

WAUSAU PAPER CORP.  
Form DEF 14A  
March 15, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No.        )

Filed by the Registrant [**P**]

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Check the appropriate box:

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Preliminary Proxy Statement

[ ]

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[**P**]

Definitive Proxy Statement

[ ]

Definitive Additional Materials

[ ]

Soliciting Material Pursuant to §240.14a-12

**WAUSAU PAPER CORP.**

(Name of Registrant as Specified In Its Charter)

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March 14, 2012

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders to be held on April 19, 2012, at the Jefferson Street Inn, 201 Jefferson Street, Wausau, Wisconsin. At the annual meeting, you will be asked to elect a total of four directors: Michael C. Burandt, Charles E. Hodges, and myself as Class I directors; and G. Watts Humphrey, Jr. as a Class II director.

As you may know, 2012 will also mark the end of San W. Orr, Jr.'s tenure as a director of Wausau Paper Corp. Mr. Orr has served this company admirably for over 40 years, serving as chairman of Wausau Paper and its predecessors for more than 20 years. Mr. Orr has also served as the company's chief executive officer at various times during his tenure. Mr. Orr's contributions to this company are immeasurable; I would ask that you please join me in thanking him for his years of service as a Wausau Paper director and officer.

At the annual meeting, you will, in addition to being asked to elect four directors, also be asked to consider proposals to adopt a non-binding say-on-pay resolution that approves our executive compensation policies and to ratify the selection of our independent auditing firm.

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Details on the time and place of the meeting, as well as information on matters to be voted on by shareholders and other customary and important disclosures, are set forth in the attached notice and proxy statement.

I look forward to seeing you at the annual meeting. Whether or not you plan to attend, please sign and return the enclosed proxy so that your vote will be counted.

Sincerely,

Henry C. Newell

President and Chief Executive Officer

100 Paper Place

Mosinee, WI 54455-9099

[wausaupaper.com](http://wausaupaper.com)

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**WAUSAU PAPER CORP.**

**100 Paper Place**

**Mosinee, Wisconsin 54455-9099**

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**Notice of Annual Meeting of Shareholders**

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The annual meeting of shareholders of Wausau Paper Corp. will be held at the Jefferson Street Inn, 201 Jefferson Street, Wausau, Wisconsin, on Thursday, April 19, 2012, at 1:30 p.m., local time. The purpose of the meeting is as follows:

1.

To elect three Class I directors and one Class II director;

2.

To vote on an advisory, non-binding say-on-pay resolution that approves the compensation of our executive officers;

3.

To ratify the audit committee's preliminary selection of Deloitte & Touche LLP as our independent auditor for the 2012 fiscal year; and



4.

To conduct any other business that properly comes before the meeting.

The record date for determining the holders of common stock entitled to notice of and to vote at the annual meeting or any adjournment thereof is the close of business on February 15, 2012.

March 14, 2012

Sherri L. Lemmer

Secretary

**Please promptly vote, sign, date, and return the enclosed proxy in the enclosed envelope.**

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**Wausau Paper Corp.**  
**Annual Meeting of Shareholders to be held April 19, 2012**  
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March 14, 2012

**Wausau Paper Corp.**

**100 Paper Place**

**Mosinee, Wisconsin 54455-9099**

**wausaupaper.com**

### **Solicitation of Proxies**

We are providing these proxy materials in connection with the solicitation of proxies by the Board of Directors of Wausau Paper Corp. for use at the 2012 annual meeting of shareholders, including any adjournment thereof. The annual meeting will be held at 1:30 p.m. on April 19, 2012, at the Jefferson Street Inn, 201 Jefferson Street, Wausau, Wisconsin.

### **Voting Procedures**

#### **Your Vote**

Your vote is important. Whether or not you plan to attend the annual meeting, please sign, date, and return the enclosed proxy promptly in order to be sure that your shares are voted. You may revoke your proxy at any time before it is voted by giving written notice to the Secretary of the Company at our principal office in Mosinee, Wisconsin, by filing another duly executed proxy bearing a later date with the Secretary, or by giving oral notice at the annual meeting.

All shares represented by your properly completed proxy will be voted in accordance with your instructions if your proxy has been submitted to us prior to the meeting and has not been revoked. **If you do not indicate how your shares should be voted on a proposal, the shares represented by your properly completed proxy will be voted as the Board recommends.**

If any matters other than those described in this proxy statement are properly presented at the annual meeting for consideration, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the persons named as proxies in the proxy form furnished to you by the Board will have discretion to vote on those matters according to their best judgment to the same extent as you would be entitled to vote. As of the date of this proxy statement, we do not anticipate that any other matters will be presented at the annual meeting.

## Shareholders Entitled to Vote

*General.* Shareholders at the close of business on the record date, February 15, 2012, are entitled to notice of and to vote at the annual meeting. Each share is entitled to one vote on each proposal properly brought before the annual meeting. Votes cast by proxy or in person at the annual meeting will be tabulated by an inspector of elections appointed by the Board. On the record date, there were 49,295,893 shares of common stock outstanding.

*Street Name Accounts.* If you hold shares in street name with a broker, bank, or other custodian, you will receive voting instructions from the holder of record of your shares. In some cases, a broker may be able to vote your shares even if you provide no instructions, but on other matters, such as the election of directors, your broker may vote the shares held for you only if you provide voting instructions. Shares for which a broker does not have the authority to vote are recorded as a broker non-vote and may count as a vote against certain proposals. See Quorum, Required Vote, and Related Matters. **If you hold your shares in street name, it is critical that you cast your vote if you want it to count in the election of our directors and approval of the non-binding resolution relating to executive compensation. Regulations prevent your bank or broker from voting your uninstructed shares in the election of directors and on the proposals relating to executive compensation on a discretionary basis. Accordingly, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of directors and on the proposals relating to executive compensation, no votes will be cast on your behalf.**

*Dividend Reinvestment Plan and Common Stock Purchase Plan Participants.* If you are a participant in the Dividend Reinvestment and Stock Purchase Plan or Common Stock Purchase Plan, your proxy will also serve to direct the plan administrator to vote any shares of common stock held for you under either plan at the close of business on the record date. Shares beneficially owned by participants in the plans for which no proxy or other voting



directions are received will not be voted. The accompanying form of proxy will permit you to vote the shares held in the plans.

*401(k) Plan Participants.* If you are a participant in our 401(k) plan, you may vote an amount of shares equivalent to the interest in our common stock credited to your account as of the record date. Your proxy will serve as voting instructions for the trustee of the 401(k) plan. If you own shares through the 401(k) plan and do not vote, the plan trustees will vote the plan shares in the same proportion as shares for which instructions were received under the plan. The accompanying form of proxy will permit you to vote the shares held in the plan.

### **Quorum, Required Vote, and Related Matters**

*Quorum.* A quorum is present if a majority of the votes entitled to be cast on a proposal are represented at the annual meeting in person or by proxy. For purposes of determining a quorum, shareholders who are present in person or are represented by proxy, but who abstain from voting, are considered present and count toward the determination of the quorum. Shares reported as broker non-votes are also considered to be shares present for purposes of determining whether a quorum is present.

*Proposal No. 1 Election of Directors.* Directors are elected by a plurality of the votes cast. For this purpose, a plurality means that the individuals receiving the largest number of votes are elected as directors, up to the maximum of the four directors to be chosen at the annual meeting. You may vote in favor of the nominees specified on the accompanying proxy form or may withhold your vote as to one or more of such nominees. Shares withheld or not otherwise voted in the election of directors (because of abstention, broker non-vote, or otherwise) will have no effect on the election of directors.

*Proposal No. 2 Approval of Non-Binding Say-on-Pay Resolution Regarding Executive Compensation.* Proposal No. 2, relating to the non-binding resolution that approves our executive compensation, will be approved if more shares are voted for the proposal than are voted against the proposal. Shares not voted (because of abstention, broker non-vote, or otherwise) will have no effect on the approval of the resolution.

*Proposal No. 3 Ratification of Preliminary Selection of Auditors.* Proposal No. 3, relating to the ratification of our preliminary selection of Deloitte & Touche LLP as our independent registered public accounting firm, will be approved if a majority of the shares of stock represented and voted at the annual meeting vote for approval, provided that a majority of the outstanding shares of stock are voted on the proposal. Shareholders may vote in favor of the proposal, against the proposal, or abstain from voting; however, shares that are not voted on Proposal No. 3 because of abstention will not have any effect on whether or not the proposal is adopted.

*All Other Proposals.* As of the date of this proxy statement, we do not anticipate that any other proposals will be brought before the annual meeting. Generally, proposals other than the election of directors that are brought before the meeting will be approved if the votes cast for the proposal exceed the votes cast against the proposal.

*Majority Vote Policy.* Our Corporate Governance Guidelines set forth our procedures if a nominee for director is elected by a plurality of the votes cast in an uncontested election, but a greater number of votes are withheld for the nominee's election than are voted for the nominee's election. See Proposal No. 1 – Election of Directors Election Procedures, Nominees, and Board Recommendation.

## **Corporate Governance**

### **Available Corporate Governance Documents**

Our Corporate Governance Guidelines set forth basic principles and guidelines concerning the qualifications and responsibilities of directors, Board committees, majority voting policy, and other matters. In addition, we have adopted a code of business conduct and ethics for all employees, as well as a separate code of ethics that covers our CEO and senior financial officers. The Corporate Governance Guidelines, Audit, Compensation, and Corporate Governance Committee charters and codes of ethics are posted on our website. See Investors Corporate Governance at [wausaupaper.com](http://wausaupaper.com). A copy of these documents may also be obtained from the Secretary of the Company by writing to our corporate office.

## Director Independence

Our Corporate Governance Guidelines provide that a majority of the Board and all members of our Audit, Compensation, and Corporate Governance Committees must be independent directors, as determined in accordance with New York Stock Exchange ( NYSE ) listing standards. The Board reviews the independence of its members on an annual basis. During this review, the Board considers whether any transactions have occurred or if relationships exist between any director and the Company and its subsidiaries and affiliates. Included in this consideration are any transactions that occurred or relationships that exist between any member of the director's immediate family or any entity in which the director or an immediate family member is an executive officer, general partner, or significant equity holder.

In connection with its review, the Board considered that, in the ordinary course of business, the Company may, at certain times, be engaged in business transactions with companies for which some of our directors serve as directors or officers. The Board has adopted categorical standards to assist it in determining whether any of such transactions create a material relationship that precludes independence under NYSE listing standards. In general terms, and absent other factors, the Board's categorical standards provide that a customer relationship is not material if the Company does not account for more than 2% of the revenue of the director's business and not more than 2% of the Company's revenue is derived from the director's business. Similarly, in the case of a lending relationship, absent other factors, the relationship is not material if the Company obtained the credit on the same terms as other borrowers, the credit would have been available from other lenders on comparable terms, and the interest and fees paid by the Company do not exceed 2% of the lender's total income. The Board's categorical standards are attached to this proxy statement as Appendix A and are also posted on our website. See Investors' Corporate Governance at [wausaupaper.com](http://wausaupaper.com).

In making its independence determination, the Board has historically reviewed its relationship and transactions with Marshall & Ilsley Corporation ( M&I ) and its subsidiaries. Dennis J. Kuester served as Chairman of the Board of M&I until his retirement from that position in October 2010; however, he continued thereafter to serve as a director of M&I. San W. Orr, Jr. also served as a director of M&I. M&I, through its subsidiaries, provided various trust, commercial paper, and general banking services to the Company. The Board has historically determined that the transactions engaged in with M&I were within the thresholds for materiality established under the categorical standards adopted by the Board and that they were provided at prices and on terms prevailing at the time for comparable transactions with unrelated persons. On July 5, 2011, M&I merged with and into a subsidiary of Bank of Montreal, and the directorships of Messrs. Kuester and Orr ended as of that date. Accordingly, the Board has again affirmatively determined that, notwithstanding the Company's transactions with M&I prior to the effective date of its merger with the Bank of Montreal subsidiary, Mr. Kuester is independent of the Company and its management.

The Company has no relationship with Michael C. Burandt; Londa J. Dewey; Gary W. Freels; Charles E. Hodges; or G. Watts Humphrey, Jr. other than as directors and shareholders. After its annual review of director independence standards, which was conducted at the Board meeting held in April 2011, the Board affirmatively determined that Ms. Dewey, Mr. Freels, Mr. Humphrey, and Mr. Kuester are independent of the Company and its management under the

listing standards of the NYSE. The Board has also, in connection with the director nomination process, preliminarily concluded that Messrs. Burandt and Hodges are independent of the Company and its management. If Messrs. Burandt and Hodges are elected to the Board by the shareholders, the Board intends to confirm this preliminary conclusion after a review of director independence at its meeting to be held in April 2012.

### **Review, Approval, or Ratification of Related Party Transactions**

There was no transaction with related parties in 2011 that is required to be disclosed under the rules of the Securities and Exchange Commission ( SEC ). A related party transaction would be disclosed if it exceeded \$120,000 and one of our directors or executive officers (or their affiliates or members of their immediate family) had a direct or indirect material interest in that transaction.

The Company has not adopted any formal policies or procedures for the review, approval, or ratification of transactions that may be required to be reported under the SEC disclosure rules. These types of transactions, if and when they are proposed or have occurred, have been or will be reviewed by the entire Board (other than the director involved) on a case-by-case basis. The Board's review has in the past considered, and will in future cases consider, the importance of the transaction to the Company; the availability of alternative sources or service providers to meet the Company's requirements; the amount involved in the proposed transaction; the specific interest of the director or

executive officer (or immediate family member) in the transaction; whether information concerning the fees, costs, or other terms of substantially similar arms-length transactions between unrelated parties is available; whether the terms of the proposed transaction present any unusual or unfavorable features to the Company; and any other factors that the Board may consider important and appropriate to its determination.

## **Committees of the Board**

Our Corporate Governance Guidelines provide that the Company will have Audit, Compensation, and Corporate Governance Committees in addition to any other committees the Board considers appropriate. Each of the members of the following committees satisfies the criteria for independence under applicable rules of the SEC, NYSE listing standards, and other applicable regulations.

*Audit Committee.* The Audit Committee, established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act), assists the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the independent auditor's qualifications and independence, (3) the performance of the Company's internal audit function and independent auditors, and (4) compliance by the Company with legal and regulatory requirements related to the Company's financial reporting and disclosure obligations. The Committee has the sole authority to appoint or replace the Company's independent auditor. Members of the Committee may not serve on the audit committees of more than two other public companies. The members of our Audit Committee also satisfy the additional NYSE and SEC rules for independence applicable to audit committees of listed companies.

Mr. Freels (Chairman), Ms. Dewey, and Mr. Kuester serve on the Audit Committee. Michael M. Knetter and Andrew N. Baur also served on our Audit Committee during the first few months of 2011; Mr. Baur's service ended with his passing in February 2011, and Mr. Knetter's service ended when he did not stand for re-election at the 2011 annual meeting of shareholders. The full Audit Committee met eight times in 2011, and there were three meetings between management and the Chairman of the Committee in 2011. See Report of the Audit Committee and Related Matters, for the report of the Audit Committee and other information relating to the selection of, and fees paid to, the independent auditor.

*Compensation Committee.* The Compensation Committee is appointed by the Board to (1) discharge the Board's responsibilities relating to compensation of the Company's directors and officers, and (2) satisfy the requirements concerning the disclosure of executive compensation under SEC regulations. The Committee may delegate its authority to a subcommittee of its members, but it has not chosen to do so. The Committee did not directly retain any compensation consultant to assist it in the review or determination of executive compensation in 2011; however, the Company retained Grant Thornton LLP to review the Company's executive compensation practices as compared against a peer group of companies and to provide their report of that evaluation to our Compensation Committee.

The Committee's activities and policies concerning compensation for directors and executive officers are included in this proxy statement under the subcaptions "Election of Directors," "Director Compensation for 2011," "Executive Compensation," "Compensation Discussion and Analysis," and "Executive Compensation Compensation Committee Report." Mr. Humphrey (Chairman), Ms. Dewey, Mr. Freels, and Mr. Kuester serve as members of the Compensation Committee. Until his passing in February 2011, Mr. Baur served as Chairman of the Compensation Committee. Ms. Dewey joined the Committee in August 2011. The Compensation Committee met five times in 2011.

*Corporate Governance Committee.* The Corporate Governance Committee is appointed by the Board to (1) identify individuals qualified to become Board members and to recommend to the Board the director nominees for the next annual meeting of shareholders, (2) recommend to the Board the Corporate Governance Guidelines applicable to the Company, (3) lead the Board in its annual review of the Board's performance, (4) recommend to the Board director nominees for each committee, and (5) provide oversight for the corporate compliance program and its code of conduct and ethics. Mr. Kuester (Chairman), Mr. Humphrey, and Ms. Dewey serve on the Corporate Governance Committee. Mr. Knetter also served on the Corporate Governance Committee until his tenure as a director ended in April 2011. The Corporate Governance Committee met four times in 2011.

#### **Board Meetings, Leadership Structure, and Director Communication**

*Meetings of the Board.* The Board met ten times in 2011. Each of the directors attended at least 75% of the total number of the meetings of the Board and the committees on which they served during the last fiscal year.

*Board Leadership Structure.* Until February 15, 2012, Mr. Orr served as Chairman of our Board of Directors, and he brought to this role his experience as a longtime director and Chairman of the Company. Mr. Howatt, who served as the Company's Chief Executive Officer until December 31, 2011, also served as a member of our Board; however, Mr. Orr historically led the Board meetings in his role as Chairman, thereby allowing Mr. Howatt to provide greater focus on the Company's day-to-day operations. Given Mr. Orr's planned retirement from the Board on April 19, 2012, as well as Mr. Howatt's recent retirement from the Company as its President and Chief Executive Officer, Mr. Howatt assumed the role as Chairman of the Board effective at the conclusion of the Board meeting held on February 15, 2012.

Mr. Howatt and Mr. Orr traditionally worked together in developing agendas for board meetings and otherwise establishing Board priorities and procedures. It is anticipated that, if the shareholders elect Mr. Newell to the Board at the 2012 annual meeting of shareholders, this procedure would continue going forward, with Mr. Howatt serving in his role as Chairman and Mr. Newell serving in his role as President and Chief Executive Officer. We believe that this structure best allows the Board to fulfill its oversight role at this time (including the Board's oversight of risk as described further below); however, the Board does not have a specific policy regarding the separation of the roles of Chief Executive Officer and Chairman, as it believes that it is in the best interest of the Company to make that determination on a case-by-case basis based on the position and direction of the Company, as well as the membership of the Board, at the time.

*Meetings of Independent Directors.* The Board's independent directors meet in executive session following each February Board meeting and establish a schedule of additional meetings. The independent directors must meet at least twice each year under the Company's Corporate Governance Guidelines, and they have selected Mr. Kuester to preside over their meetings. Shareholders and others may communicate directly with Mr. Kuester or any other non-management directors by following the procedures set forth in the following paragraph.

*Communicating with the Board.* Shareholders and others may communicate with the Board by writing to the Chairman at the Company's corporate office, 100 Paper Place, Mosinee, Wisconsin 54455-9099. Individual directors, including Mr. Kuester in his role as lead independent director, may also be contacted in writing at the same address. Mail may be opened and sorted before forwarding to the director to whom the mail was addressed. If a communication does not involve an ordinary business matter and if a particular director is named, the communication will be forwarded to that director. If no particular director is named, the communication will be forwarded to the Chairman of the appropriate Board committee. If a complaint or concern involves accounting, internal accounting controls, or auditing matters, the correspondence may be addressed, and will be forwarded, to the Chairman of the Audit Committee. Our website also describes the Audit Committee's procedures to submit a concern or complaint on a confidential basis. In order to expedite a response, the non-management directors have instructed management to receive, research, and respond, if appropriate, on behalf of the Company's non-management directors or a particular director, to any communication regarding an ordinary business matter.

*Attendance at Annual Meetings.* The Board has an informal policy under which all directors are expected to attend the annual meeting of shareholders. With the exception of Mr. Knetter, who was not standing for re-election, each of our directors attended the annual meeting held in 2011.

### **Board Oversight of Risk**

Although the Board is not involved in the day-to-day management of risks facing our Company, the Board plays an important role in risk oversight. The Company's risk management systems, including our internal and external auditing procedures, internal controls over financial reporting, corporate compliance and ethics program (which includes the obligation for Company management to conduct periodic risk assessments), and contract approvals policies, among others, are designed in part to bring to the Board's attention the Company's most material risks so that the Board can understand and evaluate how those risks might affect the Company and how management is responding to those risks. The Board also works with and supports management in promoting a corporate culture that understands the importance of enterprise-wide risk management and incorporates it into day-to-day decisions that are made regarding our business. A high priority is placed on risk-aware and risk-adjusted decision making throughout the Company.

The Audit Committee, in particular, is charged with, among other duties, regularly discussing with management the Company's major financial risk exposures and the steps management has taken to monitor and control those risk exposures, including the Company's risk assessment and risk management policies. The Audit Committee also receives, on an annual basis, a report from the Company's general legal counsel regarding material legal and compliance matters that are being addressed by Company management. Finally, the Audit Committee has



established procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The Compensation Committee also evaluates risks associated with our incentive compensation programs. At its meeting in January 2012, for example, the Compensation Committee evaluated the following issues:

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Whether any of the Company's compensation programs incentivize employees to take excessive or inappropriate risk.

.

Whether any particular business segment of the Company carries a significant portion of the Company's risk profile (for example, by being structured in a way that results in compensation expense representing a significantly higher percentage of the business segment's revenues when compared with other business segments).

.

Whether the Company appropriately manages any risks that may be created by its compensation programs and policies.

After a review and discussion of these issues at its January 2012 meeting, the Compensation Committee concluded that the Company's incentive compensation programs and policies did not create incentives for excessive or inappropriate risk-taking by Company employees.

The Corporate Governance Committee receives, on an annual basis, a report from the Company's Corporate Compliance Director that outlines the variety of incidents and activities that are reported through the Company's compliance hotline or other means, all as part of the Company's corporate compliance and ethics program. The program is designed to detect and prevent violations of law, as well as to mitigate risks associated with both willful legal violations and inadvertent compliance failures.

## **Proposal No. 1 Election of Directors**

### **General Information**

*The Nomination Process.* Nominations for director are recommended to the Board by the Corporate Governance Committee. Candidates for election to the Board may be identified for initial consideration by the Committee from a wide variety of potential sources. For example, the Committee will consider candidates for nomination from among incumbents whose term will expire at the next annual meeting, persons identified by other members of the Board, executive officers, shareholders, and persons identified by a professional search firm should the Committee believe it appropriate to engage such a firm to assist it. To recommend an individual for consideration, a shareholder should mail or otherwise deliver a written recommendation to the Committee not later than the December 1 immediately preceding the annual meeting for which the individual is to be considered for inclusion as a nominee of the Board. At a minimum, a shareholder recommendation should include the individual's current and past business or professional affiliations and experience, age, stock ownership, particular qualifications, and such other information as the shareholder deems relevant to assist the Committee in considering the individual's potential service as a member of the Board.

*Qualifications.* In reviewing potential nominees, the Committee will consider the age, skills, and experience of current Board members and the requirement under our Corporate Governance Guidelines that a majority of the Board members must be independent, as determined in accordance with NYSE listing standards. At a minimum, nominees must satisfy the qualification requirements included in our Corporate Governance Guidelines (which are posted on our website at [wausaupaper.com](http://wausaupaper.com)), including the provision that no person may be elected a director if that person has attained age 70 as of the date of the election. All potential nominees submitted to or identified by the Committee will be evaluated on a similar basis for their level of qualifications and experience.

The Committee believes that persons recommended by it to the Board should possess strong intellectual skills; have had a successful career in business, higher education, or a profession that demonstrates an ability to manage a complex organization; have a reputation for personal and professional integrity; exercise sound and independent business judgment; and be able to understand the economic, financial, and operational issues to be addressed by the Company. Directors whose terms of office will expire at the next annual meeting are considered by the Committee on the basis of these qualities and also on the basis of their service to the Company during their term in

office. The Committee does not have a specific policy regarding Board diversity, but seeks to fill seats on the Board with persons who have a range of professional experiences and backgrounds.

### **Election Procedures, Nominees, and Board Recommendation**

The Board currently has six members, but, if each of our nominees is elected, the Board will have eight directors divided into three classes, consisting of three Class I directors, three Class II directors, and two Class III directors.

Although Londa J. Dewey was elected as a Class III director at the 2011 annual meeting of shareholders, on August 18, 2011, our Board accepted Ms. Dewey's proposal to voluntarily stand for re-election in 2013, rather than 2014, in order to address a director class imbalance that arose as a result of the passing of Andrew N. Baur (a former director of the Company) in February 2011.

Typically, one class of directors is to be elected at each annual meeting of shareholders to serve a three-year term; however, in 2012, four members have been proposed in order to increase the size of our Board. Any director appointed by the Board to fill a newly created directorship is required to stand for reelection by the shareholders at the first annual meeting following his or her appointment by the Board. At the annual meeting, shareholders will be asked to elect three Class I directors, who will have terms of office expiring at the annual meeting of shareholders to be held in 2015, and one Class II director, who will have a term of office expiring at the annual meeting of shareholders to be held in 2013.

Upon recommendation of the Corporate Governance Committee, the Board has nominated Michael C. Burandt, Charles E. Hodges, and Henry C. Newell for election as Class I directors, and G. Watts Humphrey, Jr. for election as a Class II director. Mr. Humphrey has served as a director since 2007. Mr. Newell, who has not previously served as a director of our Company, was initially considered by the Corporate Governance Committee as part of the succession planning activities undertaken by the Board during 2011. In connection with Mr. Newell's appointment as the Company's President and Chief Executive Officer effective January 1, 2012, the Corporate Governance Committee recommended that Mr. Newell stand for election as a director at the 2012 annual meeting of shareholders. Messrs. Burandt and Hodges were recommended to the Company by Starboard Value LP, one of the Company's shareholders, and, in an agreement dated February 10, 2012, the Company agreed to nominate Messrs. Burandt and Hodges for election to the Board at the 2012 annual meeting.

In the event any of the nominees should become unable or unwilling to be a nominee for election at the annual meeting, it is the intention of the proxies to vote for such substitute as may be designated by the Board.

Directors are elected by a plurality of the votes cast for the election of directors. However, under our Corporate Governance Guidelines, in any uncontested election, a director who has a greater number of votes withheld for the director's election than are voted for the director's election is required to tender a resignation within two days of the election. The Corporate Governance Committee must act promptly (but in any event within 30 days of the election) to make a recommendation to the Board to accept or reject the director's resignation. In making its recommendation, the Committee may consider all factors and other information it considers relevant. The Board's decision on the Committee's recommendation must be made promptly (but in any event within 90 days of the election), taking into consideration the Committee's report, if any, on its recommendation and any other factors and other information it considers relevant. The Board must also consider, and if it deems it appropriate take action to address, the shareholder concerns underlying the withheld votes or other relevant issues. Within four business days of the Board's decision, the Company will disclose the Board's decision whether to accept or reject the tendered resignation on a Form 8-K filing with the SEC and include in the disclosure an explanation of the process by which it reached its decision and, if applicable, the reasons for rejecting the resignation. No director who has tendered a resignation pursuant to this governance principle may participate in the process by which the Committee recommends or the Board determines whether the resignation will be accepted.

**The Board of Directors unanimously recommends a vote FOR the election of each director nominee.** The following table sets forth information concerning the business background and experience of the Board nominees and all continuing directors. Unless specified, all current positions listed for a nominee or director have been held for at least five years. Directors whom the Board has determined are independent under the criteria of the NYSE listing standards (or nominees who will meet such criteria) are denoted by an asterisk (\*).

**Nominees**

Michael C. Burandt\*

Class I  
(2015)  
Nominee

Mr. Burandt, 67, is President and CEO of Cantina Holdings LLC, an operator of upscale Mexican restaurants in the Atlanta, Georgia, market, a position he has held since September 2007. Previously, from July 1988 until May 2007, Mr. Burandt held various executive positions with Georgia Pacific Corporation, a manufacturer of tissue products, fine paper, building products, containerboard, packaging pulp, and DIXIE® brand products. From November 2000 until May 2007, Mr. Burandt was Georgia Pacific's Executive Vice President of North American Consumer Products, which includes the at-home and away-from-home tissue businesses, fine paper business, bleached board business, and the DIXIE® brand businesses. Mr. Burandt will bring his significant experience in the paper business and, in particular, tissue operations, to our Board of Directors.

Charles E. Hodges\*

Class I (2015)  
Nominee

Mr. Hodges, 60, has been the President of The Hodges Group LLC, an operations effectiveness consulting company providing process improvement consulting to the pulp and paper industry, since September 2011. Mr. Hodges was previously a principal of that company from January 2006 until March 2008. From March 2008 until August 2011, Mr. Hodges served in various positions, including President, Chief Executive Officer, and Chief Operating Officer, at Port Townsend Paper Company, a provider of kraft paper, containerboard, and unbleached kraft pulp as well as packaging products in British Columbia. Mr. Hodges' more than 30 years of experience in the paper industry, both as an executive and director of a number of companies and trade associations, will enable him to provide effective oversight of the Company.

Henry C. Newell

Class I (2015)  
Nominee

Mr. Newell, 54, is President and Chief Executive Officer of the Company. Mr. Newell joined the Company in 2007 as Vice President-Business Development. He was subsequently promoted to the position of Senior Vice President-Specialty Products (in January 2009) and, later, Senior Vice President Paper (in January 2010), before being promoted to Executive Vice President Chief Operating Officer on March 1, 2011. Prior to joining the Company in 2007, Mr. Newell served as Vice President and Chief Financial Officer for several portfolio companies of Atlas Holdings LLC, an industrial holding company with portfolio investments that included companies in the wood products and paper and packaging sectors. Mr. Newell has extensive knowledge of the paper industry and broad-based experience with our Company, and his role as our President and Chief Executive Officer makes him an appropriate nominee to join our Board.

G. Watts Humphrey, Jr.\*

Class II  
(2013)  
Director  
since 2007

Mr. Humphrey, 67, is President of GWH Holdings, Inc. (private investment company), Chairman of IPEG, Inc.(International Plastics Equipment Group, Inc.), Chairman of Centria (metal building systems), and owner of Shawnee Farm (thoroughbred breeding/racing). Mr. Humphrey is also a Lead Independent Director of Churchill Downs Incorporated. Mr. Humphrey's experience in multiple industries provides our Board with a broad business perspective and specific expertise in the areas of administration, operations, and planning.

**Continuing Directors**

Dennis J. Kuester\*

Class II  
(2013)  
Director  
since 2001

Mr. Kuester, 70, is a former director, CEO, and Chairman of the Board of Marshall & Ilsley Corporation. He is also a director of Modine Manufacturing Company, and was formerly director of Metavante Technologies, Inc. In addition to a broad banking background, Mr. Kuester has extensive experience in the areas of strategic planning, economics, business leadership, and risk management.

Londa J. Dewey\*

Class II  
(2013)<sup>1</sup>  
Director  
since 2011

Ms. Dewey, 51, is President of QTI Management Services, Inc., d/b/a The QTI Group, a human resources and staffing company. She was formerly President of the Private Client Group and Market President of U.S. Bank. Ms. Dewey is a director of MGE Energy, Inc., a publicly-traded utility holding company; a director of American Family Insurance, a mutual insurance company; and a director and immediate past Chair of the Board for Meriter Health Services, Inc., an integrated health services organization and the parent company of Meriter Hospital. Ms. Dewey provides the Board with her skills relating to financial analysis, business strategy, and risk assessment and management.

Gary W. Freels\*

Class III  
(2014)  
Director  
since 1996

Mr. Freels, 63, is President and Chief Executive Officer of Alexander Properties, Inc. (investment management). Mr. Freels has extensive experience in the areas of investment management, audit, and finance.

Thomas J. Howatt

Class III  
(2014)

Mr. Howatt, 62, is the Company's Chairman and, from August 2000 until December 2011, served as the Company's President and Chief Executive Officer. Mr. Howatt has extensive knowledge of the paper industry and experience with our Company.

Director  
since 2000

<sup>(1)</sup> Ms. Dewey was first elected to the Board in 2011 as a Class III director whose term would expire at the annual meeting of shareholders to be held in 2014. In August 2011, however, in order to address a director class imbalance that arose from the death of a prior director, Ms. Dewey voluntarily agreed to stand for reelection at the annual meeting of shareholders to be held in 2013. Accordingly, Ms. Dewey is listed in this proxy statement in the Class II director category.



**Director Compensation for 2011**

The following table presents the compensation of our directors for 2011. A description of our director compensation policy and plans follows the table.

Name <sup>(1)</sup>	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(2)(3)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>(4)</sup>	All Other Compensation (\$)	Total (\$)
San W. Orr, Jr.	\$158,000	\$50,000			\$77,823	\$25,976 <sup>(5)</sup>	\$311,799
Andrew N. Baur <sup>(6)</sup>	\$ 11,500	\$50,000					\$ 61,500
Londa J. Dewey	\$ 48,000	\$50,000					\$ 98,000
G. Watts Humphrey, Jr.	\$ 64,667	\$50,000					\$114,667
Gary W. Freels	\$ 76,000	\$50,000			\$61,236		\$187,236
Michael M. Knetter <sup>(7)</sup>	\$ 21,833	\$50,000					\$ 71,833
Dennis J. Kuester	\$ 68,500	\$50,000			\$55,985		\$174,485

<sup>(1)</sup> Directors who are employees do not receive directors fees. Mr. Howatt served as the Company's President and Chief Executive Officer until December 31, 2011. As a result, Mr. Howatt did not receive compensation as a director during 2011 and, accordingly, he is not listed in this table. Mr. Newell is also not listed in this table because he is an employee of the Company and a first-time nominee to the Board along with Messrs. Burandt and Hodges, who are similarly not listed in this table as first-time nominees to the Board. Messrs. Baur and Knetter were directors during part of 2011, but neither one served as a director following our annual meeting of shareholders held in April 2011.

<sup>(2)</sup> Stock awards are restricted stock units, which must be held until the director's termination of service from the Board. Stock award amounts therefore represent potential future income, the amount of which may be materially different when paid. Dividend equivalents in the form of additional restricted stock units are also earned on each award and are paid at distribution of award. Amounts indicated represent the grant date fair value for the 2011 award, which was determined by the closing price of the underlying stock on the grant date, \$8.96 per share, except Ms. Dewey, which was \$7.51 per share. The grant date fair values were computed in accordance with Financial

Accounting Standards Board Accounting Standards Codification Subtopic 718-10. Additional information concerning the recognition of compensation expense and the assumptions used in the calculation of compensation expense attributable to these awards is set forth in Note 9 to the Notes to Consolidated Financial Statements included in Item 8 of the Company's Form 10-K for the year ended December 31, 2011.

(3) The aggregate number of stock and option awards held at December 31, 2011, by directors other than Mr. Howatt (see footnote (1) above) are:

	<b>Aggregate Stock Awards*</b>	<b>Aggregate Option Awards</b>
San W. Orr, Jr.	15,266	140,000
Londa J. Dewey	6,535	
Gary W. Freels	15,266	37,000
G. Watts Humphrey, Jr.	14,078	12,000
Dennis J. Kuester	15,266	37,000

\*Does not include 5,875 restricted stock units granted January 3, 2012, pursuant to Director Compensation Policy and reflected in table of beneficial ownership under Stock Ownership. Also does not include 699 hypothetical shares attributable to dividend equivalents for Messrs. Orr, Freels, and Kuester; 521 hypothetical shares attributable to dividend equivalents for Mr. Humphrey; or 82 hypothetical shares attributable to dividend equivalents for Ms. Dewey.

(4) Represents increase in actuarial present value under director retirement plan for directors who began service prior to January 1, 2003.

(5) Represents aggregate incremental cost for personal use of the Company aircraft.

(6) Mr. Baur passed away in February 2011.

(7) Mr. Knetter did not stand for reelection as a director at our 2011 annual meeting of shareholders.

*Director Compensation Policy.* Director compensation is established by the Compensation Committee and is intended to be competitive with compensation paid to directors of similarly sized publicly traded companies.

During 2011, our Chairman of the Board received an annual retainer of \$100,000. Overall director compensation is reviewed annually by the Committee. In October 2011, after its annual review of director compensation, the Committee elected to maintain director compensation at previously established levels, which are set forth below:

**Board Retainer**

Annual cash retainer (other than Board Chairman)	\$40,000
Restricted Stock	\$50,000 <sup>(1)</sup>

**Meeting Fees**

Board Meeting Fees	\$ 1,500
	\$ 1,000 (telephonic meeting)
Committee Meeting Fees	\$ 1,000
	\$ 500 (telephonic meeting)

**Annual Committee Chair Retainer**

Audit	\$10,000
Executive, Compensation, and Corporate Governance	\$ 5,000

<sup>(1)</sup> On the first business day of each fiscal year or upon the date of initial election to the Board, a director receives restricted stock units in an amount determined by dividing \$50,000 by the closing price of Company's stock on such day. Dividend equivalents in the form of additional restricted stock accrue on each cash dividend date. Units are settled in the form of Company stock upon director's termination of service from the Board unless director elects to defer distribution for a maximum of two years.

Only non-employee directors are eligible for compensation under our director compensation policy. No director received any compensation or benefits for services as a director other than the standard arrangements described above.

*Director Stock Ownership Guidelines.* Each director is required to own stock or stock equivalents having a value equal to three times the director's annual retainer and board fees on or before the completion of six calendar years of service. Stock consists of shares directly or indirectly held, vested common stock equivalents (restricted stock, etc.), vested stock options, and shares held in qualified retirement plan accounts. All of our directors, other than Ms. Dewey (who joined the board in April 2011), have attained the minimum level.

*Directors' Deferred Compensation Plan.* The Company maintains a deferred compensation program under which directors may elect each year to defer some or all of the fees otherwise payable in cash during the year. Amounts

deferred become payable in cash in a lump sum or in quarterly installments after a director's termination of service. In the event a director's service terminates in connection with a change in control of the Company, as defined in the plan, payment of all deferred amounts will be made in a lump sum. During the period in which payment is deferred, a director may elect that the deferred fees be credited with interest at the prime rate in effect as of each calendar quarter, or that the deferred fees be converted into common stock equivalent units. If common stock equivalent units are elected, the director's account is also credited with stock equivalent units representing the shares of our common stock that could have been purchased with the cash dividends that would have been paid had the units been actual common stock. Stock equivalent units are converted to cash based upon the fair market value of our common stock at the time of distribution. During 2011, Mr. Kuester (and, before he passed away, Mr. Baur) participated in the plan and deferred all or a portion of the retainer or meeting fees otherwise payable under our Director Compensation Policy.

*Directors' Retirement Policy.* Directors who began service prior to January 1, 2003, and have at least five years of service at termination are eligible to receive a benefit equal to the annual cash retainer and board meeting fees in effect at termination of service. Benefits will be paid for a period of time equal to the retired director's period of service on the Board. Retirement benefits terminate at death and are accelerated in the event of a change in control of the Company, as defined in the policy. Directors who began service after December 31, 2002, are not eligible for retirement benefits under this policy.

*2011 Analysis of Director Compensation.* As part of its services on behalf of the Company in 2011, Grant Thornton LLP provided the Compensation Committee with an analysis of the Company's non-employee director compensation at a meeting held in October 2011. The analysis concluded that 2011 non-employee director compensation was at approximately the 50<sup>th</sup> percentile (when compared against peer group paper companies) with respect to annual retainer amounts paid, committee chair fees, and equity ownership guidelines. Further discussion regarding the peer group paper companies included in the Grant Thornton analysis is included elsewhere in this Proxy

Statement under the heading Executive Compensation Compensation Discussion and Analysis Total Compensation and Peer Group Analysis.

### Stock Ownership

#### Stock Ownership of Directors, Executive Officers, and 5% Shareholders

The following table sets forth, based on statements filed with the SEC or information otherwise known to us, in each case, as of the record date, the name of each person believed by us to own more than 5% of our common stock and the number of shares of common stock held by each person.

Name and Address	Common Shares Beneficially Owned	Percent of Class
BlackRock Inc. 55 East 52 <sup>nd</sup> Street New York, NY,	4,987,533	10.1%
Starboard Value LP 830 Third Avenue New York, NY 10022	4,756,200	9.7%
Wells Fargo & Company 420 Montgomery Street San Francisco, CA 94163	2,796,104	5.7%
Dimensional Fund Advisors LP 1299 Ocean Avenue, 11 <sup>th</sup> Floor Santa Monica, CA 90401	2,765,723	5.6%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	2,567,700	5.2%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	2,554,440	5.2%

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The following table sets forth the number of shares of common stock beneficially owned as of the record date by each of the directors; each person nominated to become a director; each of our executive officers named in the summary compensation table; and all such nominees, directors, and executive officers as a group.

Name	Common Stock Beneficially Owned	Percent of Class
Londa J. Dewey	12,534 <sup>(1)</sup>	*
Gary W. Freels	1,033,976 <sup>(2)</sup>	2.09%
Thomas J. Howatt	1,027,349 <sup>(3)</sup>	2.05%
G. Watts Humphrey, Jr.	40,741 <sup>(4)</sup>	*
Dennis J. Kuester	78,911 <sup>(5)</sup>	*
San W. Orr, Jr.	2,150,005 <sup>(6)</sup>	4.35%
Scott P. Doescher	303,372 <sup>(7)</sup>	*
Henry C. Newell	225,207 <sup>(8)</sup>	*
Michael W. Nelson	23,251 <sup>(9)</sup>	*
Michael R. Wildenberg	203,752 <sup>(10)</sup>	*
All directors and executive officers as a group (12 persons)	5,203,763 <sup>(11)</sup>	10.20%

\* Less than 1%

<sup>(1)</sup> Includes 12,534 shares attributable to restricted stock units (including dividend equivalents) that may be acquired within 60 days of February 15, 2012.

- (2) Includes 975,065 shares of common stock held by two charitable foundations of which Mr. Freels serves as president and/or a director, as well as 37,000 option shares and 21,911 shares attributable to restricted stock units (including dividend equivalents) that may be acquired within 60 days of February 15, 2012.
- (3) Includes 708,817 option shares and 26,099 shares attributable to restricted stock units (including dividend equivalents) that may be acquired within 60 days of February 15, 2012, and 30,248 shares held under the Company's 401(k) plan on December 31, 2011.
- (4) Includes 12,000 option shares and 20,541 shares attributable to restricted stock units (including dividend equivalents) that may be acquired within 60 days of February 15, 2012, as well as 2,200 shares held in a SEP IRA and 6,000 shares held in various trusts.
- (5) Includes 37,000 option shares and 21,911 shares attributable to restricted stock units (including dividend equivalents) that may be acquired within 60 days of February 15, 2012.
- (6) Includes 1,684,953 shares as to which Mr. Orr exercises shared voting and investment power (and as to which beneficial ownership is disclaimed) and 140,000 option shares and 21,911 shares attributable to restricted stock units (including dividend equivalents) that may be acquired within 60 days of February 15, 2012.
- (7) Includes 231,000 option shares that may be acquired through the exercise of options within 60 days of February 15, 2012, and 10,412 shares held under the Company's 401(k) plan on December 31, 2011.
- (8) Includes 175,000 option shares that may be acquired through the exercise of options within 60 days of February 15, 2012, and 21,286 shares held under the Company's 401(k) plan on December 31, 2011.
- (9) Includes 10,000 option shares, 514 shares held in an IRA, and 619 shares held under the Company's 401(k) plan on December 31, 2011.
- (10) Includes 148,000 option shares that may be acquired through the exercise of options within 60 days of February 15, 2012; 16,917 shares attributable to restricted stock units (including dividend equivalents); 5,120 shares held in an IRA; and 3,002 shares held under the Company's 401(k) plan on December 31, 2011.
- (11) The shares disclosed incorporate footnotes (1) (10).

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires directors and officers and persons who own more than 10% of the common stock outstanding (reporting persons) to file reports of ownership and changes in ownership with the SEC and the NYSE. Reporting persons are also required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by them with the SEC. We review copies of the Section 16(a) forms received by us or rely upon written representations from certain of these reporting persons to determine compliance with the Section 16(a) regulations for purposes of this proxy statement. Based on our review of these reports and the representations of the reporting persons, we believe that all reports required to be filed by Section 16(a) were filed on a timely basis.

## Report of the Audit Committee and Related Matters

### Audit Committee Report

During the 2011 fiscal year, the Audit Committee met regularly with senior members of the Company's financial management team and the Company's independent auditor to review and discuss the Company's financial statements (including critical accounting policies, significant accounting issues, and assumptions made in connection with those policies and preparation of the financial statements), financial management issues, and the Company's system of internal controls. The Committee also met with the Company's general legal counsel to review and discuss legal claims and contingencies.

The Audit Committee met with the Company's senior financial management team and the independent auditor to review the Company's audited financial statements for the 2011 fiscal year prior to their issuance. At that meeting, the Committee received assurances from senior financial management that all financial statements had been prepared in accordance with accounting principles generally accepted in the United States. In addition, the Committee asked the independent auditor to address and respond to questions concerning the audited financial statements, the audit process, and other related matters. This discussion centered on the following questions posed by the Committee to the independent auditor:

.  
Are there any accounting judgments made by management in preparing the financial statements that would have been made differently had the auditor prepared and been responsible for the financial statements?

.  
Based on the auditor's experience and its knowledge of the Company, do the Company's financial statements fairly present to investors, with clarity and completeness, the Company's financial



position and performance for the reporting period in accordance with generally accepted accounting principles and SEC disclosure requirements?

Based on the auditor's experience and its knowledge of the Company, has the Company implemented all internal controls and internal audit procedures that are appropriate for the Company?

In connection with its review of the audited financial statements, the Audit Committee discussed with the independent auditor the independence of the firm under SEC rules for the purpose of expressing an opinion on the Company's financial statements, and considered whether the provision of nonaudit services is compatible with maintaining the auditor's independence. The Committee received from the independent auditor the written disclosure and the letter relating to the independence of the firm under the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence. The Committee also discussed with the independent auditor the matters required to be discussed pursuant to Statement on Auditing Standards No. 61 (Communication with Audit Committees).

Management has the primary responsibility for the Company's financial statements and the overall reporting process. It is not the duty of the Audit Committee to conduct auditing or accounting reviews or procedures. The Committee acts only in an oversight capacity and it necessarily relies on the work and assurances provided by management and the independent auditor, and it therefore does not have an independent basis to determine whether management has maintained appropriate accounting and financial reporting principles or policies or appropriate internal controls and procedures. Accordingly, the Committee's reviews of the Company's financial statements and its discussions with the Company's senior financial management team and the independent auditor do not guarantee that the Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States or that the audit has been carried out in accordance with auditing standards generally accepted in the United States.

In reliance on the reviews and discussions described in this report and on the report of the independent auditor, the Audit Committee recommended to the Board of Directors that it approve the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, for filing with the SEC.

***Audit Committee***

*Gary W. Freels (Chairman)*

*Londa J. Dewey*

*Dennis J. Kuester*

### **Audit Committee Pre-Approval Policies**

The Audit Committee is required to pre-approve audit and non-audit services performed by the Company's independent auditor. Under its pre-approval policy, a schedule of specific audit, audit-related, and tax services and their related fees received pre-approval in 2011 after review by the Committee of appropriate detailed back-up documentation and receipt of confirmation from management and the independent auditor that each non-audit service included in the schedule may be performed by the independent auditor under applicable SEC and professional standards. Any services not included in the pre-approved schedule of services and fees were specifically pre-approved by the Committee. To ensure prompt handling of unexpected matters, the Committee has delegated to the Chairman the authority to grant pre-approvals for services other than internal control related services, provided that any such pre-approvals must be presented to the full Committee at its next meeting.

In granting approval for a service, the Audit Committee (or the appropriate designated Committee member) considers the type and scope of service, the fees, whether the service is permitted to be performed by an independent auditor, and whether such service is compatible with maintaining the auditor's independence.

### **Independent Auditor and Fees**

Deloitte & Touche LLP ( Deloitte ) acted as the Company's independent registered public accounting firm and audited the books, records, and accounts of the Company for the fiscal year ended December 31, 2011. Representatives of Deloitte will be present at the annual meeting and will have an opportunity to make a statement or respond to appropriate questions.

The following table presents aggregate professional fees paid or accrued to our independent auditor during the 2011 and 2010 fiscal years and fees attributable to the audit of our financial statements for those years. All services performed received pre-approval by the Audit Committee in accordance with its pre-approval policy.

	<b>2011</b>	<b>2010</b>
Audit Fees <sup>(1)</sup>	\$597,500	\$572,679
Audit-Related Fees	0	0
Tax Fees <sup>(2)</sup>	155,190	307,254
All Other Fees	0	0
	<b>\$752,690</b>	<b>\$879,933</b>

<sup>(1)</sup> Audit fees consisted of audit work performed in the preparation of financial statements, as well as work generally only the independent auditor can reasonably be expected to provide, such as statutory audits, review of SEC filings, and the attestation of management's report on the internal control of financial reporting.

<sup>(2)</sup> Tax fees related to tax compliance (tax returns, refunds, and payment planning) were \$89,025 in 2011 and \$206,744 in 2010. Tax consultation and planning fees were \$66,165 in 2011 and \$100,510 in 2010; these fees provided, or are expected to provide, benefits to the Company in excess of the fees paid.

## **Executive Compensation**

### **Compensation Discussion and Analysis**

#### *Overview and Executive Summary*

The Compensation Committee has overall responsibility for developing and administering our director and officer compensation policies. This discussion and analysis of our executive compensation programs and policies is intended to complement and enhance an understanding of the compensation information presented in the tables that follow. As used in this proxy statement, references to "named executive officers" mean the officers named in the Summary Compensation Table on page 24.

*Compensation Objectives and Philosophy.* Our executive compensation programs and policies are intended to attract, motivate, and retain executive officers who have the capability to manage the Company's day-to-day operations as

well as develop and execute strategic plans to increase shareholder value. We seek to:

·  
provide base salaries and benefits that are generally at the median level of peer group companies (i.e., the 50<sup>th</sup> percentile when compared against a peer group of paper companies);

·  
reward performance that increases shareholder value through a combination of annual cash incentives, annual performance-based equity grants tied to financial performance improvement, and long-term performance-based equity grants that are directly related to long-term return to shareholders; and

·  
align the long-term interests of our executive officers with the long-term interests of our shareholders.

*Summary of Significant 2011 Executive Compensation Decisions.* January 2011 increases in base compensation for our named executive officers (which were approved by the Compensation Committee in December 2010) ranged from a low of 3.6% of base salary (for the Company's chief executive officer) to a high of 4.4% of base salary. In the months that followed, two named executive officers (Messrs. Newell and Nelson) received promotions to fill roles with significantly greater responsibility: Mr. Newell was promoted to Executive Vice President Chief Operating Officer effective March 1, 2011, and Mr. Nelson was promoted to Senior Vice President of our Paper segment effective March 15, 2011. Each of these promotions resulted in an increased annualized base compensation level, as well as participation in additional elements of our executive compensation program. The Compensation Committee believes that the Company's 2011 base salaries for its executive officers, including the increases associated with the promotions of Messrs. Newell and Nelson, were appropriate to maintain the Company's executive compensation levels at or near the median level of peer group companies, and that they were consistent with the management succession planning activities that were being undertaken by our Board.

Incentive compensation paid to our executive officers in 2011 decreased from 2010 levels, reflecting reduced earnings driven by weak economic conditions. Despite these difficult economic conditions, the Company implemented a number of strategic initiatives during 2011 that management expects will improve the long-term growth and earnings prospects for the Company. These strategic initiatives include:

•  
Board approval of a significant capital project that will result in expansion of the Company's highly profitable tissue business.

•  
Sale of our premium Print & Color brands and closure of our Brokaw, Wisconsin, paper mill, actions that will result in the end of our material participation in an underperforming business and declining market segment.

•  
Sale of substantially all of the Company's remaining timberland holdings.

•  
Completion of the rebuild of our Brainerd, Minnesota, paper machine to produce technical paper products.

During 2011, the Company again retained Grant Thornton LLP ( Grant Thornton ) as an outside independent consultant to assist the Compensation Committee in evaluating the Company's executive compensation programs and policies.

Grant Thornton was instructed to perform a market analysis of the Company's executive compensation, particularly in light of the Company's recent implementation of long-term incentive opportunities via the three-year TSR plan (TSR being an acronym for total shareholder return ). Grant Thornton's review led to the following conclusions:

•  
The Company's annual incentive plan performance metrics and weights are consistent with market practices.

•  
The Company's equity grant criteria (which consist of performance grants tied to annual return on capital employed targets, three-year TSR, and a modest retention component) are consistent with market practices and are, in some instances, more heavily weighted towards performance criteria than the Company's peer group.

•  
The Company's deferred compensation (via a defined contribution supplemental retirement plan) is consistent with market practices.

•  
The Company's stock ownership guidelines are consistent with market practices.

Unlike most companies in its peer group, the Company does not employ any change-of-control or severance agreements with its named executive officers.

Overall, the Grant Thornton assessment concluded that, with recently made changes to the equity incentive and SERP components, the Company's compensation for named executive officers provides total compensation opportunities that approximate the median for its peer group, with a significant tie to performance via our annual cash incentive plan and our annual and long-term equity incentive plans. Grant Thornton believes that our executive compensation program is structured to align well with above-market pay for above-market performance, and below-market pay for below-market performance.

*2012 Compensation.* Consistent with the Grant Thornton recommendations, we have retained the major elements of our compensation plan during 2012. Total compensation is generally targeted at the 50<sup>th</sup> percentile of our peer group (see further discussion of our peer group analysis below), with above-market pay opportunity linked directly to both short- and long-term performance and creation of shareholder value. Total compensation levels may also be less than the 50<sup>th</sup> percentile if performance fails to reach identified goals.

To illustrate the relationship between pay and performance, below is a comparison of target level CEO compensation to maximum level CEO compensation for 2012. As the charts show, a significant portion of CEO compensation is weighted towards performance based incentives.

### ***Total Compensation and Peer Group Analysis***

In determining total compensation levels, the Compensation Committee considers all forms of compensation, including cash compensation, retirement benefits, the cost of insurance and other benefits, and the number of previously awarded options, restricted stock, or restricted stock units. Traditionally, total compensation levels of our named executive officers have been compared to peer group compensation in order to assist the Compensation Committee in determining whether the objective of providing competitive compensation (i.e., at or about the median level of our peer group for target-level performance) has been achieved. In connection with its overall assessment of the Company's executive compensation programs and policies, Grant Thornton provided assistance to the Compensation Committee in performing its 2011 peer group analysis.

Peer group information was derived from companies in the paper industry for which public information was available. The paper industry peer group included, in addition to the Company, twelve paper industry companies whose 2010 fiscal year revenues ranged between \$.7 billion and \$3.5 billion, with median revenue of approximately \$1.4 billion. Compensation comparisons were made for the CEO, CFO, and senior operating vice presidents of the Company. The

Company's revenue in 2010 was approximately \$1.1 billion, slightly lower than the median amount. The companies included in the paper industry peer group were:

Boise Inc.  
Buckeye Technologies Inc.  
Clearwater Paper Corp.  
Greif, Inc.  
Kapstone Paper & Packaging  
Neenah Paper, Inc.  
Packaging Corp. of America  
P. H. Glatfelter Company  
Rayonier Inc.  
Rock-Tenn Company  
Schweitzer-Mauduit International,  
Inc.  
Verso Paper Corp.



In addition to the 12 paper industry peer group companies listed above, Grant Thornton also evaluated the Company's executive compensation against a national peer group of 24 comparable manufacturers whose 2010 fiscal year revenues ranged between \$.6 billion and \$2.1 billion, with a median revenue of approximately \$1.1 billion. To ensure compatibility with this peer group, Grant Thornton considered organizations with comparative market capitalizations, assets, and employees, as well as revenues. The national manufacturing peer group included the following companies:

General Steel Holdings Inc.	Callaway Golf Co.
Ferro Corp.	Apogee Enterprises Inc.
Carpenter Technology Corp.	Mine Safety Appliances Co.
Deluxe Corp.	Bway Holding Co.
Revlon Inc.	Jakks Pacific Inc.
Schulman Inc.	OM Group Inc.
Stepan Co.	Interface Inc.
Fuller Co.	Metalico Inc.
Sensient Technologies Corp.	AEP Industries Inc.
Griffon Corp.	Crocs, Inc.
Elizabeth Arden Inc.	Myers Industries Inc.
NCI Building Systems Inc.	Omnova Solutions Inc.

With respect to both peer groups, Grant Thornton reviewed total compensation practices for both the most recently completed fiscal year and a three year average. Grant Thornton's analysis concluded that the total annual executive compensation opportunities were comparable in both the paper industry and the national manufacturer peer groups. Grant Thornton recommended that we give primary weight to the paper industry peer group, and the Committee agreed with that recommendation.

### *Elements of Our Executive Compensation Program*

*Base Salary and Benefits.* Our base salary and benefit program for executive officers is intended to provide basic economic security at a level that is generally at the median level for executive officers indicated in the peer group data. Individual job performance is the single most important factor in our determination of increases in base salary.

In accordance with our committee charter, we primarily rely upon the annual assessment by the CEO with respect to the job performance of the CEO's subordinate executive officers and our own review of the CEO's performance.

In addition to base salaries, we provide employee benefits to executive officers and all other salaried employees that are consistent with benefits provided in the paper industry, including retirement benefits, health insurance, dental insurance, life and disability insurance, and other welfare benefits. Our named executive officers participate in these plans on the same basis as other employees and are also provided certain other benefits (e.g., a defined contribution supplemental retirement plan) that are described in more detail below.

*Cash Bonus Incentives.*

*2011 Cash Incentive Compensation Plan.* We annually establish Company and individual performance targets under a Cash Incentive Compensation Plan for Executive Officers. The plan is intended to reward performance that promotes the attainment by the Company of its strategic objectives of increasing shareholder value through increased earnings. In addition to our named executive officers, all other salaried employees of the Company and its operating segments participate in the plan at various levels based on their positions and responsibilities within the Company.

Under the plan, named executive officers were entitled to receive additional incentive-based cash compensation based upon:

(1)

the level of achievement by the Company of goals for adjusted earnings per share as derived from targeted return on capital employed;

(2)

for executive officers with direct segment operating responsibility, achievement of targeted segment operating profits; and

(3)

the level of achievement of specified quantifiable bottom-line oriented targets and specific operational or strategic goals, as outlined in the second table that follows below, which summarizes the individual performance objectives and maximum incentive compensation opportunity and achievement as a percentage of base salary.

The following table sets forth detailed information regarding the 2011 Cash Incentive Compensation Plan:

	Earnings Per Share <sup>(1)</sup>			Segment Operating Profits <sup>(2)</sup>			Individual Objectives <sup>(3)</sup>		Total		
	Targeted Range of <u>EPS</u>	Max. % of <u>Salary</u>	Earned % of <u>Salary</u>	Targeted Range of Operating <u>Profits</u>	Max. % of <u>Salary</u>	Earned % of <u>Salary</u>	Max. % of <u>Salary</u>	Earned % of <u>Salary</u>	Max. % of <u>Salary</u>	Earned % of <u>Salary</u>	
Mr. Howatt	\$ .20	\$ .75	120%	16%			30%	24%	150%	40%	
Mr. Doescher	\$ .20	\$ .75	90%	12%			30%	25%	120%	37%	
Mr. Newell	\$ .20	\$ .75	90%	12%			30%	0%	120%	12%	
Mr. Nelson	\$ .20	\$ .75	25%	4%	\$10 33 M	50%	1%	25%	8%	100%	13%
Mr. Wildenberg	\$ .20	\$ .75	25%	3%	\$30 55 M	50%	7%	25%	11%	100%	21%

<sup>(1)</sup> For purposes of this plan, earnings per share means earnings per share as reported in the Company's audited financial statements, decreased by amounts representing base gains from timberland sales and adjusted for other extraordinary items (which included, for 2011, facility closure charges, planned expenses associated with certain major capital projects, and certain other nonrecurring items) as determined in the discretion of the Compensation Committee. Incentive bonuses would have been 0% of base salary if earnings were below the targeted range of earnings per share and increased on a pro rata basis to the officer's maximum of percentage of base salary at the top of the targeted range.

<sup>(2)</sup> For purposes of this plan, operating profits means the segment operating profits as reported in connection with the Company's audited financial statements adjusted for other extraordinary items (which included, for 2011, facility closure charges, planned expenses associated with certain major capital projects, and certain other nonrecurring items) as determined in the discretion of the Compensation Committee. Incentive bonuses would have been 0% of base salary if operating profits were below the targeted range for the officer's respective operating segment's targeted operating profit and increased on a pro rata basis to the officer's maximum percentage of base salary at the top of the targeted range.

<sup>(3)</sup> The types of individual performance objectives and the maximum incentive compensation that could have been earned in 2011 by our named executive officers under individual performance objectives are described in the following table:

Individual Performance Objective	Maximum Incentive Compensation As a Percentage of Base Salary				
	Mr. <u>Howatt</u>	Mr. <u>Doescher</u>	Mr. <u>Newell*</u>	Mr. <u>Nelson*</u>	Mr. <u>Wildenberg</u>
Execution of strategic growth initiatives at our Tissue Segment, together with related debt and cash flow targets	9%	16%			10%
Evaluation and implementation of strategic alternatives for the Print & Color business and our remaining timberland assets	6%	2%		6%	
Achievement of targets for sales growth or earnings improvement			30%	15%	8%
Implementation of various objectives relating to capital expenditure initiatives, working capital improvements, upgrade of our ERP system, and achievement of safety goals	15%	12%		4%	7%
<b>Maximum Total Opportunity (as % of base salary)</b>	<b>30%</b>	<b>30%</b>	<b>30%</b>	<b>25%</b>	<b>25%</b>
<b>Actual Incentive Earned (as % of base salary)</b>	<b>24%</b>	<b>25%</b>	<b>0%**</b>	<b>8%</b>	<b>11%</b>

\* Mr. Newell was promoted to the position of Executive Vice President-Chief Operating Officer effective March 1, 2011. At that time, his maximum incentive compensation as a percentage of base salary increased from 25% to 30% on an annualized basis. Mr. Newell's actual incentive opportunity (as well as the award received) was prorated based on his two months of service in a position providing a 25% of base salary opportunity and his 10 months of service in a position providing a 30% of base salary opportunity. Mr. Nelson was promoted to the position of Senior Vice President, Paper effective March 15, 2011. At that time his maximum incentive compensation as a percentage of base salary increased from 20% to 25% on an annualized basis. Mr. Nelson's actual incentive opportunity (as well as the award received) was prorated based on his two and one-half months of service in a position providing a 20% base salary opportunity and his nine and one-half months of service in a position providing a 25% of base salary opportunity.

\*\* In connection with Mr. Newell's 2011 promotion, his individual performance objectives were changed to solely reflect year over year earnings improvement. Notwithstanding the fact that, during 2011, Mr. Newell made substantial contributions to Company initiatives that we expect will drive long-term shareholder performance, the Compensation Committee determined that



Mr. Newell should be held to the original (as modified) individual objective targets. Accordingly, no cash incentive compensation was paid.

*2012 Cash Incentive Compensation Plan.* Our 2012 Cash Incentive Compensation Plan formula provides for a range of adjusted earnings of between \$.25 and \$.80 per share, which represents a return on capital employed target range of 5% to 14%.

*Equity Incentives.*

*2011 Equity Incentive Compensation Plan (the Annual Equity Incentive Plan).* Equity compensation is intended to align the long-term interests of our executive officers and shareholders. In 2011, our Annual Equity Incentive Plan established five levels of responsibility within the Company, with each Company officer who participated in the plan slotted in one of the levels based on level of responsibility. Potential equity awards were made up of two components: one component was a retention award of performance units, which was awarded in January 2011 and which will vest two years after the date of grant, so long as the recipient is still employed by the Company in a position of equal or greater authority. This grant of performance units had a value equal to a percentage of the officer's base salary that varied based upon level of responsibility. The second component of the 2011 Annual Equity Incentive Plan was a performance incentive, which, like the retention component, featured a maximum award level tied to a varying percentage of base salary, with the actual amounts awarded based on the performance of the Company against targeted levels of return on capital employed during 2011. The following table sets forth detailed information regarding the 2011 Equity Incentive Compensation Plan:

	<b>Retention Award<sup>(1)</sup></b>	<b>Performance Units Granted Maximum Performance Incentive Award<sup>(2)</sup></b>	<b>Actual 2011 Performance Incentive Award Earned</b>
Mr. Howatt	23,996	215,960	17,277
Mr. Doescher	9,152	59,487	4,759
Mr. Newell	6,378	74,020	5,922
Mr. Nelson	2,641	43,515	3,482
Mr. Wildenberg	6,261	48,002	3,840

<sup>(1)</sup> The Retention Award was a grant of performance units equal to a specified percentage of base salary, which vests and is converted to a right to receive common stock based on continuous employment with the Company (in the same

position or in a position with greater authority, except in cases of death, retirement, or disability) through January 3, 2013.

(2) The Performance Incentive was a grant of performance units equal to a specified percentage of base salary that varied based upon the officer's level of responsibility. These performance units will vest and be converted to a right to receive common stock based on (1) continuous employment with the Company (in the same position or in a position with greater authority, except in cases of death, retirement, or disability) through January 3, 2013; and (2) the Company's achievement of 2011 levels of Return on Capital Employed ( ROCE ) ranging from 5% ROCE to 14% ROCE. For purposes of this plan, ROCE was determined by excluding base gains from timberland sales and adjusting for other extraordinary items (which, for 2011, included capital-related expenditures, facility closure costs, and certain other nonrecurring items). ROCE was calculated after incentive compensation expenses were included. No shares of common stock or cash would have been awarded if earnings had been below the targeted range of ROCE.

We believe that the 2011 Annual Equity Incentive Plan was successful in properly incentivizing our officers while aligning their long-term interests with those of our shareholders. Accordingly, our 2012 Annual Equity Incentive Plan is substantially similar to the plan used during 2011.

*2013 Equity Incentive Compensation Plan (the Long-Term Equity Incentive Plan )*. Consistent with the recommendations made by the Company's compensation consultant, Grant Thornton, during 2010, we incorporated, for the first time in 2011, a longer-term equity incentive plan that was tied to the performance of the Company's total shareholder return over a three-year period ending on December 31, 2013. Like our Annual Equity Incentive Plan, the Long-Term Equity Incentive Plan established five levels of responsibility within the Company, with each Company officer who participated in the plan slotted in one of the levels based on level of responsibility. Potential equity awards were performance units that represent a percentage of 2011 base salary, which varied based on the officer's level of responsibility. The actual award level is tied to the Company's total shareholder return during the three-year period ending December 31, 2013. For purposes of the awards, total shareholder return takes into account any increase in the Company's market value for shares (including dividends

paid) during the measurement period. The calculation of total shareholder return is measured over a three year period, and is calculated by reference to a target and a maximum total shareholder return. If total shareholder return is at the target (a 7% per year return), grant recipients will receive 50% of the total potential award. If total shareholder return is at or above the maximum (a 14% per year return), grant recipients will receive 100% of the total potential award.

At total shareholder return levels that are less than the maximum, the award is prorated based on the actual level of total shareholder return that is achieved. The maximum potential award for the CEO, chief financial officer, and each of the other named executive officers, as well as the levels that would be achieved at the target for total shareholder return, is described in the table below:

	<b>Performance Units Granted</b>	
	<b>Total Opportunity</b>	<b>Award at Target TSR</b>
	<b>(Award at Max. TSR)</b>	
Mr. Howatt	143,973	71,987
Mr. Doescher	34,319	17,160
Mr. Newell	42,609	21,305
Mr. Nelson	24,022	12,012
Mr. Wildenberg	27,132	13,566

Under the 2013 Equity Incentive Compensation Plan, total shareholder return is determined by dividing (1) the sum of (a) the average closing share price for the Company's common stock over the last 60 trading days of the period immediately prior to the end of the three-year performance period (the Maturity Date FMV); and (b) cash dividends paid during the three-year performance period; by (2) the average closing share price for the Company's common stock over the last 60 trading days preceding the date of grant (the Grant Date FMV). The formula for calculating TSR is as follows:

$$\frac{(\text{Maturity Date FMV} + \text{Cash Dividends Paid})}{\text{Grant Date FMV}} - 1 = \text{Total Shareholder Return}$$

Total shareholder return is calculated to closest tenth of a percent, and vested performance units are rounded to the next highest whole unit.

*Other Equity Awards.* From time to time, we may grant other awards of options, restricted stock, or restricted stock units that are tied to a named executive officer's initial appointment or made for other reasons, and these awards may



or may not be subject to vesting conditions based upon the financial performance of the Company. We have not established formal criteria with respect to the size or frequency of grants that are not part of an incentive plan, but, in making these grants, we may consider a variety of factors, including our subjective determination of the performance and contributions of the officer, the Company's financial performance relative to the industry, and our goal of aligning the long-term interests of officers and shareholders.

*Timing of Equity Awards.* We approve equity-based incentive awards promptly following the close of the fiscal year so that compensation expense in connection with any awards is recognized in the year to which the performance goals relate. The timing of other equity awards is tied to the occurrence of specific hiring or promotion events. In each case, awards are made on the date of appointment or at the next subsequent scheduled Compensation Committee meeting. We do not engage in any plan or practice to coordinate the timing of equity awards with the release of material non-public information.

*Stock Ownership Guidelines and Retention.* We have adopted stock ownership guidelines for all corporate and divisional (segment) officers. Named executive officers are required to own stock having a value equal to the following specified multiples of base salary within 5 years of hire or promotion to a position as a corporate or divisional officer:

<b>Title</b>	<b>Multiple of Base Salary</b>
CEO	3.0
Executive Vice President	2.0
Senior Vice President	1.5

The value of stock held is determined by shares directly or indirectly held, vested common stock equivalents (restricted stock, etc.), vested stock options, and shares held in qualified retirement plan accounts. As of December 31, 2011, our CEO and CFO had each attained the required level of ownership, and all other named executive officers had attained the minimum level or were on pace to attain such level within the specified period.

*Supplemental Retirement Plans.* The Company currently maintains three supplemental retirement plans (the SERPs); however, only one of these SERPs is currently providing any benefit accruals. One SERP that was adopted by the Committee in 2008 does not have any participants, and the Committee does not currently anticipate that there will be any participation in this SERP going forward. SERP participation is currently focused on a defined contribution SERP that was adopted in 2009 as a means to provide retirement benefits on compensation in excess of the Internal Revenue Code's limitation on compensation that may be taken into account under tax-qualified retirement plans. The 2009 plan is intended to place our named executive officers in a comparable position with other salaried employees with respect to the proportion of retirement income to be paid in relationship to compensation. Benefits under our 2009 plan (as with all of our SERPs) create a long-term continuity of interest with the Company as a result of the vesting schedule, and the unfunded nature of all of our SERPs offers significant personal incentive with respect to maintaining the soundness of the Company's financial condition. Our 2009 plan is intended to provide benefits comparable to those provided to other paper industry executives included in the peer group. The Pension Benefits table and accompanying footnotes on page 28 contain detailed information about benefits under the SERPs. The following descriptions provide additional details:

*2009 Defined Contribution SERP.* Our 2009 Defined Contribution Supplemental Retirement Plan (the 2009 Defined Contribution SERP) provides supplemental retirement benefits to certain of our executive officers. Participation under the 2009 Defined Contribution SERP is subject, in all cases, to the discretion of the Compensation Committee. Under the 2009 Defined Contribution SERP, participants receive an annual Company contribution equal to 8.5% of base compensation in excess of the IRS limit for qualified plans (currently \$250,000), plus 13% of cash incentive compensation. A participant's account is credited with interest at a rate equal to the prime rate of interest in effect on the first day of each calendar quarter. Participants originally vested in the Defined Contribution SERP after completing 10 years of service as a participant (including prior service as a direct report to the CEO) and attaining age 55, although the Committee had retained discretion to specify other age or service requirements. After implementing certain plan design changes recommended by Grant Thornton, our compensation consultant, participants now vest in the 2009 Defined Contribution SERP after five years as a participant. Accounts under the 2009 Defined Contribution SERP are distributable beginning on the date following termination, which is selected by the participant, but not later than age 65. Distribution can be made in a lump sum or in various installments over a period selected by the participant, but not in excess of 120 monthly installments. The plan is unfunded, and it contains forfeiture provisions in the event a participant violates confidentiality or restrictive covenant provisions or incurs a termination of employment for cause. Messrs. Howatt, Doescher, Newell, and Wildenberg were participants in the 2009 Defined Contribution SERP during 2011. Mr. Nelson became a participant in the plan on March 15, 2011.

*Defined Benefit SERP.* For many years, the Company had maintained a defined benefit supplemental retirement plan (the Defined Benefit SERP) that was intended to provide deferred compensation to the Company's executive officers. Executive officers became participants in the Defined Benefit SERP as of the first day on which the officer was

employed by the Company in an executive officer capacity. Additional benefit accruals under the Defined Benefit SERP were frozen in 2010, and Messrs. Howatt and Doescher were the only named executive officers who held any benefits under the Defined Benefit SERP. New participants are not permitted under the terms of the Defined Benefit SERP.

*Deferred Compensation Plan.* We do not maintain any deferred compensation plans specifically for our named executive officers.

*Perquisites.* Each named executive officer may receive an allowance for professional fees. Relocation expenses are reimbursed in accordance with a Company program for salaried employees. While named executive officers may use the Company plane for personal travel when it is not in use on Company business, actual use has been very limited.

We do not consider perquisites to be a material element of the compensation program for executive officers.

*Termination and Change in Control Arrangements.* We do not maintain any employment or change in control agreements for our executive officers. We anticipate that if circumstances arise in which such arrangements may be appropriate to retain executive officers, we will give due consideration to implementing appropriate arrangements.

Upon a change in control of the Company, all equity awards will become fully vested, and we will have the discretion to cancel outstanding options and make a lump sum cash payment to the option holders. See *Termination and Change in Control Arrangements* on page 29. We do not consider change in control or severance arrangements to be a material element of the compensation program for executive officers.

### **Results of 2011 Say-on-Pay Vote**

The Company provides its shareholders with the opportunity to cast an annual advisory vote on executive compensation (a say-on-pay proposal). At the Company's annual meeting of shareholders held in April 2011, a substantial majority of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Compensation Committee believes that the results of this vote affirmed shareholders' support of the Company's approach to executive compensation, and, accordingly, we did not substantially change our approach in 2011 except with respect to the inclusion of a long-term total shareholder return equity incentive as discussed elsewhere in this Compensation Committee Report. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the named executive officers.

### **Role of Compensation Committee and Executive Officers**

*Responsibility for Compensation Matters.* The Compensation Committee has overall responsibility for all matters relating to compensation of our directors and named executive officers and, in particular, is responsible for approving the compensation of our chief executive officer. The Compensation Committee also considers the chief executive officer's recommendations relating to the compensation of our other named executive officers. To assist the Committee in performing these functions, the chief executive officer and the senior vice president of human resources provide information and recommendations about compensation, programs, and policies when requested by the Committee or its chair. The other named executive officers have no related involvement with the Committee. Upon request by the Committee or its chair, the chief executive officer and other management personnel may attend Committee meetings, but they are excused at such times as the Committee deems appropriate.

*Tax Considerations.* We are aware that, except for certain plans approved by shareholders, Section 162(m) of the Internal Revenue Code of 1986, as amended, limits deductions to \$1 million for compensation paid to the chief executive officer and each of the four most highly paid executive officers named in the summary compensation table who are officers on the last day of the year. At our meeting held in February 2012, we reviewed the Section 162(m) limit and its application to the compensation paid to our executive officers. We also review the Section 162(m) limitation as part of our overall compensation policy.

## **Compensation Committee Report**

We have reviewed and discussed with management the Compensation Discussion and Analysis contained under that heading in this proxy statement. On the basis of our review and discussions, we have recommended that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K for the year ended December 31, 2011, and this proxy statement.

### *Compensation Committee*

*G. Watts Humphrey, Jr. (Chairman)*

*Londa J. Dewey*

*Gary W. Freels*

*Dennis J. Kuester*

**Summary Compensation Table for 2011**

The following table sets forth the compensation awarded to, earned by, or paid by us and our subsidiaries during the year ended December 31, 2011, to our principal executive officer, principal financial officer, and the three most highly compensated other executive officers as of December 31, 2011, whose total compensation exceeded \$100,000.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(2)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
							(\$) <sup>(3)</sup>		
Thomas J. Howatt,* President and CEO	2011	\$860,000	\$0	\$1,201,968	\$0	\$361,200	\$801,166	\$244,318 <sup>(4)(5)</sup>	\$3,468,652
	2010	\$831,136	\$0	\$574,780	\$338,000	\$890,895	\$1,899,527	\$9,655 <sup>(4)</sup>	\$4,543,993
	2009	\$801,021	\$0	\$1,016,900	\$0	\$1,160,851	\$1,762,049	\$9,825 <sup>(4)</sup>	\$4,750,646
Scott P. Doescher,* Executive Vice President, Finance, Secretary and Treasurer	2011	\$410,000	\$0	\$323,006	\$0	\$157,850	\$417,864	\$44,345 <sup>(4)</sup>	\$1,353,065
	2010	\$395,568	\$0	\$218,835	\$253,500	\$349,999	\$243,538	\$6,248 <sup>(4)</sup>	\$1,467,688
	2009	\$332,209	\$0	\$283,591	\$51,500	\$404,174	\$162,800	\$5,456 <sup>(4)</sup>	\$1,239,730
Henry C. Newell Executive Vice President, Chief Operating Officer	2011	\$455,167	\$0	\$336,200	\$0	\$56,204	\$10,385	\$37,349 <sup>(4)</sup>	\$895,305
	2010	\$365,606	\$0	\$162,435	\$253,500	\$195,965	\$16,301	\$38,473 <sup>(4)</sup>	\$1,032,280
	2009	\$325,000	\$0	\$285,335	\$175,750	\$226,688	\$13,884	\$32,730 <sup>(4)</sup>	\$1,059,387
Michael W. Nelson,*	2011	\$307,242	\$0	\$165,802	\$0	\$40,054	\$14,656	\$20,276 <sup>(4)</sup>	\$548,030

Senior Vice  
President,  
Paper

Michael R. Wildenberg	2011	\$374,000	\$0	\$ 247,329	\$ 0	\$ 82,841	\$ 109,511	\$ 36,728 <sup>(4)</sup>	\$ 850,409
Senior Vice President, Towel & Tissue	2010	\$360,530	\$0	\$ 160,197	\$ 253,500	\$ 238,311	\$ 54,723	\$ 50,324 <sup>(4)</sup>	\$1,117,585
	2009	\$331,021	\$0	\$ 183,153	\$ 105,750	\$ 318,000	\$ 27,212	\$ 5,600 <sup>(4)</sup>	\$ 970,736

\*Mr. Howatt retired as our President and Chief Executive Officer as of December 31, 2011. Mr. Doescher resigned as our Chief Financial Officer as of February 29, 2012. Mr. Nelson was promoted to Senior Vice President-Paper effective March 15, 2011. Mr. Nelson has not previously been a named executive officer.

(1) The amounts indicated with respect to 2011 represent the grant date fair value for awards of restricted stock, restricted stock units, and stock options. The grant date fair values were computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Subtopic 718-10. Amounts may also include awards for more than one year. All amounts represent potential future income calculated for financial reporting purposes; actual amounts recognized by the named executive officers may be materially different depending on, among other things, the Company's stock price performance and the period of service of the executive. Additional information concerning the recognition of compensation expense and the assumptions used in the calculation of compensation expense attributable to these awards is set forth in Note 9 to the Notes to Consolidated Financial Statements included in Item 8 of the Company's Form 10-K for the year ended December 31, 2011.

(2) Cash incentive compensation earned by officers based on the 2011 Company financial performance and satisfaction of individual performance objectives under the 2011 Cash Incentive Compensation Plan.

(3) The amounts indicated represent the change in the actuarial present value in 2011 of each officer's accrued retirement benefit:

	<b>Change in Pension Value</b>	
	<b>Retirement Plan</b>	<b>Supplemental Retirement Plan</b>
Mr. Howatt	\$166,379	\$634,787
Mr. Doescher	\$171,825	\$246,039
Mr. Newell	\$ 10,385	
Mr. Nelson	\$ 14,656	
Mr. Wildenberg	\$109,511	

The amounts indicated also include an increase in actuarial present value of \$53,794 with respect to Mr. Howatt under the director retirement plan.





(4) Contributions under the Company's 401(k) plan, the 2009 defined contribution supplemental executive retirement plan (which was discussed on page 24 above), and credits payable under the Company's flexible benefit plan during 2011 were as follows:

	<b>401(k)</b>	<b>Defined Contribution SERP</b>	<b>Flexible Benefits Plan</b>
Mr. Howatt	\$9,800	\$99,231	\$3,403
Mr. Doescher	\$9,800	\$34,545	
Mr. Newell	\$9,800	\$27,549	
Mr. Nelson	\$9,800	\$ 6,308	\$4,168
Mr. Wildenberg	\$9,800	\$24,693	\$2,235

(5) Amount includes \$99,231 of accrued vacation paid to Mr. Howatt due to his retirement on December 31, 2011, \$29,493 of aggregate incremental cost for use of the company aircraft and \$3,160 in other prerequisites.

#### Grants of Plan-Based Awards for 2011

The following table indicates potential cash incentive compensation under our incentive plans based on 2011 performance and equity awards granted in 2011. Actual cash incentive compensation earned in 2011 is included in the Summary Compensation Table on page 24.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock	All Other Awards: Number of Securities Underlying Options	Grant Exercise Price or Base Price of Stock and Option Awards	Grant Fair Value of Option Awards
		Threshold	Target	Maximum	Threshold	Target	Maximum	Units	Options	(\$/Sh)	(\$) <sup>(3)</sup>
Thomas J. Howatt	1/3/11	\$232,000	\$889,000	\$1,290,000	23,996	232,038	383,929			\$8.96	\$2,982,000
Scott P. Doescher	1/3/11	\$107,000	\$341,000	\$ 492,000	9,152	63,789	102,958			\$8.96	\$ 813,500

Henry C.									
Newell		\$ 78,000	\$339,000	\$ 548,000					
	1/3/11				6,378	51,006	82,919		\$8.96 \$ 655,000
	3/1/11					23,310	48,429		\$7.73 \$ 263,000
Michael W.									
Nelson	1/3/11	\$ 43,000	\$191,000	\$ 308,000	2,641	12,109	18,485		\$8.96 \$ 153,000
	3/15/11					29,960	61,592		\$7.21 \$ 320,550
Michael R.									
Wildenberg		\$ 47,000	\$228,000	\$ 374,000					
	1/3/11				6,261	50,069	81,395		\$8.96 \$ 643,000

(1) Amounts represent 2011 incentive compensation that could have been earned if 2011 financial and/or individual performance requirements under the 2011 Cash Incentive Compensation Plan for executive officers had been attained.

Amounts indicated as **Target** represent amounts that would have been paid or awarded if the 2011 operating plan targets had been met. The incentive plans did not set a specific target level, but instead established potential payments based on satisfaction of individual performance objectives, the return on capital employed achieved within a range of 5% to 14%, and, in the case of certain officers, the segment operating profits achieved within a specified range.

Amounts indicated as **Threshold** reflect the past three year's historic average payouts as a percentage of base salary for achievement of individual performance objectives with no payment based on Company or segment performance.

Amounts indicated as **Maximum** represent amounts that would have been payable upon achievement of all individual objectives and achievement of return on capital employed and segment operating profits at or above, in each case, the top of the range. See **Compensation Discussion and Analysis Elements of Our Executive Compensation Program Cash Bonus Incentives 2011 Cash Incentive Compensation Plan.**

(2) Actual awards under 2011 Equity Incentive Compensation Plan. Dividend equivalents in the form of additional restricted stock units are earned on each award and are paid at distribution of award. See **Compensation Discussion and Analysis Elements of Our Executive Compensation Program Cash Bonus Incentives 2011 Equity Incentive Compensation Plan.**

(3) Amounts indicated represent the grant date fair value of restricted stock units for the awards of Retention Awards (\$8.96) and Performance Incentive Awards on January 3, 2011 (\$8.96), March 1, 2011 (\$7.73), and March 15, 2011 (\$7.21). The amount indicated also includes grant date fair value of restricted stock units for awards granted under the Long-Term Equity Incentive Plan on January 3, 2011 (\$5.78), March 1, 2011 (\$4.59) and March 15, 2011 (\$4.61).

The grant date fair values were computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Subtopic 718-10. Additional information concerning the assumptions used in determining the grant date fair value of these awards is set forth in Note 9 to the Notes to Consolidated Financial Statements included in Item 8 of the Company's Form 10-K for the year ended December 31, 2011. See Compensation Discussion and Analysis Elements of our Executive Compensation Program Equity Incentives 2011 Equity Incentive Compensation Plan.

*2000 Stock Incentive Plan and 2010 Stock Incentive Plan.* All awards of restricted stock units and stock options are made under the terms of either the 2000 Stock Incentive Plan (for grants made prior to May 31, 2010) or the 2010 Stock Incentive Plan (for grants made beginning on or after June 1, 2010). Awards made under these plans include all awards made to the Company's annual performance-based equity plans and all other individual grants. Equity awards under the plans are granted subject to such performance-based or service conditions as the Committee determines to be appropriate under the circumstances. Restricted stock units may be settled in cash in the discretion of the Committee. Under current policy, performance-based restricted stock units may, at the election of the grantee, be settled in cash to the extent of the grantee's tax withholding liability. Options may be awarded for a maximum term of 10 years at an exercise price not less than the closing price of our stock on the date of grant. Options must be exercised within 90 days of the termination of employment for reasons other than retirement, death, or disability, in which cases, extended exercise periods of up to one year (in case of death) or two years (in case of retirement) apply. See Compensation Discussion and Analysis Elements of Our Executive Compensation Program Equity Incentives 2011 Equity Incentive Compensation Plan, page 20, for more information on awards under the 2011 Equity Incentive Compensation Plan.

## Outstanding Equity Awards at Fiscal Year-End 2011

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units, or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Shares, Units, or Rights That Have Not Vested (\$)
Thomas J.	100,000			\$11.66	01/04/20	17,561 <sup>(7)</sup>	\$145,054	71,897 <sup>(11)</sup>	\$593,869
Howatt	50,000			\$12.36	12/16/25				
	10,000			\$13.69	04/21/25				
	50,000			\$17.40	12/17/24				
	6,000			\$10.71	12/13/21				
	15,000			\$ 8.97	08/07/20				
	350,000			\$ 8.97	08/07/20				
	86,205			\$15.88	01/23/19				
	5,000 <sup>(1)</sup>			\$17.69	10/16/16				
	6,250 <sup>(2)</sup>			\$18.51	10/18/15				
	18,750 <sup>(3)</sup>			\$18.51	09/01/15				
	9,168			\$17.12	04/01/13				
	2,444 <sup>(4)</sup>			\$13.13	02/19/12				
Scott P. Doescher		75,000 <sup>(5)</sup>		\$11.66	01/04/20	19,150 <sup>(8)</sup>	\$158,179	17,160 <sup>(11)</sup>	\$141,742
	25,000			\$11.44	01/01/19	9,302 <sup>(9)</sup>	\$ 76,835		
	25,000			\$12.36	12/16/25	4,837 <sup>(7)</sup>	\$ 39,953		
	6,000			\$10.71	12/13/21				
	95,000			\$13.00	05/01/21				
	5,000			\$17.16	12/17/18				
Henry C. Newell		75,000 <sup>(5)</sup>		\$11.66	01/04/20	14,215 <sup>(8)</sup>	\$117,416	13,820 <sup>(11)</sup>	\$114,153
	25,000			\$ 9.55	10/01/19	6,482 <sup>(9)</sup>	\$ 53,541	7,485 <sup>(12)</sup>	\$ 61,826
	50,000			\$11.44	01/01/19	3,976 <sup>(7)</sup>	\$ 32,842		
	25,000			\$10.26	10/19/27	2,043 <sup>(10)</sup>	\$ 16,875		

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Michael								
W.		5,000 <sup>(6)</sup>	\$ 8.85	02/16/20	5,251 <sup>(8)</sup>	\$ 43,373	1,980 <sup>(11)</sup>	\$ 16,355
Nelson	5,000		\$14.24	03/01/27	2,684 <sup>(9)</sup>	\$ 22,170	10,032 <sup>(13)</sup>	\$ 82,864
					966 <sup>(7)</sup>	\$ 7,979		