reclassified from other comprehensive loss | | **21,938** |
| Balance at June 30, 2013 | **$** | **(68,158)** |
| Amounts reclassified from other comprehensive loss | | **315** |
| Balance at September 30, 2013 | **$** | **(67,843)** |

Following are details of the amounts reclassified out of accumulated other comprehensive loss during the three months ended September 30, 2014 and 2013:

| **(all dollar amounts in thousands)** | | **September 30, 2014** | | **September 30, 2013** | **Affected Line Item in the Condensed Consolidated Statements of Comprehensive Loss** |
|---|---|---|---|---|---|
| Pension and other post-retirement benefit obligation changes: | | | | | |
| Amortization of prior service cost, net | **$** | **(294)** | $ | 87 | (a) |
| Amortization of actuarial gains, net | | **140** | | 1,308 | (a) |
| Reclassification before tax | | **(154)** | | 1,395 | |
| Tax provision (credit) | | **(58)** | | 1,080 | |
| Reclassifications for the period, net of tax | **$** | **(96)** | $ | 315 | |

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Following are details of the amounts reclassified out of accumulated other comprehensive loss during the nine months ended September 30, 2014 and 2013:

| **(all dollar amounts in thousands)** | **September 30, 2014** | **September 30, 2013** | **Affected Line Item in the Condensed Consolidated Statements of Comprehensive Loss** |
|---|---|---|---|
| Pension and other post-retirement benefit obligation changes: | | | |
| Amortization of prior service cost, net | **$ (883)** | $ (893 | |