SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

CONSOLIDATED PAPERS INC

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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the fiscal year ended December 31, 1998

Commission File No. 0-1051

CONSOLIDATED PAPERS, INC.
(A Wisconsin Corporation)

IRS Employer Identification No. 39-0223100

Wisconsin Rapids, Wisconsin 54495-8050
Telephone No. 715-422-3111

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

Title of each class	Name of each exchange on which registered
Common Stock, Par Value $1.00	New York Stock Exchange

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

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

The aggregate market value of March 9, 1999 of the voting stock held by nonaffiliates of the registrant was approximately $1.25 billion, based upon the NYSE closing price on March 9, 1999 and an estimate that 61.2% of the stock is owned by nonaffiliates.

On March 9, 1999 there were 90,480,444 shares of common stock outstanding.

Information required by Items 10, 11, and 12 of Form 10-K is incorporated by reference (except as specifically excepted in the Proxy Statement) into Part III hereof from the registrant's Proxy Statement to Shareholders for the Annual Meeting of Shareholders to be held April 26, 1999.

PART I

Item 1. BUSINESS.

Consolidated Papers, Inc. was incorporated in Wisconsin in 1894. The company and its subsidiaries (collectively, the "Company") operate primarily in the pulp and paper industry. Pulp and paper operations involve the manufacture and sale of coated and supercalendered printing paper for the printed communications industry, coated specialty papers used largely in the packaging and labeling of food and consumer products, and the manufacture of pulp and recycled pulp for use in the manufacture of these papers. The Company also manufactures paperboard, paperboard products and corrugated products. Integrated in the business are electrical power operations, which have nominal third party sales.

Effective July 1, 1995, the Company acquired Niagara of Wisconsin Paper Corporation, Niagara, Wisconsin, a manufacturer of coated groundwood publication papers; Lake Superior Paper Industries, Duluth, Minnesota, a manufacturer of supercalendered paper; and Superior Recycled Fiber Industries, Duluth, Minnesota, a producer of high-quality recycled pulp from post consumer office scrap paper.

In October, 1997, the Company acquired Repap Wisconsin, Inc. and Repap Sales Corporation. The operations are now known as Inter Lake Papers, a Consolidated Papers company. Inter Lake Papers manufactures groundwood and groundwood-free coated papers for the printing and publishing industries.

The Company's principal product is coated and supercalendered printing papers for the printing and publishing industries. The Company is North America's leading manufacturer of these papers. In addition, the Company manufactures coated specialty papers, paperboard, paperboard products, corrugated products, and kraft and recycled pulp.

The percent of coated and supercalendered printing paper sales to total sales was 80.0% (1994), 83.9% (1995), 83.7% (1996), 85.4% (1997) and 87.6% (1998).

Coated and supercalendered printing papers are sold directly to magazine and catalog publishers and through paper merchants to publishers and commercial printers. Distribution of other paper products is by means of direct sales to quantity users.

<TABLE>
DISTRIBUTION OF COATED PRINTING PAPER SALES IN TONS
<CAPTION>

Year	Direct Publisher Accounts %	Merchant And Other %
<S>	<C>	<C>
1994	52%	48%
1995	56%	44%
1996	56%	44%
1997	53%	47%
1998	54%	46%

The Company competes in the coated and supercalendered printing paper market and the coated specialty paper market (1) by providing paper of high quality incorporating special properties desired by its customers, (2) by pricing its products competitively, and (3) by emphasizing service to customers by prompt attention to orders, timely and reliable delivery of products to customers, and technical assistance to printers that use the Company's products.

Few paper manufacturers have unique qualities in printing papers or coated specialty papers, or unique machines or secret processes that give them a strong competitive advantage over other paper manufacturers. Because of this, price competition is a more important marketing factor during periods of excess supply of, or low demand for, this product. These two factors often occur at once.

The Company competes in the coated and supercalendered printing paper market with other paper companies, some of which are substantially larger, more diversified, and with greater financial resources. However, the Company is the largest manufacturer of printing papers in North America, having shipped 1,941,671 tons of coated and supercalendered printing papers in 1998, which represents approximately 20% of the U.S. market for this product. Sales to Unisource and xpedx, paper merchants, as a percent of net sales, amounted to 14% and 10%, respectively in 1998. The Company's principal U.S. competitors are Bowater Incorporated; Champion International Corporation; Crown Vantage Inc.; International Paper Company; Madison Paper Industries; Mead Corporation; the Northwest Paper Division of Potlatch Corporation; S.D. Warren, a subsidiary of Sappi Ltd.; UPM-Kymmene; and Westvaco Corporation.

The Company's energy sources during 1998 were:

<S>	<C>
Coal	29.0%
Process Waste	37.9%
Natural Gas	15.3%
Electricity	17.3%
Petroleum products	.5%

The Company experienced no shortages of energy in 1998. The Company currently purchases 73% of its coal requirement under two contracts, one for low-sulfur western U.S. coal, and the other for Kentucky coal, both of which expire December 31, 1999. The remaining 27% of its coal requirement is purchased on annual contracts. Coal is currently in ample supply, and we anticipate no supply problems in 1999.

The Company is in the third year of a six-year agreement for the firm transportation of approximately 68% of its total natural gas supply.

Approximately 32% of the Company's natural gas consumption is in the interruptible category, which means it is subject to reduction whenever cold weather or other events decrease the amount of pipeline space available. When such reductions occur, production is maintained by substituting fuel oil or propane, of which the Company has an adequate supply. Natural gas is currently in good supply and minimal interruption is expected in 1999.

The Company is integrated through ownership of forest lands and through its own pulp-producing facilities. The harvest during 1998 from Company lands produced 9.5% of the wood used in the Company's pulp mills. Wood used in the Company's pulp mills from non-Company land came from independent producers who obtain their wood products from public and private lands, and from sawmill residues. The Company was able to acquire an adequate supply of pulpwood and wood chips during 1998 and expects that its regular suppliers will be able to furnish it with an adequate supply of pulpwood and wood chips for 1999 operations.

The Company also purchases market pulp on a regular basis and purchased 37.8% of the total pulp consumed by the Company's paper mills during 1998. The Company has been able to acquire sufficient pulp to operate its mills at planned rates to date and has contracts and other arrangements for 74% of its anticipated requirements for 1999. Market pulp is currently in ample supply, and the Company anticipates no supply problems in 1999.

The principal raw materials consumed in the manufacture of kraft pulp include pulpwood, methanol, caustic soda, oxygen, hydrogen peroxide, sulfuric acid, sodium chlorate, and lime. The principal raw materials consumed in the manufacture of coated papers include kraft pulp, groundwood pulp, thermomechanical pulp, post consumer recycled pulp, starch, soya protein, clay, calcium carbonate, latex, and titanium dioxide pigment.

The Company has multiple sources for all principal raw materials consumed and purchases most raw materials from domestic sources. The majority of the purchased kraft pulp is imported from Canada, along with small quantities of wood chips. During 1998, the Company was able to procure adequate supplies of all principal raw materials and experienced no interruptions of production due to materials shortages. Most raw materials remain in good supply. The Company expects no interruptions of production due to materials shortages in 1999.

The Company has various patents but does not believe its business is dependent on any one patent or group of patents.

The Company spent an estimated $7.3 million in 1998, $6.8 million in 1997, and $6.5 million in 1996 on research and development. These funds were devoted to the development of improved processes and new process control systems, the development of new products and the improvement of existing products, and environmental projects.

The Company is committed to complying with all state and federal environmental regulations.

The Company remains in compliance with all conditions and limitations of its wastewater permits. The Company continues to invest capital funds to upgrade wastewater treatment facilities in preparation for production increases and future regulations. New wastewater treatment solids dewatering equipment was approved in 1998 for the Water Quality Center (WQC) and is scheduled to be installed during 1999. The cost of this upgrade is $745,000. The WQC treats process wastewater from Biron, Kraft and Wisconsin Rapids divisions. Wastewater permit renewal applications were completed and submitted to the Wisconsin Department of Natural Resources (WDNR) during 1997. During 1998, wastewater permits were reissued for Inter Lake Papers (ILP) and Niagara divisions. Some of ILP's permit limits and monitoring requirements were judged unreasonable and were adjudicated. The Company anticipates resolution of the ILP permit issues without the need for a hearing. The WQC's permit was extended to June 30, 1999. The Water Renewal Center's (WRC) permit application is being reviewed by the WDNR and is expected to be reissued during 1999. The renewed wastewater permit requirements are not expected to cause material changes in the Company's business or affect its competitive position.

The Company has received general tier 1 storm-water discharge permits for its applicable operations. The permits include a pollution-prevention plan and best-management practices and may require storm-water sampling and testing and pollution control. The Company has defined storm-water permit requirements and schedules, and is in the process of implementing a cost-effective strategy to comply. The storm-water permit requirements are not expected to cause material changes in the Company's business or affect its competitive position.

Clean Air Act operating permit applications for all of the Company's major sources have been submitted to the WDNR. The WDNR is required to issue all major source air operating permits by April 1999. Our facilities are allowed to continue to operate under existing permits until the new air operating permits are issued. The air operating permit requirements are not expected to cause material changes in the Company's business or affect its competitive position.

In September 1998, the Environmental Protection Agency (EPA) finalized regulations addressing the formation and transport of ozone across state boundaries in the eastern half of the United States. These regulations require 22 states (including Wisconsin) to reduce emissions of nitrogen oxides, a precursor to ozone formation. Depending on WDNR's implementation plan, due in 1999, the Company may incur significant capital and operating costs to reduce nitrogen oxide emissions from its power and recovery boilers. If utilities serving The Company's operations are required to reduce nitrogen oxides, the Company may incur additional costs for purchased energy.

On June 20, 1996, the EPA published the final accidental release prevention rules. The risk management rules require applicable facilities to develop, submit and register a risk management plan by June 21, 1999. The Company is developing cost-effective plans to comply.

The Company remains in compliance with the monitoring and reporting requirements of state groundwater regulations applicable to its active and inactive landfills. The Company continues to explore solid waste reduction and recycling alternatives to decrease costs and reliance on landfills. The Company continues operation of its ConsoGro (Water Quality Center wastewater treatment solids) and NiAGro (Niagara Division wastewater treatment solids) agricultural landspreading programs. The ConsoGro and NiAGro programs reduce dependence on landfills and benefit the local agricultural community and environment. The Company continues to distribute lime sludge from its Kraft pulp mill as an agricultural liming agent and for use to neutralize wastewater. The Company completes landfill site life evaluations annually to assure adequate lead time for permitting and constructing required new sites. The Company obtained all approvals and permits to expand landfill capacity at the WQC and WRC during 1997. The planned construction activities at WQC and WRC landfills were completed during 1998. Future landfill construction will be completed as required to support the Company's operations. The Company has adequate landfill capacity at this time to meet projected needs. At this time, the Company is unable to predict the effect of future landfill or groundwater regulations.

The Company's Hazardous Materials policies continue to ensure timely and full compliance with all regulations applicable to the purchase, transportation and disposal of hazardous materials. The Company complies with the Department of Transportation rules regarding training of all employees who handle and transport hazardous materials.

The Clean Air Act Amendments of 1990 and the Clean Water Act Effluent Guidelines Limitations will have a significant financial impact on the paper industry. The U.S. Environmental Agency (EPA) adopted rules in 1998 to reduce the industry's discharge of air and water pollutants, and has proposed additional rules to further reduce industry emissions of air pollutants. The air and water regulations adopted in 1998 are applicable to the Company's bleached Kraft pulp mill. The additional proposed regulations addressing air pollutants from bleached Kraft pulp mill recovery boilers, lime kilns and smelt dissolving tanks are expected to be final in April 1999 with compliance required within 3 years. These final and proposed regulations are commonly referred to as the "Cluster Rules". The Company's review of the Cluster Rules indicates that additional capital expenditures of approximately $8 million for process and equipment changes will be required in the next three years to achieve compliance. The Company has completed a multiphase program to eliminate the use of elemental chlorine in the pulp-bleaching process. Phase I of the chlorine-elimination program was completed in 1992 and included improved hardwood brownstock washing, increased substitution of chlorine dioxide in the first stage of pulp bleaching and use of hydrogen peroxide and oxygen in the caustic-extraction stage. Phase II of the chlorine-elimination program was completed in 1993 and included the addition of softwood oxygen delignification and associated brownstock washing. The Company has been using oxygen delignification on hardwood since 1986. Phase I produced nondetectable levels of dioxin (2, 3, 7, 8-TCDD) in our treated wastewater effluent and assured compliance with permit limits. Phase II was optimized during 1994. Phase II has resulted in nondetectable levels of dioxin (2, 3, 7, 8-TCDD) in pulp and wastewater treatment plant sludge and also has significantly reduced the formation of other chlorinated organics, including chloroform. Phase II also resulted in the elimination of elemental chlorine in the bleaching of softwood pulp, achieving the commonly referred to status of elemental chlorine-free (ECF). In late 1996, the Company eliminated elemental chlorine from its Kraft pulp by using chlorine dioxide in the first stage of bleaching. Phase III of our chlorine-elimination program uses high-consistency ozone in the first stage of the hardwood pulp-bleaching process. Our new ECF pulp-bleaching process utilizes chlorine dioxide on softwood and high-consistency ozone on hardwood in the first stage of bleaching. All equipment for Phase III has been installed and began operation in early 1997. All required air permits were obtained for the phased chlorine elimination program prior to implementation. Our new ECF bleach process has resulted in significant environmental improvements.

Due to the Company's proactive environmental planning and expenditures, we are well prepared to meet the requirements of new EPA air and wastewater "Cluster Rules". As a result of the recently completed chlorine-elimination program, the Company is already in compliance with many of the requirements of the Cluster Rules.

The Company has formed a Cluster Rules implementation team to define requirements and determine the most cost-effective options for compliance. Compliance with the Cluster Rules requirements is not expected to cause material changes in the Company's business or affect its competitive position.

The Company remains in compliance with all provisions of emergency planning community right-to-know legislation and federal and state underground storage tank regulations. Environmental activities are directed at protecting the environment through both pollution control and pollution prevention. The Company actively participates in the Wisconsin Paper Council's innovative pollution prevention partnership with the WDNR. The Company continues to look for cost-effective pollution prevention opportunities.

The Company's environmental staff performs annual internal multimedia environmental audits to assure compliance with environmental laws and regulations.

The Company continues to follow closely sediment remediation activities under way on various watershed systems, including the Fox River and Wisconsin River. On the Fox River, state and federal agencies have focused on study and remediation of sediments containing polychlorinated biphenols (PCBs), which are believed to have been discharged by companies which manufactured or recycled carbonless papers in the 1960s and early 1970s. Neither the Company's former Appleton Division, closed in 1982, nor the Inter Lake Papers facility, acquired in 1997, was involved in a carbonless paper manufacture or recycling. However, it is likely that the existing potentially responsible parties on the Fox River will seek contributions from the Company and others if litigation is initiated. On the Wisconsin River, the Wisconsin Department of Natural Resources has prepared a comprehensive management plan (CMP) addressing a variety of environmental issues relating to the Petenwell and Castle Rock flowages, including sediment contamination and water quality. These flowages are artificial impoundments created by dams downstream of the Company's operations. The CMP calls for further environmental studies of the flowages, but contains no mandatory timetables or overall funding mechanism for any remedial actions, which ultimately may be required.

The Company continues to be involved in groundwater monitoring associated with lagoon closure requirements at Niagara Division. Lagoon closure activities were completed in 1997. A Consent Order with the Michigan Department Of Environmental Quality (MDEQ) required that the Company define the vertical and horizontal extent of groundwater contamination. The approved remedial action plan includes continued groundwater monitoring and deed restrictions limiting groundwater use. Active groundwater remediation requirements are not expected.

The Cluster Rules and the ozone transport regulations are being challenged in various lawsuits brought by industry, environmental groups and other interested parties. The outcome of this litigation may significantly affect the Company's analysis of potential regulatory costs.

The Company cannot predict the potential economic impact of future environmental regulations or laws. The global warming issue could result in mandated reductions of greenhouse gases that would have a negative economic impact on energy intensive industries including pulp and paper.

At the end of 1998 the Company employed approximately 7,261 people, essentially all of whom were full-time employees.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Officer Since	Positions
<S>	<C>	<C>	<C>
George W. Mead	71	1971	Chairman of the Board
Gorton M. Evans	60	1997	President and Chief Executive Officer
William P. Orcutt	70	1995	Senior Vice President
Richard J. Kenney	58	1997	Senior Vice President, Finance
Ronald E. Swanson	49	1997	Senior Vice President
John T. Hurley	64	1997	Senior Vice President, Sales and Marketing
James E. Shewchuk	62	1999	Senior Vice President, Administration
David A. Krommenacker	56	1997	Vice President, Packaging Operations
John B. Steele	54	1997	Vice President, Free Sheet Operations
Roger L. Wangen	57	1997	Vice President, Groundwood Operations
Carl H. Wartman	46	1996	Secretary and General Counsel
David P. Nimtz	45	1997	Controller
John D. Steinberg	63	1990	Treasurer

All executive officers of the Company are elected annually by the Board of Directors. William P. Orcutt will retire on March 31, 1999. John D. Steinberg will retire on April 30, 1999.

All of the executive officers of the Company have served in executive or managerial positions in the Company for the past five years.

Item 2. PROPERTIES.

The Company, at the close of 1998, operated thirteen manufacturing plants in nine municipalities. The following table describes the Company's facilities.

Industry	No. Manufac-turing Plants	Plant Locations	Sq. Ft. Production, Office, Whse. Space	Plant Sites (Acres)
<S>	<C>	<C>	<C>	<C>
Paper and pulp	13	4 - Wisconsin Rapids, WI)		
		1 - Biron, WI)		
		1 - Whiting, WI)	10,505,337	1,175
		1 - Stevens Point, WI)		
		1 - Adams, WI)		
		1 - Niagara, WI)		
		2 - Duluth, MN)		
		1 - Kimberly, WI)		
		1 - Appleton, WI)		

Equipment in operation at the close of 1998 included 22 paper machines, two continuous kraft-pulp digesters, two recycled pulp mills, one paperboard machine, one corrugating machine, and electrical production facilities with a nameplate rated capacity of 258,562 KW (with actual capacity at any time subject to boiler capacity and river flow availability for electrical production).

The Water Quality Center in Wisconsin Rapids is a pollution-abatement facility on a 475-acre site that treats the mill effluent of two paper mills and one pulp mill.

The Water Renewal Center near Stevens Point is a pollution-abatement facility on a 192-acre site that treats the effluent of two paper mills.

Available capacity utilization during 1998 was 94.4% for coated papers and 100% for supercalendered papers. Production facilities are considered to be well maintained and adequate for their purpose.

The Company owns 331,802 acres of timberlands in the United States and 356,927 acres in Canada. A forest-management plan prescribes allowable cuts on all timberlands with the objective of maximum return from this resource while keeping harvests in balance with growth.

Item 3. LEGAL PROCEEDINGS.

There were no pending legal proceedings other than ordinary litigation of a nonmaterial nature incidental to the business of the Company.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Form 10-K.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The number of record holders of the Company's common stock as of December 31, 1998 is 6,094.

The Company's common stock is traded on the New York Stock Exchange. The Company's symbol is CDP.

COMMON STOCK MARKET PRICE AND CASH DIVIDENDS

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1998					
<S>	<C>	<C>	<C>	<C>	<C>
High	$ 32.56	$ 35.06	$ 29.50	27.50	$ 35.06
Low	25.12	26.63	24.13	21.75	21.75
Close	32.00	27.25	25.13	27.50	27.50
Cash dividend	.21	.22	.22	.22	.87
1997					
High	$ 26.50	$ 28.56	$ 30.28	$ 29.56	$ 30.28
Low	23.56	25.31	27.13	24.56	23.56

Close	26.06	27.00	27.75	26.69	26.69
Cash dividend	.21	.21	.21	.21	.84

Per share data prior to May, 1998, have been restated to reflect the two-for-one stock split of May, 1998.

Item 6. SELECTED FINANCIAL DATA.

FIVE-YEAR COMPARISON OF SELECTED
FINANCIAL DATA
FOR THE YEARS 1994 THROUGH 1998

(Dollars in thousands, except per share data)

Year Ended Dec. 31	Net Sales	Net Income Amount	Per Share-Diluted	Total Assets	Long-Term Debt	Cash Dividends Per Share
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998	$ 1,989,315	$ 102,357	$ 1.13	$ 3,627,486	$ 1,054,564	$ .87
1997	1,679,311	118,044	1.31	3,347,510	868,665	.84
1996	1,545,091	179,285	2.00	2,532,242	272,467	.84
1995	1,579,061	229,230	2.57	1,933,061	267,000	.72
1994	1,027,551	86,734	.98	1,499,511	68,000	.64

Per share amounts have been restated to reflect the two-for-one stock split of May, 1998.

1998 amounts reflect a $4.6 million after taxes extraordinary loss on debt extinguishment.

1997 amounts reflect the acquisition, effective October 1, 1997, of Inter Lake Papers, Inc. formerly Repap USA, Inc.

1995 amounts reflect acquisition, effective July 1, 1995, of Niagara of Wisconsin Paper Corporation, Lake Superior Paper Industries and Superior Recycled Fiber Industries.

1994 amounts reflect the change in estimated useful lives of machinery and equipment used in the pulp and papermaking process to a 20-year period versus the former 16-year period.

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

Financial Condition and Results of Operations

Acquisition.

Effective October 1, 1997, the company completed the acquisition of Repap USA, Inc., the holding company for Repap Wisconsin, Inc. and Repap Sales Corporation, in Kimberly, Wisconsin. The company renamed these operations Inter Lake Papers, Inc., Inter Lake Wisconsin, Inc. and Inter Lake Sales

Corp., respectively. The operating results of the acquired companies subsequent to the acquisition date are included in the Consolidated Statements of Income. Details of the acquisition are included in Note 2 of the Notes to Consolidated Financial Statements.

Sales and Cost of Sales.

Net sales increased to a record $2.0 billion in 1998, compared with 1997 net sales of $1.7 billion and 1996 net sales of $1.5 billion. Record shipments of 2,176,612 tons were an increase of 15% over the previous record year of 1997, which was a 21% increase over 1996. Gross margin as a percent of sales was 17.1%, compared with 17.5% in 1997 and 23.9% in 1996. The lower 1998 margin was due primarily to periodic downtime related to the increase in lower-priced imports and less-than-optimal product mix. In 1998, much of the increased domestic demand was absorbed by imports from foreign producers taking advantage of low labor rates, low raw material costs, lower currency exchange rates and trade protectionism. Lower-priced imports were up 23% in 1998 compared with the previous year. For 1997, margins were lower than in 1996 due to lower selling prices and less-than-optimal product mix.

Plant Operations.

Shipments of coated and supercalendered printing papers increased in 1998 by 18%. Groundwood-free coated shipments (primarily Wisconsin Rapids and Converting divisions and Inter Lake Papers) increased 35% in 1998 due to the October 1, 1997, acquisition of Inter Lake Papers and continued productivity improvements on all paper machines. This compares with a 13% increase in 1997 due to near-capacity operations and productivity improvements. During 1998, the Wisconsin Rapids Division operated at 95% of available capacity, compared with 100% in 1997 and 89% in 1996. The industry average capacity utilization for groundwood-free grades was 93% in 1998, 93% in 1997 and 86% in 1996. On average, selling prices decreased 1% in 1998, following a decrease of 5% in 1997 and a 7% decrease in 1996. The Converting Division, which converts heavier-weight groundwood-free coated rolls into sheets, operated at 97% of available capacity, compared with 99% in 1997 and 95% in 1996.

Groundwood coated shipments (Biron, Wisconsin River and Niagara divisions and Inter Lake Papers) increased 16% in 1998, following a 17% increase in 1997. The facilities operated at 98% of available capacity, compared with 97% in 1997 and 85% in 1996. The U.S. industry average utilization for groundwood grades was 96% in 1998, 93% in 1997 and 87% in 1996. During 1998, selling prices improved 8%, following declines of 13% in 1997 and 29% in 1996.

Inter Lake Papers, Inc. manufactures a combination of groundwood-free and groundwood coated papers. This facility operated at 88% of available capacity during 1998, compared with 100% of available capacity during the fourth quarter of 1997.

Lake Superior Paper Industries, which makes supercalendered groundwood papers, operated at 100% of available capacity in 1998, compared with 99% in 1997 and 84% in 1996. Shipments in 1998 decreased 15% primarily due to the downtime associated with the machine rebuild in February 1998. This compares with a 4% increase in 1997. Selling prices improved 8% in 1998, compared with declines of 17% in 1997 and 33% in 1996.

The Stevens Point Division's coated specialty paper shipments increased 11% in 1998, compared with an increase of 13% in 1997 and a decline of 3% in 1996. The mill's newest paper machine, No. 35, which increased the division's annual capacity from 116,000 tons to 180,000 tons, began operation during the first quarter of 1997 and exceeded management's expectations for quality and productivity. Due to the added capacity and weakened markets, the division operated at 80% of available capacity for 1998, compared with 84% in 1997 and 99% in 1996. Selling prices decreased 4% in 1998, following declines of 9% in 1997 and 8% in 1996.

Superior Recycled Fiber Industries operated at 89% of available capacity in 1998, compared with 89% in 1997 and 85% in 1996. Reduced demand for recycled pulps resulted in continued selling price reductions of 9% in 1998, compared with a decline of 11% in 1997.

Paperboard products shipments decreased 6%, and corrugated products shipments decreased 11% in 1998. The paperboard products and corrugated products businesses both operated in highly competitive markets and continued their marketing emphasis on producing high-value-added specialty products. In October, Consolidated announced that Castle Rock Container Company, manufacturer of corrugated products, is being offered for sale in keeping with the company's strategic commitment to focus on its core business. A potential buyer has not been named.

Selling, General and Administrative Expenses.

Selling, general and administrative expenses increased $18 million in 1998 to $102 million, compared with increases of $5 million in 1997 and $12 million in 1996. The 1998 increase resulted from general inflation increases and a full year of selling, general and administrative expenses for the October 1, 1997, acquisition of Inter Lake Papers.

Other Income and Income Taxes.

Other income (expense) was ($60 million) in 1998, ($19 million) in 1997 and ($2 million) in 1996. The increases in net other expense in 1998 and 1997 are due primarily to increases in interest expense related to higher debt associated with the October 1997 acquisition of Inter Lake Papers and additional borrowings used for the early buyout of an operating lease at Lake Superior Paper Industries.

Effective tax rates were 40.0%, 38.0% and 38.0% in 1998, 1997 and 1996, respectively. The higher rate in 1998 is due primarily to nondeductible goodwill.

Liquidity and Capital Resources.

Current Account Changes.

The October 1997 acquisition was accounted for as a purchase, and the assets and liabilities, which have been stated at their fair value, affect the comparison to prior periods. Accounts receivable in 1998 decreased by $14 million, compared with an increase of $35 million in 1997, of which $32 million represents Inter Lake Papers, Inc., and a decrease of $14 million in 1996. The 1998 decrease was principally due to lower sales volume during the fourth quarter. The days' sales outstanding has not materially changed, and the company believes its collection period is well within the industry's standards. Inventories decreased $16 million compared with 1997, primarily due to lower raw material prices. Finished goods decreased $3 million, raw materials decreased $12 million and stores supplies decreased $1 million, compared with increases of $37 million for finished goods, $12 million for raw materials and $18 million for stores supplies in 1997, all primarily due to the Inter Lake Papers acquisition.

Prepaid expenses increased $22 million, primarily due to an increase in prepaid income taxes of $16 million, compared with a decrease of $20 million in 1997, primarily due to the Lake Superior Paper Industries lease buyout, which resulted in the reclassification of a $19 million prepaid lease expense to plant and equipment.

Accounts payable decreased $4 million in 1998 due to timings of payments, compared with an increase of $19 million in 1997 due to Inter Lake Papers. Payroll and employee benefits increased $12 million, due primarily to a $6 million increase in accrued employee retirement benefits in 1998 compared with an increase of $16 million in 1997 due to Inter Lake Papers.

The year-end ratio of current assets to current liabilities was 1.7:1 in 1998, compared with 1.9:1 in 1997 and 2.0:1 in 1996.

Capital Commitments and Spending.

At the end of 1998, authorized but uncompleted capital projects totaled $154 million. A 1999 capital approval budget of $166 million is in place. This $166 million, plus the $154 million carry-over from 1998, less anticipated carry-over of $120 million at the end of 1999, is expected to result in planned capital spending of $200 million in 1999, compared with expenditures of $349 million in 1998, $236 million in 1997 and $288 million in 1996. The major 1998 expenditures included $149 million for a lease buyout of a paper machine at Lake Superior Paper Industries, $44 million for a paper machine rebuild project at the Biron Division, $11 million for a hot-soft supercalender addition at the Stevens Point Division, $10 million for a 1998 paper machine rebuild project at Lake Superior Paper Industries, $16 million for new supercalenders at the Niagara Division, and $11 million for a groundwood project at the Niagara Division. The 1999 capital approval budget for $166 million consists of $128 million for necessary replacement and quality projects, $34 million for high-return projects, and $4 million for environmental-control projects. Included in the 1999 approval budget is $46 million for new projects for the Inter Lake Papers operation.

Long-Term Debt.

The company's borrowings at December 31, 1998, were $1.055 billion, an increase of $186 million, following increases of $596 million and $5 million in 1997 and 1996, respectively. The increase during 1998 resulted primarily from the completion of the exercise of the early purchase option to buy out the operating lease on machinery and equipment at Lake Superior Paper Industries. In 1998, the company paid $149 million in cash and assumed $120 million in debt to buy out the remaining four owner-participants. The first of five owner-participants was bought out in December 1997 by paying $39 million in cash and assuming $30 million in debt. The debt assumed in this transaction, a $144 million face value term loan, was redeemed in 1998 and the company recorded an extraordinary loss of $5 million, after taxes. This consisted primarily of a prepayment penalty and costs associated with the early redemption, net of the remaining debt premium (see Note 3). The redemption of this 12.08% debt was financed with proceeds from $160 million private placement notes, which were issued in 1998 with interest rates between 6.93% and 7.30%.

The company's borrowings increased $596 million in 1997. The increase primarily resulted from the Inter Lake Papers acquisition for $258 million in cash and the assumption of $419 million of debt, of which $356 million of the face value was refinanced in December 1997. The financing for the acquisition (including the December 1997 refinancing) was provided from proceeds of a private placement of $277 million of Senior Notes and proceeds under a new $750 million revolving credit facility. Also in 1997, the company completed the sale and leaseback of its No. 35 paper machine at the Stevens Point Division. The proceeds of $136 million were used to pay down the revolving credit facility.

As of December 31, 1998, the company has $299 million available for further use under its $699 million revolving credit facility. The company also has unused lines of credit of approximately $229 million. Such amounts, together with cash flow from future operations, are expected to be more than sufficient to fund projected capital commitments.

Interest expense incurred totaled almost $98 million in 1998, with $96 million charged against income and $2 million capitalized as part of the cost of related capital projects.

As discussed in Note 4 of the Notes to Consolidated Financial Statements, the company entered into sale and leaseback transactions for two paper machines during 1996. These leases are capital in nature, resulting in lease obligations of $484 million at December 31, 1998. Because deposits of $457 million at December 31, 1998, are believed to be adequate for future lease payments, the company will not need to generate or borrow significant additional funds to make the required lease payments.

Market Risk.

In the ordinary course of business, Consolidated Papers, Inc. is exposed to market risk, primarily interest rate and currency exchange rate risks. These exposures relate to changes in interest rates on outstanding debt and to the sale of products to foreign customers. The company currently uses interest rate swap agreements to limit its exposure on a small portion of its long-term debt. The company neither holds nor issues financial instruments for trading purposes.

Interest Rate and Debt Sensitivity Analysis.

For fixed-rate debt, interest rate changes affect the fair market value but do not impact earnings or cash flows. Conversely, for floating-rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are constant. At December 31, 1998, the company's floating-rate debt approximates fair market value. A hypothetical 10% change in the company's weighted average borrowing rate would cause a $2 million change in earnings. The fair value of the company's long-term fixed-rate debt was estimated to be $561 million at December 31, 1998, and exceeded the carrying value by $18 million. Market risk of $33 million is estimated as the potential change in fair value resulting from a hypothetical 10% change in the company's weighted average long-term borrowing rate at December 31, 1998.

Foreign Exchange Rate Risk.

The company's earnings are also affected by fluctuations in the value of the U.S. dollar as compared with foreign currencies, predominately the Canadian dollar, as a result of the sales of its products in foreign markets. The company does not currently enter into any contracts in an attempt to hedge foreign currency risk. The result of a uniform 10% change in the value of the U.S. dollar relative to the currencies in which the company's sales are denominated would have resulted in a change in earnings of $4 million. In addition to the direct effects of changes in exchange rates, which are reflected in a changed U.S. dollar value of the resulting sales, changes in exchange rates also affect the volume of sales or the foreign currency sales price as competitors' products become more or less attractive. The company's sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in this potential change in sales levels.

Environmental Matters.

The paper industry is subject to extensive environmental regulations, many of which require significant capital and operational expenditures.

The Clean Air Act Amendments of 1990 and the Clean Water Act Effluent Guidelines Limitations will have a significant financial impact on the paper industry. The U.S. Environmental Protection Agency (EPA) adopted rules in 1998 to reduce the industry's discharge of air and water pollutants and has proposed additional rules to further reduce industry emissions of hazardous air pollutants. The additional proposed regulations addressing air pollutants are subject to further change prior to final promulgation, now expected in April 1999. These final and proposed regulations are commonly referred to as the "Cluster Rule." The company's review of the Cluster Rule indicates that capital expenditures of approximately $8 million for process and equipment changes will be required in the next three years to achieve compliance.

In September 1998, the EPA finalized regulations addressing the formation and transport of ozone across state boundaries in the eastern half of the United States. The regulations require 22 states (including Wisconsin) to reduce emissions of nitrogen oxides, a precursor to ozone formation. Depending upon Wisconsin's implementation plan, due in 1999, the company may incur significant capital costs to install additional controls on its power and recovery boilers.

Both the Cluster Rule and the ozone transport regulations are being challenged in various lawsuits brought by industry, environmental groups and other interested parties. The outcome of this litigation may significantly affect the company's analysis of potential regulatory costs.

Other statutory and regulatory environmental initiatives now under consideration could have a material impact on the pulp and paper industry.

These initiatives include mandated reductions in greenhouse gases by energy-intensive industries and efforts to further reduce access to fiber sources.

The company continues to closely follow sediment remediation activities under way on various watershed systems, including the Fox River and Wisconsin River. On the Fox River, state and federal agencies have focused on study and remediation of sediments containing polychlorinated biphenyls (PCBs), which are believed to have been discharged by companies that manufactured or recycled carbonless papers in the 1960s and early 1970s. Neither the company's former Appleton Division, closed in 1982, nor the Inter Lake Papers facility, acquired in 1997, was involved in carbonless paper manufacture or recycling. However, it is likely that the existing potentially responsible parties on the Fox River will seek contributions from the company and others if litigation is initiated. On the Wisconsin River, the Wisconsin Department of Natural Resources has prepared a comprehensive management plan (CMP) that addresses a variety of environmental issues relating to the Petenwell and Castle Rock flowages, including sediment contamination and water quality. These flowages are artificial impoundments created by dams downstream of the company's operations. The CMP calls for further environmental studies of the flowages, but contains no mandatory timetables or overall funding mechanism for any remediation activities that may ultimately be required.

Management believes that the resolution of existing environmental matters will not have a material impact on the company's results of operations.

Year 2000.

General. The company's Year 2000 efforts are continuing, with completion of the final stages of its internal compliance project scheduled for August 1999. The company has defined two major areas for its internal efforts: business applications and process applications (all other hardware and software systems). The company has defined a nine-step process toward Year 2000 compliance: (1) planning and awareness; (2) inventory; (3) triage (assess risks and prioritize efforts); (4) detailed assessment (identify where failures may occur, determine solutions and plans to repair or replace); (5) resolution (repair, retire or replace noncompliant systems, create bridges to other systems and perform unit testing); (6) test planning; (7) test execution; (8) deployment of compliant systems; and (9) fallout (remove bridges and patches, recertify standards). In both business and process applications, planning and awareness, inventory, triage, and detailed assessment are substantially complete. Work continues in the remaining areas. The company's overall Year 2000 project was 70% complete at the end of 1998.

In addition to its internal efforts, the company's Year 2000 team is also focusing on external factors that may affect the company, including the compliancy status of suppliers and customers. The external effort includes the development of contingency plans to address identified risks.

Business Applications. This area includes in-house developed applications, purchased software systems and all hardware required for business application. Assessment in this area is substantially complete, and the Year 2000 team is now developing and executing remediation plans for noncompliant purchased software and hardware devices. Business applications are on schedule for completion of system testing and deployment by August 1999.

Process Applications. This area includes the company's manufacturing operations, where many items such as machine drives, scanners and process control devices include date-dependent features. Assessment of these devices has generally been completed, although some vendors have been slow to respond to the company's inquiries. Remediation and testing of process applications, which must be coordinated with scheduled mill downtime, are planned for completion in August 1999.

Costs. The total cost associated with the hardware and software modifications required by the Year 2000 problem is not expected to be material to the company's financial position. The company presently estimates that it will spend approximately $27 million on its overall Year 2000 project. This includes $20 million for remediation and replacement of noncompliant systems, $1 million for outside consultant costs, and $6 million for internal labor costs. The amount expected to be spent on remediation and replacement includes previously budgeted items totaling $8 million, where these expenditures have been accelerated to meet Year 2000 requirements. Of the overall $27 million cost, approximately $14 million had been spent at the end of 1998.

External Factors - Customers and Suppliers. The company has surveyed its customers and suppliers in an effort to determine and assess those parties' Year 2000 compliance status. These groups have been prioritized based on their relative importance to the company's operations. The company is focusing its efforts with suppliers on those parties whose failure to be Year 2000 compliant could significantly affect the company's ability to do business. Prioritization also includes an analysis of alternative sources of raw materials or production equipment. The company is also engaged in an ongoing dialogue with major customers. Most key customers and suppliers appear to be making good progress toward Year 2000 compliance. The company's efforts to determine its suppliers' and customers' Year 2000 status will continue throughout 1999 as it monitors the progress of those parties' ongoing Year 2000 efforts.

Contingency Plans. The company believes that its internal compliance efforts will prevent any material disruption of the company's business and process applications caused by the Year 2000 problem. Current external efforts are identifying certain potential risks, such as shutdown of key customers or suppliers, breakdowns in transportation systems, or failures of the electrical grid or the company's wide area network. Contingency plans are being developed to address these problems where possible. The company is in the early stages of developing contingency plans with respect to suppliers. These plans will involve identification of alternative supply sources and may consider increased inventories of raw materials and finished product. Identification of alternative supply sources may prove difficult in some areas, particularly with respect to existing assets that require repair, upgrade or replacement parts from the original vendor. The company expects to increase its focus on contingency planning in the first quarter of 1999.

Should problems arise that disrupt key suppliers' operations or prevent customers from purchasing or using the company's products, the company would likely take manufacturing downtime and other steps designed to minimize costs. At this time, the company cannot predict the likelihood of a significant disruption of its customers' or suppliers' businesses or of the economy as a whole, either of which could have a material adverse impact on the company.

However, these potential problems are similar to those generally faced by other manufacturers.

Forward Looking Statements.

Certain statements in Management's Discussion and Analysis and elsewhere in the company's Annual Report to Shareholders may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Because these forward-looking statements include risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Factors that could cause actual results to differ include, among other things: (1) increased competition from either domestic or foreign paper producers, including increases in competitive capacity through construction of new mills or conversion of older facilities to produce competitive products; (2) variations in demand for the company's products; (3) changes in the cost or availability of the raw materials used by the company, particularly market pulp and wood; (4) costs of compliance with new environmental laws and regulations; (5) decisions by the company to make a significant acquisition or a significant increase in production capacity; and (6) unanticipated costs or problems associated with Year 2000 compliance.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA.

Consolidated Balance Sheets Consolidated Papers, Inc. and Subsidiaries

(Dollars in thousands)	As of December 31 1998	1997	1996
Current Assets			
<S>	<C>	<C>	<C>
Cash and cash equivalents	$ 3,230	$ 13,169	$ 12,928
Accounts and notes receivable, net of reserves of $6,504 in 1998, $6,374 in 1997 and $5,313 in 1996	147,307	160,874	126,103
Inventories			
Finished and partly finished products	89,377	92,245	55,474
Raw materials	39,616	51,726	39,428
Stores supplies	60,127	61,075	43,052
	189,120	205,046	137,954
Prepaid expenses	48,550	26,506	46,912
Total current assets	388,207	405,595	323,897
Investments and Other Assets			
Investments in affiliates, at cost plus equity in undistributed earnings	39,668	37,188	34,784
Restricted cash related to leases	438,429	427,026	423,618
Other assets	19,651	23,877	42,553
Goodwill	140,211	148,049	59,034
	637,959	636,140	559,989
Plant and Equipment			
Buildings	323,969	281,988	236,004
Machinery and equipment	3,200,392	2,647,374	1,962,835
	3,524,361	2,929,362	2,198,839
Less-accumulated depreciation	1,048,409	883,265	775,080
	2,475,952	2,046,097	1,423,759

Land	14,069	13,383	11,447
Timber and timberlands, net of depletion	26,762	26,391	25,150
Capital additions in process	84,537	219,904	188,000
	2,601,320	2,305,775	1,648,356
	$ 3,627,486	$ 3,347,510	$ 2,532,242
Current Liabilities			
Accounts payable	$ 88,651	$ 92,330	$ 73,147
Payroll and employee benefits	78,083	65,628	49,661
Income taxes	367	2,844	-
Property taxes	11,661	11,082	10,016
Other current liabilities	44,199	37,477	30,932
Total current liabilities	222,961	209,361	163,756
Noncurrent Liabilities and Deferred Credits			
Long-term debt	1,054,564	868,665	272,467
Capital lease obligations	465,613	456,321	462,084
Deferred income taxes	349,573	309,875	251,955
Postretirement benefits	148,508	152,470	98,614
Other noncurrent liabilities	31,416	33,151	13,544
	2,049,674	1,820,482	1,098,664
Shareholders' Investment			
Preferred stock, authorized and unissued 15,000,000 shares	-	-	-
Common stock, authorized 200,000,000 shares, par value $1.00 per share; issued 90,713,876 shares in 1998, 90,009,898 shares in 1997 and 89,536,722 shares in 1996	90,714	90,010	89,537
Capital in excess of par value	61,657	46,400	36,049
Accumulated other comprehensive income	(2,705)	(2,610)	(2,290)
Treasury stock, at cost, 409,426 shares in 1998, 278,816 shares in 1997 and 79,800 shares in 1996	(9,906)	(7,370)	(2,020)
Reinvested earnings	1,215,091	1,191,237	1,148,546
Total shareholders' investment	1,354,851	1,317,667	1,269,822
	$ 3,627,486	$ 3,347,510	$ 2,532,242

Consolidated Statements of Shareholders' Investment

(Dollars in thousands)	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Treasury Stock	Reinvested Earnings	Total	Comprehensive Income
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	$89,248	$29,701	$(2,369)	$(2,100)	$1,044,317	$1,158,797	
Net income	-	-	-	-	179,285	179,285	$179,285
Cash dividends	-	-	-	-	(75,056)	(75,056)	-
Exercise of							

stock options	289	6,103	-	-	-	6,392	-
Tax benefit related to stock options	-	240	-	-	-	240	-
Cumulative translation adjustment	-	-	79	-	-	79	79
Comprehensive income							$179,364
Treasury stock purchase	-	-	-	(1,687)	-	(1,687)	
Issuance of treasury stock	-	5	-	1,767	-	1,772	
Balance, December 31, 1996	$89,537	$36,049	$(2,290)	$(2,020)	$1,148,546	$1,269,822	
Net income	-	-	-	-	118,044	118,044	$118,044
Cash dividends	-	-	-	-	(75,353)	(75,353)	-
Exercise of stock options	473	9,447	-	-	-	9,920	-
Tax benefit related to stock options	-	962	-	-	-	962	-
Cumulative translation adjustment	-	-	(320)	-	-	(320)	(320)
Comprehensive income							$117,724
Treasury stock purchase	-	-	-	(7,646)	-	(7,646)	
Issuance of treasury stock	-	(58)	-	2,296	-	2,238	
Balance, December 31, 1997	$90,010	$46,400	$(2,610)	$(7,370)	$1,191,237	$1,317,667	
Net income	-	-	-	-	102,357	102,357	$102,357
Cash dividends	-	-	-	-	(78,503)	(78,503)	-
Exercise of stock options	704	13,506	-	-	-	14,210	-
Tax benefit							

related to stock options	-	1,703	-	-	-	1,703	-
Cumulative translation adjustment	-	-	(95)	-	-	(95)	(95)
Comprehensive income							$102,262
Treasury stock purchase	-	-	-	(5,007)	-	(5,007)	
Issuance of treasury stock	-	48	-	2,471	-	2,519	
Balance, December 31, 1998	$90,714	$61,657	$(2,705)	$(9,906)	$1,215,091	$1,354,851	

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Papers, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(Dollars in thousands)	For the Years Ended December 31 1998	1997	1996
Cash Flows from Operating Activities			
<S>	<C>	<C>	<C>
Net income	$ 102,357	$ 118,044	$ 179,285
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and depletion	171,156	121,587	100,220
Amortization of goodwill and intangibles	10,182	7,013	7,600
Debt premium amortization	(7,090)	-	-
Undepreciated cost of plant and equipment retirements	2,577	6,957	7,694
Earnings of affiliates	(4,755)	(4,557)	(3,341)
Deferred income taxes	35,162	25,428	19,866
(Increase) decrease in accounts receivable	13,567	11,331	13,969
(Increase) decrease in inventories	15,926	(2,508)	(5,511)
(Increase) decrease in prepaid expenses	(17,508)	11,801	1,135
Increase (decrease) in accounts payable	(3,679)	(14,930)	869
Increase (decrease) in current liabilities, other than current maturities of long-term debt and accounts payable	17,279	1,653	(8,352)

Increase (decrease) in postretirement benefits	(3,962)	(901)	4,912
Increase (decrease) in other noncurrent liabilities	(1,735)	(6,926)	3,201
Net cash provided by operating activities	329,477	273,992	321,547
Cash Flows from Investing Activities			
Capital expenditures	(348,856)	(236,198)	(287,893)
Acquisitions, net of cash	-	(250,690)	-
Proceeds from sale and leaseback	-	135,600	422,398
Noncurrent investments	-	-	(393,229)
Other	1,952	130	7,605
Net cash (used in) investing activities	(346,904)	(351,158)	(251,119)
Cash Flows from Financing Activities			
Cash dividends	(78,503)	(75,353)	(75,056)
Proceeds from long-term debt	160,000	282,000	23,467
Repayment of long-term debt	(143,831)	(405,103)	-
Net borrowings under lines of credit and revolvers	56,397	270,389	(18,000)
Common stock issued (net)	13,425	5,474	6,717
Net cash provided by (used in) financing activities	7,488	77,407	(62,872)
Net increase (decrease) in cash and cash equivalents	(9,939)	241	7,556
Cash and cash equivalents - beginning of year	13,169	12,928	5,372
Cash and cash equivalents - end of year	$ 3,230	$ 13,169	$ 12,928
Cash paid during the year for:			
Interest	$ 29,333	$ 17,281	$ 7,330
Income taxes	32,007	93,184	103,234

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Papers, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1998, 1997 and 1996

1. Summary of Accounting Policies.

Principles of Consolidation - The consolidated financial statements include the accounts of Consolidated Papers, Inc. and subsidiaries. Investments in companies in which ownership is at least 20%, but less than a majority of the voting stock, are accounted for using the equity method.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards - The Financial Accounting Standards Board (FASB) recently issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which establishes standards for the reporting of the components of comprehensive income, SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires certain information about operating segments to be reported on a basis consistent with internal decision making, and SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits," which standardizes the disclosure requirements for pensions and other postretirement benefits. Required disclosures have been made and prior years' information has been reclassified for the impact of adopting SFAS Nos. 130, 131 and 132 in 1998.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which revises the accounting for software development costs and will require the capitalization of certain costs that the company has historically expensed. The company is currently analyzing the impacts of these statements, which are required to be adopted in 2000 and 1999, respectively, and does not expect either statement to have a material impact on the company's financial position, results of operations or cash flows.

Cash and Cash Equivalents - For financial statement purposes, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair market value.

Inventories - Inventories accounted for using the last-in, first-out (LIFO) cost method (approximately 50% in 1998, 45% in 1997 and 57% in 1996) are stated at amounts that do not exceed market. If the first-in, first-out (FIFO) method of accounting for inventories had been used by the company, inventories would have been higher than that reported at December 31, 1998, 1997 and 1996, by $18.2 million, $21.5 million and $21.3 million, respectively. The remaining inventories are stated at the lower of cost or market using the FIFO method, except for stores supplies and certain manufacturing supplies, which are accounted for on a moving average cost basis.

Goodwill Resulting from Business Acquisitions - Goodwill resulting from business acquisitions consists of the excess of the acquisition cost over the fair value of the net assets of the businesses acquired. Goodwill is amortized on a straight-line basis over 15 to 20 years. Amortization of goodwill resulting from business acquisitions was $9.1 million, $5.6 million and $4.1 million in 1998, 1997 and 1996, respectively. At December 31, 1998, accumulated amortization of goodwill was $21.3 million. Subsequent to acquisitions, the company continues to evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision or that the remaining balance of goodwill is not recoverable. Recoverability is determined by comparing the undiscounted net cash flows of the assets to which the goodwill applies to the net book value, including goodwill, of those assets.

Plant and Equipment - Plant and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets using principally the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. Useful lives for financial reporting purposes are 20 years for land improvements, 33 years for buildings, and five to 20 years for machinery and equipment.

The company's policy is to capitalize interest incurred on debt during the course of major projects that exceed one year in construction. Interest capitalized in 1998, 1997 and 1996 was $1.6 million, $3.1 million and $7.5 million, respectively.

Maintenance and repair costs are charged to expense as incurred, and renewals and improvements that extend the useful life of the assets are added to the plant and equipment accounts.

Research and Development - Research and development costs are charged to expense as incurred. Research and development expenses in 1998, 1997 and 1996 were approximately $7.3 million, $6.8 million and $6.5 million, respectively.

Timber and Timberlands - Timber and timberlands are recorded at cost, less amortization for cost of timber harvested. Amortization is computed on the units-of-production method. Timber carrying costs are expensed as incurred.

Accounts Payable - The company's banking system provides for the daily replenishment of major bank accounts for check-clearing requirements. Accordingly, there were negative book cash balances of $24 million, $30 million and $12 million at December 31, 1998, 1997 and 1996, respectively. Such balances result from outstanding checks that had not yet been paid by the bank and are reflected in accounts payable in the Consolidated Balance Sheets.

Environmental Matters - The company recognizes a liability for environmental remediation costs when it is probable a liability has been incurred and the amount can be reasonably estimated. The liabilities are developed based on currently available information and are generally recognized no later than completion of a remedial feasibility study. The company accrues closure costs and discounted amounts for long-term care costs for its landfills over their estimated useful lives. As of December 31, 1998, the company had accrued $5.9 million of the anticipated $7.1 million for such costs.

Income Taxes - Deferred income taxes have been provided for temporary differences arising from differences in bases of assets and liabilities for tax and financial reporting purposes. Deferred income taxes are recorded on temporary differences at the tax rate expected to be in effect when the temporary differences reverse.

Net Income per Share - Effective January 1, 1997, the company adopted the requirements of SFAS No. 128, "Earnings per Share," and, accordingly, basic earnings per share is calculated based on the weighted average number of common shares outstanding during the year, while diluted earnings per share is calculated based on the dilutive effect of potential common shares. All prior period amounts have been restated for comparable purposes.

Basic and diluted earnings per share are reconciled as follows:

(In thousands, except per share data)	For the years ended December 31 1997 (Unaudited)	1996 (Unaudited)
Net sales	$1,953,449	$1,820,659
Net income	150,538	244,267
Net income per share - basic	3.37	5.50

This pro forma information reflects all adjustments that are, in the opinion of management, necessary to a fair statement of the results.

3. Long-term Debt and Lines of Credit. A summary of long-term debt as of December 31 is as follows:

(In thousands)	1998	1997	1996
Term loan from a financial institution, unsecured, with interest at 7.05%, due June 30, 2000	$ 30,000	$ 30,000	$ 30,000
Term loan from a financial institution, unsecured, with interest at 7.40%, due June 30, 2005	55,000	55,000	55,000
Term loan from a financial institution, secured by equipment, with interest at 9.94%, repurchased in September 1997	-	-	23,467
Term loan from a financial institution, secured by equipment, with interest at 12.08%, due January 1, 2007, repurchased in May and June 1998	-	30,241	-
Senior Notes with interest at 6.71% to 7.14%, due October 31, 2004, to October 31, 2017	277,000	277,000	-
Senior Notes with interest at 6.93%			

to 7.30%, due May 8, 2009, to May 8,2023	160,000	-	-
Industrial Revenue Bonds with interest at 4.20% at December 31, 1998, reset weekly, due July 1, 2012	5,000	5,000	-
First Priority Senior Secured Notes of Inter Lake Papers, Inc. with 9.25% interest, $19,473 face amount and due February 1, 2002	20,369	20,620	-
Second Priority Senior Secured Notes of Inter Lake Papers, Inc. with 9.875% interest, $1,099 face amount and due May 1, 2006	1,195	1,204	-
Revolving credit agreements with financial institutions, unsecured, with a weighted average interest rate of 5.35% and 5.91%, respectively	400,000	440,000	-
Line of credit agreements with financial institutions, unsecured, with a weighted average interest rate of 6.08%, 6.91% and 5.96%, respectively	106,000	9,600	164,000
Total long-term debt	$1,054,564	$ 868,665	$ 272,467

The company has a $699 million unsecured revolving credit agreement with 15 participating financial institutions with an expiration date of September 26, 2002. This agreement has a competitive bid loan option with varying rates of interest. The company pays the banks a facility fee under this agreement.

The company has $335 million in unsecured lines of credit with seven financial institutions. There are no commitment fees for these lines of credit. Amounts due under these lines of credit have been classified as long-term debt because the company has the intent and the unused facilities to refinance the loans on a long-term basis.

The debt agreements contain restrictions on net worth and other matters.

The company recorded an extraordinary loss of $4.6 million after taxes as a result of the early redemption of a $143.8 million face value term loan. This term loan was assumed as part of the operating lease buyout on production equipment at Lake Superior Paper Industries, which occurred partly in 1997 and was completed in January 1998 (see Note 4). The loss consisted primarily of a prepayment penalty and costs associated with the early redemption, net of the write-off of the remaining debt premium and net of tax benefits of $3.1 million. The redemption of the 12.08% debt was financed with proceeds from the $160 million private placement notes with interest rates between 6.93% and 7.30%.

As of December 31, 1998, the maturities of long-term debt are as follows:

<S>	<C>	<C>
(In thousands)	1999	$ -
	2000	30,000
	2001	-
	2002	420,369
	2003	-
	Thereafter	604,195

4. Leases. The company sold certain assets for $136 million in December 1997. The assets were leased back from the purchaser over a period of 16 years. The lease is being accounted for as an operating lease, and the resulting gain of $17 million is being amortized over the life of the lease. The lease requires the company to pay customary operating and repair expenses and to observe certain operating restrictions and covenants. The lease contains renewal options at lease termination and purchase options at amounts approximating fair market value in 2005, 2010 and at lease termination.

The company also sold certain assets for $253 million and $169 million in May 1996 and September 1996, respectively. The assets were leased back from the purchaser over a period of 15 years. Under the agreements, the company will maintain deposits, initially in the amount of $393 million, which together with interest earned are expected to be sufficient to fund the company's lease obligations, including the repurchase of the assets. These lease agreements contain restrictions on net worth and other matters. These transactions are being accounted for as financing arrangements, and the resulting gains are amortized over a 15-year period. At December 31, 1998, the company recorded assets for the deposits from the sale proceeds of $457 million and liabilities for the lease obligations of $484 million. $18.6 million of both the deposits and lease obligations are recorded as current. The net amount of capital lease assets at December 31, 1998, is $261 million.

The company also leases certain manufacturing facilities, office space, and machinery and equipment under various operating lease agreements, which have remaining lease terms of two to five years. Rent expense under all operating leases was approximately $11.0 million, $33.8 million and $35.3 million for 1998, 1997 and 1996, respectively.

In January 1998, the company completed the exercise of its early purchase option to buy out an operating lease on production equipment at Lake Superior Paper Industries by paying $149.3 million in cash and assuming $120.4 million in debt. The company had previously purchased a portion of the equipment in December 1997 by paying $38.9 million in cash and assuming $30.2 million in debt. The total transaction resulted in an increase in fixed assets of $338.8 million.

Future scheduled minimum lease payments under capital and noncancelable operating leases as of December 31, 1998, are as follows:

(In thousands)	Operating Leases	Capital Leases
<S>	<C>	<C>
1999	$ 13,533	$ 23,242

2000	11,506	26,969
2001	10,947	28,334
2002	9,900	29,769
2003	7,559	31,276
Thereafter	65,556	857,084
Total minimum lease payments	$ 119,001	996,674
Imputed interest		(512,478)
Present value of capitalized lease payments		484,196
Less current portion (included in other current liabilities)		18,583
Long-term capitalized lease obligations		$ 465,613

5. Fair Values of Financial Instruments. The carrying amounts and fair values of the company's financial instruments at December 31 were as follows:

	1998		1997		1996	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$ 3,230	$ 3,230	$ 13,169	$ 13,169	$ 12,928	$ 12,928
Restricted cash related to leases	457,012	457,012	439,675	439,675	423,618	423,618
Long-term debt, including current maturities	1,054,564	1,072,071	868,665	875,534	272,467	275,222

The following methods and assumptions were used by the company in estimating fair values for financial instruments:

Cash, cash equivalents and restricted cash - The carrying amount approximates fair value due to the relatively short period to maturity of these instruments.

Long-term debt - The fair value of the company's long-term debt is estimated based on current rates offered to the company for debt of the same remaining maturities.

6. Risk Management. The company periodically uses interest rate lock and swap agreements to manage its exposure to interest rate changes. Payments or receipts for fluctuations in interest rates under these agreements are recorded as adjustments to interest expense and were not material in any period. At December 31, 1998, the company had outstanding interest rate swap agreements with a notional principal amount of $50 million that convert floating-rate debt to fixed-rate debt. The company neither holds nor issues financial instruments for trading purposes.

7. Employee Pension and Other Benefit Plans. The company and its subsidiaries sponsor pension plans covering substantially all employees. Retirement benefits are provided based on employees' years of service and earnings. Normal retirement age is 65, with provisions for earlier retirement. The company's funding policy is to contribute amounts to the plans when deductible for income tax purposes. This policy generally

includes amortization of unfunded prior service costs over a 10-year period.

The company also provides certain noncontributory medical, dental and life insurance benefits to qualifying retirees. These benefits are paid from a trust that holds corporate and U.S. Treasury debt securities and corporate equities.

The postretirement benefits for both active and retired employees of Inter Lake Papers, Inc. were continued after the acquisition. The amounts herein reflect the assumption of these additional liabilities and costs.

Summarized information on the company's postretirement plans is as follows:

<S>	Pension Benefits <C>			Other Benefits <C>		
	12/31/98	12/31/97	12/31/96	12/31/98	12/31/97	12/31/96
(In thousands)						
Change in benefit obligation						
Benefit obligation at beginning of year	$ 480,029	$ 444,637	$ 437,927	$ 221,325	$ 157,705	$ 149,905
Service cost	16,769	13,760	13,867	5,792	4,619	4,194
Interest cost	33,117	31,247	29,730	15,039	11,736	10,636
Amendments	2,648	-	-	-	-	-
Acquisition	-	-	-	-	54,610	-
Net actuarial loss/ (gain)	21,592	13,172	(15,769)	5,313	(399)	96
Benefits paid	(24,571)	(22,787)	(21,118)	(9,221)	(6,946)	$ (7,126)
Benefit obligation at end of year	529,584	480,029	444,637	238,248	221,325	157,705
Change in plan assets						
Fair value of plan						

assets at beginning of year	615,648	514,314	468,312	52,637	39,463	33,141
Actual return on plan assets	41,815	123,937	62,877	741	9,076	4,549
Employer contributions	200	184	4,244	12,902	11,044	8,899
Benefits paid	(24,571)	(22,787)	(21,118)	(9,221)	(6,946)	(7,126)
Fair value of plan assets at end of year	633,092	615,648	514,315	57,059	52,637	39,463
Net amount recognized						
Funded status	103,508	135,619	69,677	(181,189)	(168,688)	(118,242)
Unrecognized prior service cost	19,151	19,072	21,640	(16,657)	(18,051)	(19,445)
Unrecognized transition (asset)	(14,188)	(17,027)	(19,866)	-	-	-
Unrecognized net actuarial loss/(gain)	(121,526)	(148,938)	(80,334)	30,166	21,830	28,509
(Accrued) benefit cost	$ (13,055)	$ (11,274)	$(8,883)	$(167,680)	$(164,909)	$(109,178)

Amounts recognized in the statement of financial position

consist of:						
Prepaid benefit cost	22,605	17,415	14,342	-	-	-
Accrued benefit lia- bility	(35,660)	(28,689)	(23,225)	(167,680)	(164,909)	$(109,178)
Net amount recog- nized	$ (13,055)	$ (11,274)	$(8,883)	$(167,680)	$(164,909)	$(109,178)
Weighted- average assump- tions at end of year Dis- count rate	6.75%	7.00%	7.25%	6.75%	7.00%	7.25%
Expected return on plan assets	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Rate of compen- sation increase	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

For measurement purposes, the health care cost trend rates are as follows:

For participants who retired before January 1, 1995, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The rate was assumed to decrease gradually to 5% for 2001 and remain at that level thereafter.

For participants who retired after January 1, 1995, a 5.25% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The rate was assumed to decrease gradually to 4% for 2001 and remain at that level thereafter.

	Pension Benefits			Other Benefits		
	12/31/98	12/31/97	12/31/96	12/31/98	12/31/97	12/31/96
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(In thousands)						
Components of net periodic benefit cost						
Service cost	$ 16,769	$ 13,760	$ 13,867	$ 5,792	$ 4,619	$ 4,194

Interest cost	33,117	31,247	29,730	15,039	11,736	10,636
Expected return on plan assets	(46,855)	(41,990)	(34,013)	(4,446)	(3,490)	(2,819)
Amortization of prior service cost	2,568	2,568	2,568	(1,394)	(1,394)	(1,394)
Amortization of transition (asset)	(2,839)	(2,839)	(2,839)	-	-	-
Recognized net actuarial loss/ (gain)	(779)	(172)	49	682	702	1,387
Net periodic benefit cost	$ 1,981	$ 2,574	$ 9,362	$ 15,673	$ 12,173	$ 12,004

The net actuarial loss/(gain) in excess of a 10% corridor, the prior service cost and the transition (asset) are being amortized over the average remaining service period of active participants at the date established on a straight-line basis.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $8.6 million, $4.1 million and $0, respectively, as of December 31, 1998, and $8.5 million, $3.9 million and $0, respectively, as of December 31, 1997.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A 1% change in assumed health care cost trend rates would have the following effects:

(In thousands)	1% Increase	1% Decrease
Effect on total of service and interest cost components	$3,747	($2,948)
Effect on postretirement benefit obligation	32,069	(25,914)

8. Shareholders' Investment. In April 1989, the shareholders approved a Stock Option Plan providing for granting of options to directors, officers and all other nonunion employees. In April 1998, the company adopted a similar plan, the 1998 Incentive Compensation Plan. This plan provides for the granting of options, stock appreciation rights, stock or

cash awards to directors, officers and all other nonunion employees. The company accounts for these plans under Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with FASB Statement No. 123, basic earnings per share would have been reduced by $.01, $.02 and $.01 for the years ended December 31, 1998, 1997 and 1996, respectively. Because the Statement No. 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

The plans reserved 10 million shares of common stock to be issued at prices equal to 100% of the fair market value of the shares on the date the option is granted. Options are exercisable not earlier than six months and not later than 10 years after the date of the grant.

Of the 2,302,480 options outstanding at December 31, 1998, 966,682 have exercise prices between $17.56 and $23.38, with a weighted average exercise price of $20.28 and a weighted average remaining contractual life of 3.41 years. 965,104 of these options are exercisable with a weighted average exercise price of $20.28. The remaining 1,335,798 options have exercise prices between $24.06 and $32.97, with a weighted average exercise price of $26.92 and a weighted average remaining contractual life of 8.17 years. 424,323 of these options are exercisable with a weighted average exercise price of $26.13.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1998, 1997 and 1996, respectively: risk-free interest rates of 4.95%, 5.79% and 6.38%; expected dividend yields of 3.20%, 3.15% and 3.42%; expected lives of 10, 10, and 10 years; and expected volatility of 26.05%, 27.75% and 29.50% for 1998 options, 19.25% and 18.81% for 1997 options and 16.41% and 16.57% for 1996 options.

An analysis of the stock option plans at December 31, 1998, 1997 and 1996 follows:

	1998 Shares	Weighted Average Exercise Price	1997 Shares	Weighted Average Exercise Price	1996 Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	2,411,328	$ 22	2,331,104	$ 21	2,078,556	$ 19
Granted	534,728	29	475,258	24	417,400	27
Exercised	(617,664)	19	(338,358)	19	(150,168)	18
Expired or canceled	(25,912)	27	(56,676)	24	(14,684)	24
Outstanding at end of year	2,302,480	24	2,411,328	22	2,331,104	21
Exercisable at end of year	1,389,427	22	1,611,150	20	1,650,978	19

Weighted average fair value of options granted	$ 8.09	$ 6.30	$ 5.96

There are also 15 million shares of Class A Preferred Stock authorized with a par value of $.01 per share, to be issued at the discretion of the Board of Directors. As of December 31, 1998, none of the shares had been issued.

9. Income Taxes.

The provision for income taxes includes the following components:

(In thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Current:			
Federal	$ 29,383	$ 39,040	$ 76,312
State	3,695	7,882	13,707
Total current	33,078	46,922	90,019
Deferred:			
Federal	33,311	23,591	17,408
State	1,851	1,837	2,458
Total deferred	35,162	25,428	19,866
Total provision	$ 68,240	$ 72,350	$ 109,885

The following summarizes the major differences between the U.S. statutory tax rates and the company's effective tax rates:

	1998	1997	1996
Statutory federal tax rates	35.0%	35.0%	35.0%
State income taxes	2.7	3.3	4.0
Other items	_2.3	(.3)	(1.0)
Effective tax rates	40.0%	38.0%	38.0%

Deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws. The net deferred tax liability is comprised of the following:

(In thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Deferred tax assets:			
Postretirement benefits	$ 66,524	$ 65,395	$ 43,331
Accrued vacation	12,866	10,029	9,118
Net operating loss carryforward	51,191	50,322	-
AMT credit	3,546	1,403	-
Tax credit carryforward	11,757	7,875	1,487
Capital loss carryforward	8,974	8,449	-

Valuation allowance	(10,504)	(7,907)	-
Other	20,321	23,184	18,820
Total deferred tax assets	164,675	158,750	72,756
Deferred tax liabilities:			
Plant and equipment	(476,184)	(432,265)	(288,152)
Equity method investments	(10,140)	(10,576)	(8,711)
Other	(11,778)	(13,428)	(15,182)
Total deferred tax liabilities	(498,102)	(456,269)	(312,045)
Net deferred tax liability	$(333,427)	$(297,519)	$(239,289)

The consolidated balance sheets reflect current deferred income taxes of $16.2 million, $12.4 million and $12.7 million in prepaid expenses and a long-term deferred income tax liability of $349.6 million, $309.9 million and $252.0 million at December 31, 1998, 1997 and 1996, respectively.

As of December 31, 1998, the company had tax carryforwards of approximately $75.5 million, which expire from 1999 through 2013. Due to the uncertainty of the realization of certain tax carryforwards, the company has established a valuation allowance against these carryforwards in the amount of $10.5 million.

10. Other Commitments. The company has agreed to purchase paper mill process steam from the City of Duluth Steam District No. 2 Cooperative Association at a unit cost to be determined based upon operating, maintenance and capital costs of the steam plant. In addition, the company pays an amount equal to the principal and interest requirements on $7.3 million of outstanding Steam Utility Revenue Bonds as of December 31, 1998, which mature at various times through April 1, 2002, and certain other costs, principally capital expenditures. The company paid $2.8 million in 1998, 1997 and 1996, to service these bonds. Annual payments for the principal and interest portion of these bonds are expected to be $2.8 million in 1999 through 2001, with a final payment of $.7 million in 2002.

As of December 31, 1998, the company had capital expenditure commitments outstanding of approximately $153.8 million.

11. Segment Information. The company's principal business is the manufacture of paper and paper-related products. Consolidated Papers, Inc. is a leading manufacturer of coated and supercalendered printing papers. The company is also the nation's leading manufacturer of coated specialty papers used in consumer product packaging and labeling. Other products and services include recycled pulp made from printed, preconsumer and postconsumer scrap paper, paperboard, paperboard products, corrugated products and hospitality and lodging services provided at a company-owned hotel.

The company's headquarters and major operating facilities are all located in the United States. Some forestlands and a small wood chip production facility are located in Canada. These Canadian operations account for $.6 million of consolidated total assets.

The principal markets for the company's products are in the United States. Export sales, primarily to Canada, amounted to $88.2 million in

1998, $65.8 million in 1997 and $37.4 million in 1996.

Sales to one customer amounted to 13.6%, 14.3% and 13.0% of consolidated net sales in 1998, 1997 and 1996, respectively. Sales to another customer amounted to 10.1% and 10.2% of net sales in 1998 and 1997.

The company is managed along product lines including coated and supercalendered printing papers, coated specialty papers, paperboard products, and corrugated products. Several operating divisions producing groundwood-free, groundwood and supercalendered printing papers have been aggregated into the coated and supercalendered printing papers reportable segment because these operating segments are similar in economic characteristics, products, production processes, type of customer and distribution methods. The coated specialty papers, paperboard products and corrugated products operating segments do not meet the quantitative thresholds for a reportable segment and thus are included in the "Other" category.

The coated and supercalendered printing papers reportable segment derives revenues from the sale of printing papers used by commercial printers and publishers for magazines, annual reports, advertising brochures, catalogs, coupons and newspaper inserts. The "Other" category includes the sales of coated specialty papers (used for flexible packaging, pressure-sensitive labels and technical papers), recycled pulp, paperboard products and corrugated products, as well as revenues from the company-owned hotel.

Segment sales include intersegment sales valued at arm's-length transfer prices. Segment operating profit is revenue less direct and allocable operating expenses. Segment identifiable assets are those which are directly used in or identified to segment operations. Corporate items include nonoperating overhead, selling, general and administrative expense, research and development expenditures, interest expense, intersegment eliminations, and other income and deductions items. Corporate assets are principally cash and cash equivalents, certain nontrade receivables, prepaid items, equity method investments, and certain nonoperating fixed assets.

Financial information by business segment follows:

(In thousands)	Printing Papers	Other	Corporate Items	Total
<S>	<C>	<C>	<C>	<C>
1998				
Revenues	$1,751,226	$ 281,690	$ (43,601)	$1,989,315
Segment profit (loss)	323,475	16,575	(161,781)	178,269
Total assets	2,754,789	325,538	547,159	3,627,486
Capital expenditures	315,459	29,663	3,734	348,856
Depreciation and amortization	160,514	18,168	(4,434)	174,248
1997				
Revenues	$1,440,005	$ 284,820	$ (45,514)	$1,679,311
Segment profit (loss)	264,710	28,578	(102,894)	190,394

Total assets	2,514,870	313,684	518,956	3,347,510
Capital expenditures	181,582	50,338	4,278	236,198
Depreciation and amortization	105,063	21,248	2,289	128,600
1996				
Revenues	$1,296,536	$ 277,122	$ (28,567)	$1,545,091
Segment profit (loss)	325,654	44,133	(80,617)	289,170
Total assets	1,575,482	401,015	555,745	2,532,242
Capital expenditures	175,501	108,550	3,842	287,893
Depreciation and amortization	87,808	17,867	2,145	107,820

QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of selected quarterly financial data for 1998 and 1997:

(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
<S>	<C>	<C>	<C>	<C>	<C>
1998					
Net sales	$ 517,009	$ 508,437	$ 491,580	$ 472,289	$ 1,989,315
Gross profit	104,127	94,045	69,584	72,294	340,050
Net income after extraordinary item	39,043	27,100	17,179	19,035	102,357
Net income per share after extraordinary item - diluted	.43	.30	.19	.21	1.13
1997					
Net sales	$ 379,841	$ 392,975	$ 396,795	$ 509,700	$ 1,679,311
Gross profit	64,445	70,748	60,287	97,808	293,288
Net income	28,056	30,376	23,776	35,836	118,044
Net income per share - diluted	.31	.34	.26	.40	1.31

Per share amounts restated to reflect the two-for-one stock split of May, 1998.

1998 amounts reflect a $4.6 million after taxes extraordinary loss on debt extinguishment.

1997 amounts reflect the acquisition, effective October 1, 1997, of Inter Lake Papers, Inc. formally Repap USA.

Net income per share is based upon the weighted average number of shares outstanding during the period.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and the Board of Directors of
Consolidated Papers, Inc.:

We have audited the accompanying consolidated balance sheets of Consolidated Papers, Inc. (a Wisconsin corporation) and subsidiaries as of December 31, 1998, 1997 and 1996, and the related consolidated statements of income, shareholders' investment and cash flows (see Pages 15, 16, 17, and 18) for each of the years in the three-year period ended December 31, 1998. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Papers, Inc. and subsidiaries as of December 31, 1998, 1997 and 1996, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule listed in the index at item 14 is the responsibility of the Company's management and is presented for the purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/S/ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
January 14, 1999.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no changes in or disagreements with the independent public accountants (Arthur Andersen LLP) on accounting and financial disclosure.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The identification of directors and all persons nominated to become directors, as required by Item 10 of this Form 10-K, is included in the Proxy Statement to Shareholders which has been filed with the Securities and Exchange Commission for the Annual Meeting of Shareholders to be held April 26, 1999 and is incorporated herein by reference.

The identification of executive officers of the registrant, as required by Item 10 of this Form 10-K, is included in Item 1 of Part I of this Form 10-K Annual Report.

Item 11. EXECUTIVE COMPENSATION.

The information regarding executive compensation required by Item 11 of this Form 10-K is included in the Proxy Statement to Shareholders which has been filed with the Securities and Exchange Commission for the Annual Meeting of Shareholders to be held April 26, 1999 and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information about security ownership required by Item 12 of this Form 10-K is included in the Proxy Statement to Shareholders which has been filed with the Securities and Exchange Commission for the Annual Meeting of Shareholders to be held April 26, 1999 and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

There were no relationships or transactions since the beginning of the last fiscal year of the nature required to be reported under Item 13 of this Form 10-K.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) The following documents are filed as a part of this Form 10-K Annual Report:

1. Financial Statements.

   Included in Item 8 of Part II of this Form 10-K are the following financial statements, related notes thereto, and auditor's report:

   Consolidated Balance Sheets As Of December 31, 1996, 1997 and

1998.

Consolidated Statements of Income for the Years Ended December 31, 1996, 1997 and 1998.

Consolidated Statements of Shareholders' Investment for the Years Ended December 31, 1996, 1997 and 1998.

Consolidated Statements of Cash Flows for the Years Ended December 31, 1996, 1997 and 1998.

Notes to Consolidated Financial Statements.

Report of Independent Public Accountants (Arthur Andersen LLP).

2. Financial Statement Schedules.

The following schedule is filed as part of this Form 10-K and should be read in conjunction with the financial statements:

Schedule II - Valuation and Qualifying Accounts

The following schedules are omitted as not applicable or not required under rules of Regulation S-X: I, III, IV, and V.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into Consolidated Papers, Inc.'s previously filed Registration Statement File No. 2-87423, Registration Statement File No. 33-28786, Registration Statement File No. 33-37838, Registration Statement File No. 33-60263, Registration Statement File No. 33-64393, and Registration Statement File No. 333-73375.

/s/ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
March 24, 1999.

(b) The following exhibits are filed as a part of this Form 10-K Annual Report:

3.a. Restated Articles of Incorporation of Consolidated Papers, Inc. (Filed as Exhibit (3)(i) to Form 10-Q for the quarter ended March 31, 1996 and incorporated herein by reference.)

3.b. Bylaws of Consolidated Papers, Inc. (Filed electronically herewith.)

4.a. $750,000,000 Credit Agreement among the Registrant and Wachovia Bank of Georgia, N.A. (Filed as Exhibit 4.a. to Registrant's

Current Report on Form 8-K (Date of Report September 30, 1997) and incorporated herein by reference.)

4.b. $277,000,000 Note Purchase Agreement dated October 15, 1997 between the Registrant and the purchasers listed therein (together with a list briefly identifying the contents of all omitted exhibits and schedules thereto). (Filed as Exhibit 4.b. to Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference.) The Registrant agrees to provide copies of such exhibits and schedules to the Commission upon request.

The Registrant has additional long-term debt that does not exceed 10 percent of its total assets. The Registrant agrees to provide copies of agreements covering such indebtedness to the Commission on request.

9. Mead Voting Trust Agreement dated December 20, 1986. (Filed as Exhibit 9 to Form 10-K for the fiscal year ended December 31, 1986 and incorporated herein by reference.)

10.a. Consolidated Papers, Inc. 1989 Stock Option Plan. (Filed as Exhibit 10.a. to Form 10-Q for the quarter ended March 31, 1994 and incorporated herein by reference.)

10.b. Consolidated Employees' Tax-saver & Investment Plan. (Filed as Exhibit 10.b. to Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference.)

10.c. Consolidated Employees' Stock Ownership Plan. (Filed as Exhibit 10.c. to Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference.)

10.d. Consolidated Salaried Employees' Retirement Plan. (Filed as Exhibit 10.d. to Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference.)

10.e. 1992 Compensation Award Program description. (Filed as Exhibit 10.e. to Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference.)

10.f. 1993 Compensation Award Program description. (Filed as Exhibit 10.f. to Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference.)

10.g. 1994 Compensation Award Program description. (Filed as Exhibit 10.g. to Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference.)

10.h. 1995 Compensation Award Program description. (Filed as Exhibit 10.h. to Form 10-K for the fiscal year ended December 31, 1995 and incorporated herein by reference.)

10.i. 1996 Compensation Award Program description. (Filed as Exhibit 10.i. to Form 10-K for the fiscal year ended December 31, 1996 and incorporated herein by reference.)

10.j. 1997 Compensation Award Program description. (Filed as Exhibit 10.j. to Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference.)

10.k. Consolidated Papers, Inc. 1998 Incentive Compensation Plan. (Filed with the Registrant's proxy statement dated March 17, 1998 and incorporated by reference.)

10.l. 1998 Compensation Award Program description. (Filed electronically herewith.)

10.m. Agreement for Severance Pay and Benefits dated January 1, 1999 between Consolidated Papers, Inc. and Donna Stephens. (Filed electronically herewith.)

21. Subsidiaries of the Registrant. (Filed electronically herewith.)

27. Financial Data Schedule. (Filed electronically herewith.)

99. Form 11-K Annual Report of the Consolidated Employees' Tax-saver & Investment Plan for the year ended December 31, 1998 (to be filed within 180 days after the Plan's year-end).

Exhibits 2, 11, 12, 13, 16, 18, 22, 23, and 24 are omitted as not applicable or not required under rules of Regulation S-K.

(c) Individual financial statements of 50% or less owned companies included in the consolidated financial statements on the equity basis of accounting are not filed because those companies do not, in aggregate, constitute significant subsidiaries.

SIGNATURES

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

CONSOLIDATED PAPERS, INC.
Registrant

/s/Gorton M. Evans	March 24, 1999
Gorton M. Evans, President and	Date
Chief Executive Officer	

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/George W. Mead	Date March 24, 1999
George W. Mead, Chairman of the Board,	
and Director	
/s/Gorton M. Evans	Date March 24, 1999

Gorton M. Evans, President and
Chief Executive Officer, and Director

/s/Richard J. Kenney Date March 24, 1999
Richard J. Kenney, Senior Vice President, Finance
(Principal Financial Officer)

/s/David P. Nimtz Date March 24, 1999
David P. Nimtz, Controller

/s/Ruth Baldwin Barker Date March 24, 1999
Ruth Baldwin Barker, Director

/s/Wiley N. Caldwell Date March 24, 1999
Wiley N. Caldwell, Director

Date
James D. Ericson, Director

/s/Sally M. Hands Date March 24, 1999
Sally M. Hands, Director

/s/J. Joseph King Date March 24, 1999
J. Joseph King, Director

/s/Bernard S. Kubale Date March 24, 1999
Bernard S. Kubale, Director

/s/D. Richard Mead, Jr. Date March 24, 1999
D. Richard Mead, Jr., Director

/s/Gilbert D. Mead Date March 24, 1999
Gilbert D. Mead, Director

/s/Lawrence R. Nash Date March 24, 1999
Lawrence R. Nash, Director

Date
Glenn N. Rupp, Director

/s/John S. Shiely Date March 24, 1999
John S. Shiely, Director

Schedule II - Valuation and Qualifying Accounts (Dollars in Thousands).

Changes in the reserves other than accumulated depreciation for the years ended December 31, 1998, 1997 and 1996 are summarized as follows:

	Beginning	Additions Charged	Charges For Purposes For Which Reserve Was	Ending

	Balance	To Income	Created	Balance
<S>	<C>	<C>	<C>	<C>
Reserves deducted from assets in consolidated balance sheet -				
Reserve for doubtful accounts - year ended December 31, 1998	$ 6,374	$ 554	$ 424	$ 6,504
1997	$ 5,313	$ 1,143	$ 82	$ 6,374
1996	$ 4,628	$ 861	$ 176	$ 5,313

EXHIBIT 3.b. TO FORM 10-K FOR
CONSOLIDATED PAPERS, INC.
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1998

BYLAWS OF CONSOLIDATED PAPERS, INC.
FEBRUARY 12, 1999

Article I. Offices; Records

1.1. Principal and Business Offices.

The Corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

1.2. Registered Office.

The registered office of the Corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin. The address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The office of the registered agent of the Corporation shall be identical to the registered office.

Article II. Shareholders

2.1. Annual Meeting.

The Annual Meeting of Shareholders shall be held on the fourth Monday of April of each year at 2:00 p.m. local time, or at such other time and date as may be fixed by or under the authority of the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the Annual Meeting of Shareholders is a legal holiday in the State of Wisconsin, the meeting shall be held on the next succeeding business day.

2.2. Business Conducted at Meetings.

At a meeting of the shareholders, the only business which may be conducted is business which has been properly brought before the meeting. To be properly brought before a special meeting, business must be specified in the notice of the meeting (or any supplement thereto) given pursuant to Section 2.5 of this Article II. To be properly brought before the Annual Meeting of Shareholders, the business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the meeting by or at the direction of the Board of Directors, or (iii) properly brought before the meeting by a shareholder.

(a) Advance Notice by Shareholder. For business to be properly brought before a meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive office of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the tenth day following the day on which the notice of the date of the meeting was mailed or public disclosure of the date was made.

(b) Shareholder Nominations to the Board. In the case of the shareholder nominations for election to the Board of Directors, the notice shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in the notice, (ii) the principal occupations or employment of each nominee for the past five (5) years, (iii) the number of shares of the Corporation which are beneficially owned by each nominee, (iv) other directorships held by each nominee, (v) the names of business entities of which each nominee owns a ten percent (10%) or more beneficial interest and (vi) all other information with respect to each nominee required by the Federal proxy rules in effect at the time the notice is submitted. In addition, the notice shall be accompanied by a statement, over the signature of each proposed nominee, that (1) he consents to being a nominee,(2) if elected he intends to serve as a director, and (3) confirming the information with respect to him set forth in the notice.

(c) Other Shareholder Proposals. In the case of shareholder proposals, the notice shall set forth (i) a brief description of the business to be brought before the meeting, (ii) the name, age, business and residence address of the shareholder submitting the proposal, (iii) the principal occupation or employment of such shareholder, (iv) the number of shares of the Corporation which are beneficially owned by such shareholder and (v) any interest of the shareholder in the business of the Corporation other than as a shareholder.

(d) Compliance with Procedures. The chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a shareholder nomination or proposal was not made in accordance with the foregoing procedure and the defective nomination or proposal shall be disregarded.

2.3. Special Meetings.

Special meetings of the shareholders, for any purpose or purposes unless otherwise prescribed by statute, may be called by the Chairman of the Board, the President and Chief Executive Officer or the Secretary at the request of any two members of the Board of Directors and shall be called by the Chairman of the Board or the President and Chief Executive Officer upon written demand by holders of shares with at least 10% of the votes entitled to be cast on any issue proposed to be considered at the meeting, such written demand describing one or more purposes for which the special meeting is to be held. The purpose or purposes of any special meeting shall be described in the notice required by Section 2.5 of this Article II.

2.4. Place of Meeting.

The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual or special meeting of the shareholders. If no designation is made, the place of meeting shall be the principal office of the Corporation in the City of Wisconsin Rapids, Wisconsin.

2.5. Notice of Meetings.

(a) Written notice stating the place, day, and hour of the meeting and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 50 days before the date of the meeting (unless a different time is provided by the Wisconsin Business Corporation Law), or, in the case of a special meeting called by the holders of not less than one-tenth of the outstanding shares entitled to vote at the meeting, not less than 45 days nor more than 50 days before the date of the meeting, by or at the direction of the Chairman of the Board, the President and Chief Executive Officer, the Secretary, or the person calling the meeting to each shareholder of record entitled to vote at such meeting and to such other persons as required by the Wisconsin Business Corporation Law. Service of written notice upon any shareholder may be delivered by Appropriate Communications Technology (as defined in Section 3.6 of these Bylaws) at the shareholder's last known address as it appears on the books and records of the Company. The certificates of the Chairman of the Board, the President and Chief Executive Officer or of the Secretary or of the Transfer Agent of the delivery shall be conclusive as to the fact of service of notice on the shareholder.

(b) Adjourned Meeting. Except as provided in the next sentence, if any shareholder meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place if the new date, time, and place are announced at the meeting before adjournment. If a new record date for the adjourned meeting is or must be fixed, then notice must be given pursuant to the requirements of paragraph (a) of this Section 2.5, to those persons who are shareholders as of the new record date.

(c) Waiver of Notice. A shareholder may waive notice in accordance with Article VII of these Bylaws.

2.6. Fixing of Record Date.

The Board of Directors may fix in advance a date as the record date for any determination of shareholders entitled to notice of a shareholder's meeting, to demand a special meeting, to vote or to take any other action, such date in any case to be not more than fifty (50) days and not less than ten (10) days prior to the meeting or action requiring such determination of shareholders, and may fix the record date for determining shareholders entitled to a share dividend or distribution, which date shall be not more than fifty (50) and not less than ten (10) days prior to the dividend or distribution.

If no record date is fixed for the determination of shareholders entitled to notice of or to vote at the Annual Meeting of Shareholders, the close of business on the second Tuesday in the month of March in each year shall be the record date for the determination of shareholders.

If no record date is fixed for the determination of shareholders entitled to demand a shareholder meeting or to notice of or to vote at a special meeting of shareholders, (a) the close of business on the date that the first shareholder signs the written demand for a shareholder meeting, or (b) the close of business on the third business day before the first notice of the special meeting is mailed or otherwise delivered to shareholders, as the case may be, shall be the record date for the determination of shareholders.

Except as provided by the Wisconsin Business Corporation Law for a court ordered adjournment, a determination of shareholders entitled to notice and to vote of a meeting of shareholders is effective for any adjournment of a meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

2.7. Shareholder List.

The officer or agent having charge of the stock transfer books for shares of the Corporation shall, before each meeting of shareholders, make a complete record of the shareholders entitled to notice of the meeting, arranged by class or series of shares, if any, and showing the address of and the number of shares held by each shareholder.

The shareholder list shall be available for inspection by any shareholder, beginning two (2) business days after the notice of the meeting is given for which the list was prepared and continuing to the date of the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held.

A shareholder or his or her agent or attorney may, on written demand, inspect and, subject to the limitations imposed by the Wisconsin Business Corporation Law, copy the shareholder list, during regular business hours and at his or her expense, during the period that it is available for inspection hereunder. The Corporation shall make the shareholders' list available at the meeting and any shareholder or his or her agent or attorney may inspect the list at any time during the meeting or any adjournment thereof.

The original stock transfer books and nominee certificates on file with the Corporation (if any) shall be prima facie evidence as to who are the shareholders entitled to inspect the shareholder list or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at the meeting.

2.8. Quorum and Voting Requirements.

Shares entitled to vote may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless otherwise provided in the Articles of Incorporation or in the Wisconsin Business Corporation Law, a majority of the votes entitled to be cast on a matter, represented in person or by proxy, shall constitute a quorum for action on the matter at a meeting of shareholders. Once a share is represented for any purpose at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the meeting. If a quorum exists, except in the case of the election of directors, action on the matters shall be approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation, these Bylaws or the Wisconsin Business Corporation Law requires a greater number of affirmative votes. Unless otherwise provided in the Articles of Incorporation, directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present.

For purposes of this Section 2.8, "plurality" means that the individuals with the largest number of votes are elected as directors up to the maximum number of directors to be chosen at the meeting. Though less than a quorum of the outstanding votes are represented at a meeting, a majority of the votes represented at the meeting may adjourn the meeting from time to time without further notice. At an adjourned meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the meeting which was adjourned.

2.9. Conduct of Meetings.

The Chairman of the Board or, in his or her absence, the President and Chief Executive Officer, and, in the President and Chief Executive Officer's absence, any officer or director chosen by the shareholders present or represented by proxy shall call the meeting of the shareholders to order and shall act as chairman of the meeting, and the Secretary shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

2.10. Proxies.

At all meetings of shareholders, a shareholder may vote his or her shares in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by his or her attorney-in-fact. An appointment of a proxy is effective when filed with the Secretary or other officer or agent of the Corporation authorized to tabulate votes. An appointment is valid for eleven months from the date of its execution, unless otherwise expressly provided in the appointment form.

2.11. Voting of Shares.

Each outstanding share shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of shareholders, except to the extent that the voting rights of the shares are enlarged, limited or denied by the Articles of Incorporation or the Wisconsin Business Corporation Law.

2.12. Acceptance of Instruments.

If the name signed on a vote, consent, waiver or proxy appointment corresponds to the name of a shareholder, the Corporation may accept the vote, consent, waiver or proxy appointment and give it effect as the act of a shareholder. If the name signed on a vote, consent, waiver or proxy appointment does not correspond to the name of a shareholder on the Corporation's records, the Corporation may accept the vote, consent, waiver or proxy appointment and give it effect as the act of the shareholder if any of the following apply:

(a) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity.

(b) The name purports to be that of a personal representative, administrator, executor, guardian or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the Corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(c) The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the Corporation requests, evidence of this status acceptable to the Corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(d) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the Corporation requests, evidence acceptable to the Corporation of the signatory's authority to sign for the shareholder is presented with respect to the vote, consent, waiver or proxy appointment.

(e) Two or more persons are the shareholders as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all co-owners.

The Corporation may reject a vote, consent, waiver or proxy appointment if the Secretary or other officer or agent of the Corporation who is authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

Article III. Board of Directors

3.1 General Powers.

All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, its Board of Directors.

3.2. Number, Tenure, Qualifications, Removal and Resignation.

(a) Number, Tenure and Qualifications. The number of directors constituting the Board of Directors shall be nine (9) or such other number as is fixed from time to time by a majority vote of the directors then in office. Each director shall hold office until the next annual meeting of shareholders and until his or her successor shall have been elected and, if necessary, qualified or until there is a decrease in the number of directors which takes effect at the expiration of his or her term, or until his or her prior death, resignation or removal. Directors need not be residents of the State of Wisconsin or shareholders of the Corporation.

(b) Removal. A director may be removed only by the shareholders and then only at a special meeting called for the purpose of removing the director. A director may be removed from office but only for cause (as defined herein) if the number of votes cast at the shareholder meeting to remove the director exceeds the number of votes cast not to remove the director, provided, however, that, if the Board of Directors, by resolution, shall have recommended removal of a director, then the shareholders may remove such director without cause by the vote referred to above. As used herein, "cause" shall exist only if the director whose removal is proposed has been convicted of a felony by a court of competent jurisdiction, where the conviction is no longer subject to direct appeal, or has been adjudged liable for actions or omissions in the performance of his or her duty to the Corporation in a matter which has had a materially adverse effect on the business of the Corporation, where the adjudication is no longer subject to appeal.

(c) Resignations. A director may resign at any time by delivering written notice which complies with the Wisconsin Business Corporation Law to the Board of Directors, to the Chairman of the Board, or to the Corporation. A director's resignation is effective when notice is delivered unless the notice specifies a later effective date.

3.3. Regular Meetings.

A regular meeting of the Board of Directors shall be held, without other notice than this Bylaw, immediately after and at the same place as the Annual Meeting of Shareholders. Regular meetings shall also be held, without other notice than this Bylaw, on the second Tuesday after the tenth day of February, July and October at the principal office of the Corporation in the City of Wisconsin Rapids, Wisconsin unless the directors are notified ten (10) or more days prior to the date of the meeting personally or by telephone, or by written notice delivered by Appropriate Communications Technology (as defined in Section 3.6 of these By-Laws) at his or her address by the Chairman of Board, President and Chief Executive Officer or Secretary of a different place of meeting which may be within or without the State of Wisconsin.

3.4. Special Meetings.

Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the President and Chief Executive Officer or the Secretary at the request of any two (2) directors. Special meetings of any committee may be called by or at the request of the foregoing persons or the chairman of the committee. The persons calling any special meeting of the Board of Directors or committee may fix any place, either within or without the State of Wisconsin, as the place for holding any special meeting called by them, and if no other place is fixed the place of meeting shall be the principal office of the Corporation in the State of Wisconsin.

3.5. Meetings By Telephone or Other Communication Technology.

(a) Any or all directors may participate in a regular or special meeting or in a committee meeting of the Board of Directors by, or conduct the meeting through the use of, telephone or any other means of communication by which either: (i) all participating directors may simultaneously hear each other during the meeting or (ii) all communication during the meeting is immediately transmitted to each participating director, and each participant director is able to immediately send messages to all other participating directors.

(b) If a meeting will be conducted through the use of any means described in paragraph (a), all participating directors shall be informed that a meeting is taking place at which official business may be transacted. A director participating in a meeting by any means described in paragraph (a) is deemed to be present in person at the meeting.

3.6. Notice.

Notice of each special meeting of the Board of Directors shall be given by written notice delivered in person, by telegraph, teletype, facsimile or other form of wire or wireless communication, or by mail or private carrier (collectively, "Appropriate Communications Technology"), to each director at his or her business address or at such other address as such director shall have designated in writing filed with the Secretary (the "Address"), in each case not less than forty-eight (48) hours prior to the meeting. The notice need not describe the purpose of the meeting of the Board of Directors or the business to be transacted at such meeting. If mailed, the notice shall be deemed to be effective when deposited in the United States mail so addressed, with postage thereon prepaid. If notice is given by telegram, the notice shall be deemed to be effective when the telegram is delivered to the telegraph company. If notice is given by private carrier, the notice shall be deemed to be effective when delivered to the private carrier.

3.7. Quorum.

Except as otherwise provided by the Wisconsin Business Corporation Law, the Articles of Incorporation or these Bylaws, a majority of the number of directors prescribed by resolution (or if no number is prescribed, the number in office immediately before the meeting begins), shall constitute a quorum of the Board of Directors. Except as otherwise provided by the Wisconsin Business Corporation Law, the Articles of Incorporation or these Bylaws, a majority of the number of directors appointed to serve on a committee shall constitute a quorum of the committee. A majority of the directors present (though less than a quorum) may adjourn any meeting of the Board of Directors or any committee thereof.

3.8. Manner of Acting.

Except as otherwise provided by the Wisconsin Business Corporation Law or the Articles of Incorporation or these Bylaws, the affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors or any committee thereof.

3.9. Conduct of Meetings.

The Chairman of the Board, or in the Chairman's absence, the President and Chief Executive Officer, and in the President and Chief Executive Officer's absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall chair the meeting. The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the presiding officer may appoint any assistant secretary or any director or other person present to act as secretary of the meeting. Minutes of any regular or special meeting of the Board of Directors shall be prepared and distributed to each director.

3.10. Vacancies.

Except as provided below, any vacancy occurring in the Board of Directors, including a vacancy resulting from an increase in the number of directors, may be filled by any of the following: (a) the shareholders; (b) the Board of Directors; or (c) if the directors remaining in office constitute fewer than a quorum of the Board of Directors, the directors, by the affirmative vote of a majority of all directors remaining in office. A vacancy that will occur at a specific later date, because of a resignation effective at a later date or otherwise, may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

3.11. Compensation.

The Board of Directors, irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the Corporation as directors or may delegate such authority to an appropriate committee.

The Board of Directors also shall have authority to provide for or delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such directors, officers and employees to the Corporation.

3.12. Presumption of Assent.

A director who is present and is announced as present at a meeting of the Board of Directors or a committee thereof at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless (i) the director objects at the beginning of the meeting or promptly upon his or her arrival to holding the meeting or transacting business at the meeting, or (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (iii) the director delivers his or her written dissent or abstention to the presiding officer of the meeting before the adjournment thereof or to the Corporation immediately after the adjournment of the meeting or (iv) where minutes of a meeting are prepared that fail to show a director's dissent or abstention, the director delivers to the Corporation a written notice of that failure promptly after receiving the minutes. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

3.13. Committees.

(a) Unless the Articles of Incorporation otherwise provide, the Board of Directors, by resolution adopted by the affirmative vote of a majority of all the directors then in office, may create one (1) or more committees, each committee to consist of two (2) or more directors as members, which to the extent provided in the resolution as initially adopted, and as thereafter supplemented or amended by further resolution adopted by a like vote, may exercise the authority of the Board of Directors, except that no committee may: (a) authorize distributions; (b) approve or propose to shareholders action that the Wisconsin Business Corporation Law requires be approved by shareholders; (c) fill vacancies on the Board of Directors or any of its committees, except that the Board of Directors may provide by resolution that any vacancies on a committee shall be filled by the affirmative vote of a majority of the remaining committee members; (d) amend the Articles of Incorporation; (e) adopt, amend or repeal Bylaws; (f) approve a plan of merger not requiring shareholder approval; (g) authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; or (h) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except within limits prescribed by the Board of Directors.

The Board of Directors may elect one or more of its members as alternate members of any committee who may take the place of any absent member or members at any meeting of such committee, upon request by the Chairman of the Board, the President and Chief Executive Officer or upon request by the chairman of the meeting.

Each committee shall fix its own rules (consistent with the Wisconsin Business Corporation Law, the Articles of Incorporation and these Bylaws) governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request. Unless otherwise provided by the Board of Directors in creating a committee, a committee may employ counsel, accountants and other consultants to assist it in the exercise of authority. The creation of a committee, delegation of authority to a committee or action by a committee does not relieve the Board of Directors or any of its members of any responsibility imposed on the Board of Directors or its members by law.

Specifically, in addition to other committees established from time to time by the Board, the Board shall have each of the following committees: a Compensation Committee, a Retirement and Benefit Plan Committee, an Audit Committee, a Nominating and Board Affairs Committee, and a Management Succession Committee. (As amended February 12, 1999.)

(b) The Compensation Committee. The Compensation Committee shall have the following responsibilities:

(1) To recommend to the Board of Directors the compensation of the Chairman of the Board and the President and Chief Executive Officer, including direct regular compensation, stock options or other

appropriate incentive plans, and perquisites, if any.

(2) To review all other exempt salaries at the levels deemed appropriate by the committee and to recommend to the Board of Directors direct regular compensation, stock options or other appropriate incentive plans, and perquisites, if any.

(3) To administer the 1989 Stock Option Plan, the 1998 Management Incentive Plan and any other similar plans from time to time in effect (the "Plans").

(4) To fulfill the purposes of the Plan, including, without limitation, through the conditional grant of options and other benefits under the Plans.

(5) To recommend to the Board of Directors any revisions or additions to the Plans.

(6) To review and report to the Board of Directors, when so requested, on any compensation matter. (As amended February 12, 1999.)

(c) The Retirement and Benefit Plan Committee. The Retirement and Benefit Plan Committee shall have the following responsibilities:

(1) To set, review, and modify the investment policies or philosophies for the various retirement and benefit plan funds. The investment policies shall be a guide for the Corporation's officers and plans' trustee(s) in administering and directing the investment of said funds.

(2) To recommend or approve the hiring of portfolio managers to implement the investment policies and to recommend or approve the dismissal of portfolio managers when it is appropriate to do so.

(3) To review and monitor the investment performance of the portfolio managers retained by the Corporation to invest the various funds for the Corporation's retirement and benefit plans.

(4) To recommend or approve the hiring of the trustee(s) to maintain and distribute the assets of the various funds according to the terms of the plans and to recommend or approve the dismissal of the trustee(s) when it is appropriate to do so.

(5) To oversee the activities of the Corporation's officers and the plans' trustees in accumulating, maintaining, and distributing the funds in accordance with the terms of the plans, in implementing and adhering to the guidelines of the investment policies, and in administering the plans in accordance with the

various applicable laws, including the Employee Retirement Income Security Act of 1974, as amended.

(6) To report periodically to the Board of Directors on the status of the various funds for the Corporation's retirement and benefit plans and to review the Committee's activities with the Board when so requested. (As amended April 25, 1994.)

(d) The Audit Committee. The Audit Committee shall have the following responsibilities:

(1) To review the scope, cost, and results of the independent audit of the Corporation's books and records, including the annual financial statements, through conferences and direct communication with the independent auditors.

(2) To review the results of the independent audit and the annual financial statements with management and the internal auditors.

(3) To review the adequacy of the Corporation's accounting, financial, and operating controls, and the recommendations of the independent auditors related thereto, through conferences and direct communication with the internal auditors and other responsible corporate executives.

(4) To recommend annually to the Board of Directors the selection of the independent auditors.

(5) To approve the appointment or removal of the internal audit manager.

(6) To consider proposals made by the Corporation's independent auditors for consulting work other than normal auditing and to judge whether or not such work could result in a loss of "independence."

(7) To review and report to the Board of Directors, when so requested, on any accounting or financial matters.

(e) The Nominating and Board Affairs Committee. The Nominating Committee and Board Affairs Committee shall have the following responsibilities:

(1) To review qualifications of candidates for Board of Directors membership from whatever source received.

(2) To recommend to the Board of Directors candidates to fill vacancies on the Board which occur between annual meetings of shareholders.

(3) To recommend to the Board of Directors the slate of

director candidates to be proposed for election by shareholders at the annual meeting.

(4) To recommend to the Board of Directors criteria relating to tenure as a director, such as retirement age, limitations on the number of times a director may stand for re-election, and the continuation of directors in an honorary or similar capacity.

(5) To recommend to the Board of Directors the specific amounts of directors' retainers and meeting fees and also committee fees for committee chairmen and members.

(6) To recommend to the Board of Directors the selection of committee chairmen.

(7) To recommend to the Board of Directors the actual assignments of individual directors (by name) to Board committees.

(8) To recommend to the Board of Directors general criteria regarding the composition of Board committees, such as size, employee and nonemployee director membership thereon, and the periodic rotation of committee assignments.

(9) To recommend to the Board of Directors the types and functions of Board committees.

(10) To monitor developments in the field of corporate governance and to make recommendations to the Board of Directors with respect to adoption, amendment or repeal of corporate goverance guidelines relating to the Board of Directors' composition and operation.

(11) To establish procedures for the evaluation of the performance of the Board of Directors as a whole on a regular basis and the performance of individual Directors as circumstances warrant. (As amended February 12, 1999.)

(f) The Management Succession Committee. The Management Succession Committee shall have the following responsibilities:

(1) To monitor the development and performance of existing executive officers.

(2) To review qualifications of and to recommend candidates for executive offices, both as successors to existing executive offices and as officers filling newly created executive offices.

(3) To monitor plans, programs and policies for training and preparing candidates for executive offices, so as

to ensure that there are persons qualified to succeed to all executive offices as they become vacant or are created. (As amended April 25, 1994.)

Article IV. Officers

4.1. Election.

The principal officers shall include a Chairman of the Board, a President and Chief Executive Officer, one or more Vice Presidents (the number and designations to be determined by the Board of Directors), a Controller, a Secretary, a Treasurer and such other officers, if any, as may be deemed necessary by the Board of Directors, each of whom shall be elected by the Board of Directors. The Chairman of the Board shall be chosen from among the Board of Directors. The Board of Directors may also authorize any duly elected officer to appoint one or more officers or assistant officers. Any two or more offices may be held by the same person except the offices of Chairman of the Board and President and Chief Executive Officer; Chairman of the Board and Secretary, Chairman of the Board and Vice President, President and Chief Executive Officer and Secretary and President and Chief Executive Officer and Vice President.

4.2. Election and Term of Office.

The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers is not held at that meeting, their election shall be held as soon thereafter as is practicable. Each officer shall hold office until his or her successor shall have been duly elected or until his or her prior death, resignation or removal.

4.3. Removal.

The Board of Directors may remove any officer and, unless restricted by the Board of Directors or these Bylaws, an officer may remove any officer or assistant officer appointed by that officer, at any time, with or without cause and notwithstanding the contract rights, if any, of the officer removed. The appointment of an officer does not of itself create contract rights.

4.4. Resignation.

An officer may resign at any time by delivering notice to the Corporation that complies with Wisconsin Business Corporation Law. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date and the Corporation accepts the later effective date.

4.5. Vacancies.

A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of

Directors. If a resignation is effective at a later date, the Board of Directors may fill the vacancy before the effective date if the Board of Directors provides that the successor may not take office until the effective date.

4.6. Chairman of the Board.

The Chairman of the Board shall preside when present at all meetings of the Board of Directors and the shareholders. He may sign and execute in the name of the Corporation all bonds, deeds, mortgages, contracts, notes, checks and other obligations in the ordinary scope of the business of the Corporation or as may be specifically authorized by the Board of Directors. The Chairman of the Board shall report to the Board of Directors and shall from time to time report to the Board of Directors all matters within his or her knowledge which the interests of the Corporation may require to be brought to its notice and shall perform such other duties as may be prescribed by the Board of Directors from time to time.

4.7. President and Chief Executive Officer.

The President and Chief Executive Officer shall be the chief executive officer of the Corporation. The President and Chief Executive Officer shall report to the Board of Directors and shall have general supervision of the business and affairs of the Corporation and over all other officers, employees and agents of the Corporation except the Chairman of the Board, if he or she is an employee, and shall perform such other duties as may be prescribed by the Board of Directors from time to time. As chief executive officer, the President and Chief Executive Officer may delegate such duties as may be deemed advisable to the other officers of the Corporation. The President and Chief Executive Officer shall carry into effect all resolutions and orders of the Board of Directors and shall also have the general administrative powers and duties usually vested in the office of a president and chief executive officer of a corporation. In the absence or disability of the Chairman of the Board, the President and Chief Executive Officer shall generally have the powers and duties of the Chairman of the Board. The President and Chief Executive Officer may sign and execute in the name of the Corporation all bonds, deeds, mortgages, contracts, notes, checks and other obligations in the ordinary scope of the business of the Corporation or as may be specifically authorized by the Board of Directors.

4.8. Vice Presidents.

In the absence of the President and Chief Executive Officer, or in the event of the President and Chief Executive Officer's death, inability or refusal to act, or in the event for any reason it shall be impracticable for the President and Chief Executive Officer to act personally, the Vice President (or if there be more than one, in the order designated by the Board of Directors, or in the absence of designation, in the order of election) shall perform the duties of the President and Chief Executive Officer, and when so acting shall have all the powers of and be subject to all of the restrictions on the President and Chief Executive Officer. Any Vice President may sign, with the Secretary, certificates for shares of the Corporation; and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him or her by the President and Chief Executive Officer or the Board of Directors. The execution of any instrument of the Corporation by any Vice President shall be conclusive evidence, as to third parties, of the Vice President's authority to act in the stead of the President and Chief Executive Officer.

4.9. Secretary.

The Secretary shall: (a) keep (or cause to be kept) regular minutes of all meetings of the shareholders, the Board of Directors and any committees of the Board of Directors; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents which are authorized to be executed on behalf of the Corporation under its seal; (d) keep or arrange for the keeping of a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign with the President and Chief Executive Officer or any Vice President certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the Corporation; and (g) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him or her by the President and Chief Executive Officer or by the Board of Directors.

4.10. Treasurer.

The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all moneys in the name of the Corporation in banks, trust companies or other depositories selected by the Corporation; and (c) in general perform all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him or her by the President and Chief Executive Officer, the Vice President, Finance or the Board of Directors.

4.11. Controller.

The Controller shall: (a) maintain proper audit control over the operations of the Corporation and be generally responsible for the accounting system employed by the Corporation and the accounting practices adopted by the various departments; (b) direct the budgetary control, general accounting, cost accounting and statistical activities of the Corporation; and (c) supervise activities in connection with credits and collections, taxes and physical inventories. The Controller shall prepare and furnish such reports and statements showing the financial condition of the Corporation as shall be required of him or her by the President and Chief Executive Officer, the Vice President, Finance or the Board of Directors, and in general perform all of the duties incident to the office of Controller and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him or her by the President and Chief Executive Officer, the Vice President, Finance or the Board of Directors.

4.12. Assistants and Acting Officers.

The Board of Directors and the President and Chief Executive Officer shall have the power to appoint any person to act as assistant to any officer, or as agent for the Corporation in the officer's stead, or to perform the duties of the officer whenever for any reason it is impracticable for the officer to act personally, and the assistant or acting officer or other agent appointed by the Board of Directors or President and Chief Executive Officer shall have the power to perform all the duties of the office to which that person is appointed to be assistant, or as to which he or she is appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors or President and Chief Executive Officer.

4.13. Salaries.

The salaries of the principal officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving a salary by reason of the fact that the officer is also a director of the Corporation.

Article V. Contracts, Loans, Checks and Deposits; Special Corporate Acts

5.1. Contracts.

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the Corporation shall be executed in the name of the Corporation by the President and Chief Executive Officer or one of the Vice Presidents and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer; the Secretary or an Assistant Secretary, when necessary or required, shall affix the corporate seal, if any, thereto; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer or officers.

5.2. Loans.

No indebtedness for borrowed money shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

5.3. Checks, Drafts, etc.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by an officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

5.4. Deposits.

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as may be selected by or under the authority of a resolution of the Board of Directors.

5.5. Voting of Securities Owned by the Corporation.

Subject always to the specific directions of the Board of Directors, (a) any shares or other securities issued by any other Corporation and owned or controlled by the Corporation may be voted at any meeting of security holders of the other corporation by the President and Chief Executive Officer if he or she be present, or in his or her absence by any Vice President of this Corporation who may be present, and (b) whenever, in the judgment of the President and Chief Executive Officer, or in his or her absence, of any Vice President, it is desirable for the Corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by this Corporation, the proxy or consent shall be executed in the name of the Corporation by the President and Chief Executive Officer or one of the Vice Presidents of the Corporation, without necessity of any authorization by the Board of Directors, affixation of corporate seal, if any, or countersignature or attestation by any other officer.

Article VI. Certificates for Shares; Transfers of Shares

6.1. Certificates for Shares.

Certificates representing shares of the Corporation shall be in such form, consistent with the Wisconsin Business Corporation Law, as shall be determined by the Board of Directors. The certificates shall be signed by the President and Chief Executive Officer or a Vice President and by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except as provided in Section 6.6.

6.2. Facsimile Signatures and Seal.

The seal of the Corporation, if any, on any certificates for shares may be a facsimile. The signature of the President and Chief Executive Officer or Vice President and the Secretary or Assistant Secretary upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent, or a registrar, other than the Corporation itself or an employee of the Corporation.

6.3. Signature by Former Officers.

The validity of a share certificate is not affected if a person who signed the certificate (either manually or in facsimile) no longer holds office when the certificate is issued.

6.4. Transfer of Shares.

Prior to due presentment of a certificate for shares for registration of transfer the Corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and power of an owner. Where a certificate for shares is presented to the Corporation with a request to register for transfer, the Corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the Corporation had no duty to inquire into adverse claims or has discharged any such duty. The Corporation may require reasonable assurance that such endorsements are genuine and effective and compliance with such other regulations as may be prescribed by or under the authority of the Board of Directors.

6.5. Restrictions on Transfer.

The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction upon the transfer of such shares.

6.6. Lost, Destroyed or Stolen Certificates.

Where the owner claims that certificates for shares have been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the Corporation has notice that such shares have been acquired by a bona fide purchaser, (b) files with the Corporation a sufficient indemnity bond if required by the Board of Directors or any principal officer, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

6.7. Consideration for Shares.

The Board of Directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation, including cash, promissory notes, services performed, contracts for services to be performed or other securities of the Corporation. Before the Corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for the shares to be issued is adequate. The determination of the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid and nonassessable. The Corporation may place in escrow shares issued in whole or in part for a contract for future services or benefits, a promissory note, or other property to be issued in the future, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed, the benefits or property are received or the promissory note is paid. If the services are not performed, the benefits or property are not received or the promissory note is not paid, the Corporation may cancel, in whole or in part, the shares escrowed or restricted and the distributions credited.

6.8. Stock Regulations.

The Board of Directors shall have the power and authority to make all further rules and regulations not inconsistent with law as it may deem expedient concerning the issue, transfer and registration of shares of the Corporation.

Article VII. Waiver of Notice

7.1. Shareholder Written Waiver.

A shareholder may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation or these Bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, shall contain the same information that would have been required in the notice under the Wisconsin Business Corporation Law except that the time and place of meeting need not be stated, and shall be delivered to the Corporation for inclusion in the corporate records.

7.2. Director Written Waiver.

A director may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation or these Bylaws before or after the date and time stated in the notice. The waiver shall be in writing, signed by the director entitled to the notice and retained by the Corporation.

Article VIII. Action Without Meetings

8.1. Director Action Without Meeting.

Unless the Articles of Incorporation provide otherwise, action required or permitted by the Wisconsin Business Corporation Law to be taken at a meeting of the Board of Directors or committee meeting may be taken without a meeting if the action is taken by all members of the Board or committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director and retained by the Corporation. Action taken hereunder is effective when the last director signs the consent, unless the consent specifies a different effective date.

Article IX. Indemnification

9.1. Certain Definitions.

All capitalized terms used in this Article IX not otherwise hereinafter defined, including specifically Corporation, Director or Officer, Expenses, Liability, Party and Proceeding (which term for purposes of this Article IX shall be deemed to include an appeal from any proceeding), shall have the meanings set forth in Section 180.0850 of the Statute. As used in this Article IX, Statute shall mean Sections 180.0850 through 180.0859, inclusive, of the Wisconsin Business Corporation Law, Chapter 180 of the Wisconsin Statutes, as the same shall then be in effect, including any amendments thereto, but, in the case of any amendment, only to the extent that the amendment permits or requires the Corporation to provide broader indemnification rights than the Statute permitted or required the Corporation to provide prior to the amendment.

9.2. Right to Indemnification.

Each Director and Officer who is a Party to any Proceeding because he or she is a Director or an Officer of the Corporation shall be indemnified by the Corporation to the fullest extent permitted by the laws of Wisconsin against any and all Liabilities incurred or suffered by the Director or Officer in connection with any Proceeding.

9.3. Nonduplication.

The Corporation shall not indemnify any Director or Officer for any amount if the Director or Officer has previously received indemnification or allowance of Expenses for such amount from any person including the Corporation in connection with the same Proceeding; however, the Director or Officer has no duty to look to any other person for indemnification.

9.4. Procedure for Indemnification.

(a) Any person claiming the right to indemnification under this Article IX shall submit a written request for indemnification to the Secretary of the Corporation, setting forth in reasonable detail the nature of the claim and the Liability incurred.

(b) Unless otherwise provided by the Articles of Incorporation or by written agreement between the Director or Officer and the Corporation, the Director or Officer seeking indemnification under this Article IX shall select one of the following means for determining his or her right to indemnification hereunder:

(1) By a majority vote of a quorum of the Board of

Directors consisting of directors not at the time Parties to the same or related Proceedings ("Disinterested Directors"). If a quorum of Disinterested Directors cannot be obtained, by a majority vote of a committee duly appointed by the Board of Directors and consisting solely of two (2) or more Disinterested Directors. Directors who are Parties to the same or related Proceedings may participate in the designation of members of the committee.

(2) By independent legal counsel selected by a quorum of the Board of Directors or its committee in the manner prescribed in Section 9.4(b)(1) of this Article IX or, if such a quorum or committee is not available, by a majority vote of the full Board of Directors, including directors who are Parties to the same or related Proceedings.

(3) By a panel of three (3) arbitrators consisting of one arbitrator selected by those directors entitled under Section 9.4(b)(2) of this Article IX to select independent legal counsel, one arbitrator selected by the Director or Officer seeking indemnification and one arbitrator selected by the two (2) arbitrators previously selected.

(4) By an affirmative vote of shares represented at a meeting of shareholders at which a quorum of the voting group entitled to vote thereon is present. Shares owned by, or voted under the control of, persons who are at the time Parties to the same or related Proceedings, whether as plaintiffs or defendants or in any other capacity, may not be voted in making the determination.

(5) By a court pursuant to and in accordance with Section 180.0854 of the Statute.

(6) By any other method provided for in any additional right to indemnification permitted under Section 9.10 of this Article IX hereof.

(c) In any determination under subsection (b) of this Section 9.4, the burden of proof is on the Corporation to prove by clear and convincing evidence that indemnification should not be allowed.

(d) A written determination as to a Director's or Officer's right to indemnification shall be submitted simultaneously to both the Corporation and the Director or Officer within sixty (60) days of the selection of the method of determining the right to indemnification made under subsection (b) of this Section 9.4.

(e) If it is determined that indemnification is required, the Corporation shall pay all permitted Liabilities and Expenses (net of Expenses previously advanced pursuant to Section 9.6 hereof) within ten (10) days after receipt of the written determination under subsection (d) of this Section 9.4; provided, that, if it is determined that a Director or Officer is entitled to indemnification against Liabilities incurred in connection with some claims, issues or matters, but not as to other claims, issues or matters, involved in the subject Proceeding, the Corporation shall be required to pay (in the manner set forth above) only the amount of such Liabilities as shall be deemed appropriate by the determining body in light of all of the circumstances of such Proceeding. In the event the Director or Officer is entitled to indemnification hereunder, the Corporation shall also pay all Expenses incurred by the Director or Officer in the determination process under subsection (b) of this Section 9.4.

9.5. Insurance.

The Corporation may maintain insurance, at its expense, to protect itself and any person indemnified under this Article against any Expense, Liability or loss, whether or not the Corporation would have the obligation to indemnify the person under Wisconsin law.

9.6. Mandatory Allowance of Expenses Incurred.

Within ten (10) days after receipt of a written request by Director or Officer who is a Party to a Proceeding (which requests may be submitted by the Director or Officer from time to time or at any time during the course of the Proceeding), the Corporation shall pay or reimburse his or her reasonable Expenses incurred to the date of such request, if the Director or Officer provides the Corporation with all of the following:

(a) A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the Corporation in the manner described in Section 180.0851(2)(a) of the Statute; and

(b) A written undertaking to repay the allowance in the event that it is ultimately determined that indemnification under Section 9.2 of this Article IX is not required and indemnification is not ordered by a court as provided for under Section 180.0854 of the Statute.

If the Director of Officer must repay any previously advanced Expenses pursuant to this Section 9.6, such Director or Officer shall not be required to pay interest on such amounts.

9.7. Indemnification and Allowance of Expenses of Employees and Others.

The Corporation shall indemnify any employee who is not a Director or Officer to the extent that he or she has been successful on the merits or otherwise in defending a Proceeding, for all reasonable Expenses incurred in the Proceeding, if the employee was a Party because he or she was an employee of the Corporation. In addition, the Corporation (to the extent not otherwise provided for in this Section 9.7) may indemnify against Liabilities and allow reasonable Expenses of an employee, agent or other person who is not a Director or Officer of the Corporation to the extent provided by general or specific action of the Board of Directors or by contract.

9.8. Securities Law Claims.

Pursuant to the public policy of the State of Wisconsin, the Corporation shall provide for indemnification against Liabilities and allowance of Expenses and may insure for any Liability incurred in connection with a Proceeding involving a federal or state statute, rule or regulation regulating the offer, sale or purchase of securities, brokers or dealers or investment companies or investment advisors to the extent otherwise required or permitted under this Article IX.

9.9. Severability.

If any provision of this Article IX shall be deemed invalid or inoperative or if a court determines that any provision contravenes public policy, this Article shall be construed so that the remaining provisions shall remain in full force and effect, and any provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further action to be modified, amended and/or limited, but only to the extent necessary to render them valid and enforceable; it being understood that it is the Corporation's intention to provide the Directors and Officers with the broadest possible protection against personal liability allowable under the Statute.

9.10. Non-Exclusivity.

The rights of any person to indemnification under this Article IX shall not limit or be deemed exclusive of any other rights to indemnification which may be provided in accordance with Section 180.0858 of the Statute.

9.11. Contractual Nature of Article IX.

This Article IX shall be deemed to be a contract between the Corporation and each Director, Officer and employee of the Corporation and any repeal or other limitation of this Article IX or of the Statute or any other applicable law shall not limit any rights of indemnification existing or arising out of events, acts or omissions occurring prior to the repeal or limitation, including, without limitation, the right to indemnification against Liability or allowance of Expenses for Proceedings commenced after the repeal or limitation with regard to acts, omissions or events arising prior to the repeal or limitation.

ARTICLE X. Seal

The corporate seal of the Corporation shall be a circular impression having on the margin of the outer circle thereof "CONSOLIDATED PAPERS, INC." and on the margin of the inner circle in small print "CORPORATE" and "WISCONSIN RAPIDS, WI" and in the center of this impression the word "SEAL".

Article XI. Amendments

11.1. By Shareholders.

These Bylaws may be amended or repealed and new Bylaws may be adopted by the shareholders at any annual or special meeting of the shareholders at which a quorum is in attendance.

11.2. By Directors.

Except as otherwise provided in the Wisconsin Business Corporation Law or the Articles of Incorporation, these Bylaws may also be amended or repealed and new Bylaws may be adopted by the Board of Directors by the affirmative vote of a majority of the directors fixed by or in accordance with these bylaws; provided, however, that the shareholders in adopting, amending or repealing a particular bylaw may provide therein that the Board of Directors may not amend, repeal or readopt the bylaw or set specific voting requirements for the Board of Directors to amend, repeal or readopt the bylaw.

11.3 Implied Amendments.

Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the Bylaws then in effect but is taken or authorized by a vote that would be sufficient to amend the Bylaws so that the Bylaws would be consistent with the action, shall be given the same effect as through the Bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

EXHIBIT 10.l. TO FORM 10-K FOR
CONSOLIDATED PAPERS, INC.
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1998

May 14, 1998

TO:

The Compensation Award Program (CAP) has been continued for 1998. This program has proven to be very successful for both Consolidated Papers and its employees. One of the reasons why it has been successful is that we have modified it several times in order to meet the changing needs of the Company.

This year we have made some additional modifications which will improve the program. Each operating division will be measured on the same four categories (controllable costs, safety performance, quality performance and productivity) with their divisional goals based upon their own performance. The fifth category is determined by each division based upon their need.

Staff departments will now have 80% of their CAP award determined by the average of the operating divisions rather than the 60% used in 1997. We believe this will further motivate the staff departments to assist the operating divisions in accomplishing their goals.

The 1998 program outline is attached. Specific divisional goals will be communicated by your manager.

We apologize for the delay in reporting the 1997 CAP award. The calculations for last year are currently being finalized. The number of shares of Consolidated stock that each employee receives will be based upon the share price on December 31, 1997 ($53.375) and will be adjusted for the dividends on March 6th ($.42 per share) and May 22nd ($.44 per share). The CAP award will be made after the May 22nd dividend.

I am confident that the 1998 Compensation Award Program will once again prove to be beneficial for both the Company and our employees.

/s/Gorton M. Evans

1998 COMPENSATION AWARD PROGRAM

ELIGIBILITY

You will be eligible for a CAP award in 1998 based upon the following conditions:

1. You must be a management employee from January 1, 1998 through December 31, 1998.
2. You must be eligible to participate in TIP.
3. You must receive a merit increase during 1998.
4. If you are employed in a staff department, you must have a CAP goal and make significant progress toward meeting that goal. This goal can be either an individual goal or a team goal. Staff Budget Managers will be asked to approve each eligible employee in their department for a CAP award based upon their achievement toward their individual or team CAP goal.

TARGETS

The 1998 Compensation Award Program is once again designed to have different goals for operating divisions and staff departments. This enables the company to more appropriately reward employees in each area of the company for their results.

Operating Divisions - A matrix is designed for each operating division with five performance categories. (See example on next page.) Each operating division will be measured on four categories (controllable costs, safety, quality and productivity) and one additional category chosen by each division. Each of the five categories has a maximum potential award of 1% for a total potential award of 5%.

The controllable costs category is based upon total favorable savings for the entire Company (excluding ILP) and will result in an award of 1% of normal earnings if a $25 million savings level is achieved. The other categories in the divisional matrices are custom designed for each division and are based upon that division's past performance.

The 1998 CAP award categories and award matrix for each division will be communicated by their division management.

Staff Departments - Staff departments also have the potential to receive a CAP award of up to 5%. This award will once again be made up of two components.

Since staff departments support the operating divisions in the accomplishment of their goals, the first component is based upon the average CAP award percentage received by the operating divisions. This year, however, in order to recognize the importance of that support, it is being increased to 80% of the CAP award of the operating divisions from the 60% in 1997. The maximum award potential for this component is 4% (80% of 5%).

The second component of the CAP award for staff departments will have a maximum potential award of up to 1% of normal earnings and will be based upon CAP goals. Each staff department will develop and submit CAP goals as done in past years. The CAP results will be evaluated by each vice president based upon the following criteria:

	CAP Goal Results	CAP Goal Award
<S>	<C>	<C>
	Outstanding	100% of 1% = 1%
	Overly Exceeds goal	80% of 1% = .8%
	Exceeds goal	60% of 1% = .6%
	Meets goal	40% of 1% = .4%
	Almost Meets goal	20% of 1% = .2%

The recommendation will again be submitted to Mr. Evans for approval.

AWARD

As a management employee of Consolidated Papers, Inc., you will be eligible to receive a maximum award of 5% of your 1998 normal earnings as a contribution of company stock into your Tax-saver & Investment Plan (TIP) account. If you do not have a TIP account, one will be established for you with this company contribution.

Example - Operating Division

Performance Category	Max. Award %	0%	1 20%	2 40%	3 60%	4 80%	5 100%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Controllable Costs (millions $)							
(Total favorable for corporation)	1%	<5	>5	>10	>15	>20	>25
Safety Performance							
(OSHA, TCIR)	1%	>.35	<.35	<.30	<.25	<.20	<.15
Quality Performance							

(Complaints/1000 tons)	1%	>.68	<.68	<.62	<.56	<.50	<.44
Productivity							
(Tons above standard)	1%	<7	>7	>12	>17	>22	>27
Environmental Performance							
(Weighted spills)	1%	>4	<4	<3	<2	<1	<0

Category	Results	Maximum Award $	% of Award	Award1
<S>	<C>	<C>	<C>	<C>
Controllable Costs	$ 12 M	1%	40%	.4%
Safety Performance	.18	1%	80%	.8%
Quality Performance	.54	1%	60%	.6%
Productivity	14	1%	40%	.4%
Environmental Performance	1	1%	80%	.8%
Total CAP Award				3.0% of 1998 normal earnings2

Example - Staff Department

Average Operating Division
  CAP Award - 3.0% x 80% = 2.4%
Department CAP Goal Results
  Meets Goal - 1.0% x 40% = .4%
  Total CAP Award1 - 2.8% of 1998 normal earnings2

1Consolidated Papers, Inc. common stock equivalent to the value as noted.
2This will exclude certain payments (special project pay, vacation taken as cash, etc.)

SUMMARY

The Compensation Award Program for 1998 continues to focus on controllable costs as well as emphasizing safety, quality and productivity among other criteria.

Controllable costs which you may have influence over may include such items as payroll, maintenance and repairs, outside services, expense work orders, waste, emergency material usage, etc.

Staff departments will develop specific goals that are tangible and measurable which can help to improve our bottom line.

Staff department goals for 1998 are to be submitted to Mr. Evans by June 11th. Status reports must then be submitted to the staff quality council at the end of each subsequent quarter.

If you have questions on the above, see your manager or call Chuck Bigelow at 3765.

EXHIBIT 10.m. TO FORM 10-K FOR
CONSOLIDATED PAPERS, INC.
FOR THE FISCAL YEAR ENDED

DECEMBER 31, 1998

AGREEMENT FOR SEVERANCE PAY AND BENEFITS

This Agreement for Severance Pay and Benefits ("Agreement"), effective the 1st day of January, 1999, is entered into by and between Consolidated Papers, Inc. ("Employer"), and Donna Stephens ("Employee"), on behalf of herself and her heirs and assigns:

WHEREAS, Employer desires to provide Employee certain assurances regarding the compensation to be received by Employee if Employee's employment relationship ends within a certain period of time as a result of a Change of Control (as defined below) in consideration for the Employee's performance of the undertaking expressed in this Agreement;

NOW, THEREFORE, IT IS HEREBY AGREED by and between Employer and Employee as follows:

1. Employer agrees that, if Employee meets the Eligibility Criteria (as defined in paragraph 2) during the Term of this Agreement (as defined below), Employer shall:

a. After the Effective Date (as defined in the release to be signed by Employee pursuant to paragraph 2(b)), begin payment to Employee of one (1) year of Employee's base salary, payable in equal monthly installments, less withholding required by law ("Separation Pay Period"); and

b. Provide Employee with health, life and dental benefits during the Separation Pay Period provided to salaried employees generally.

(collectively "Separation Pay and Benefits").

2. To be eligible for the benefits listed above, Employee must:

a. Remain employed until either (i) Employer eliminates Employee's position following a Change of Control or offers employee the same or a similar position following a Change of Control that the Employee elects not to accept because it would require relocation or (ii) Employer terminates Employee's employment other than for cause (as defined below) during the Term of this Agreement;

b. Sign a release satisfactory to Employer substantially in the form attached hereto as Exhibit A (subject to appropriate modification to reflect developments in the law and/or statutory changes during the Term of this Agreement);

c. Return to Employer all of its property; and

d. Comply with Employee's obligations under the Conflict of Interest Representation, and the Employee Confidential Information and Invention Agreement ("Employment Agreements").

The foregoing requirements are hereafter referred to as the "Eligibility

Criteria." Employee will be ineligible for the Separation Pay and Benefits if Employee voluntarily terminates her employment or Employer terminates Employee's employment for cause prior to the expiration of the Term of Agreement or the occurrence of the Eligibility Criteria. For purposes of this Agreement, the term "cause" shall mean either (i) Employee's consistent unexcused failure to perform the essential duties of her position or (ii) Employee's misconduct as that term is used in Wisconsin Statutes Section 108.04(5). If Employee accepts another position with Employer, Employee will remain eligible for the Separation Pay and Benefits.

3. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred on the first date on which either:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) but excluding (a) the Mead Voting Trust established pursuant to the agreement dated December 20, 1986, (b) the Mead descendants as defined in the Mead Voting Trust or any group of them, (c) any voting trustee of the Mead Voting Trust acting in his or her capacity as such, or (d) a person who would be deemed to be an owner of 20% of more of the combined voting power of Consolidated Papers, Inc.'s securities then outstanding solely as a result of being a participant of the Mead Voting Trust, is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly of securities of Consolidated Papers, Inc. representing at least 20 percent of the combined voting power of Consolidated Papers, Inc.'s then outstanding securities, or

(ii) a majority of the individuals comprising Consolidated Papers, Inc.'s Board of Directors are not Continuing Directors, or

(iii) Consolidated Papers, Inc. is involved in any merger, consolidation, share exchange or any other transaction if, after the consummation thereof, the holders of the voting securities of Consolidated Papers, Inc. immediately prior thereto do not own at least a majority of the combined voting power of the surviving or resulting corporation, or

(iv) all or substantially all of the assets of Consolidated Papers, Inc. are sold or otherwise transferred, or

(v) a change occurs of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A, promulgated under the Exchange Act, or any other successor disclosure item, or

(vi) a chief executive officer of Consolidated Papers Inc. is appointed who, prior to such appointment, has never been an employee of Consolidated Papers, Inc.

A "Continuing Director means an individual who was a member of the Board of Directors of the Corporation immediately prior to the transaction or election or other event which resulted in a change of control or who was designated (before his initial election or appointment as a director) as a Continuing Director by a majority of the whole Board of Directors but only if the majority of the whole Board of Directors then consisted of Continuing Directors or, if a majority of the whole Board of Directors shall not then consist of Continuing Directors, by a majority of the then

Continuing Directors.

4. Employee agrees that (except in connection with tax reporting, or pursuant to legal process or any legal action to enforce the terms of this Agreement) she shall keep confidential, to the full extent permitted by law, the terms of this Agreement, all performance hereunder and the negotiations leading to this Agreement.

5. This Agreement shall not alter the "at-will" nature of the employment relationship, including without limitation Employer's right to establish and monitor Employee's achievement of performance goals.

6. The terms of this Agreement shall be from the date first written above through June 30, 2001 ("Term").

7. This instrument and the Employment Agreements comprise the entire agreement between the parties. This supersedes and replaces during the term hereof any existing or newly adopted severance plan for the employees of Employer.

8. If any provision, section, subsection or any other portion of this Agreement or the Employment Agreements shall be determined by any court of competent jurisdiction to be invalid, illegal or unenforceable in whole or in part, and such determination shall become final, such provision or portion shall be deemed to be severed or limited, but only to the extent required to render the remaining provisions and portions of this Agreement and the Employment Agreements enforceable. This Agreement or the Employment Agreements as thus amended shall be enforced so as to give effect of the intention of the parties insofar as that is possible. In addition, the parties hereby expressly empower a court of competent jurisdiction to modify any term or provision of this Agreement or the Employment Agreements to the extent necessary to comply with existing law and to enforce this Agreement and the employment Agreements as modified.

9. This Agreement shall be construed in accordance with the laws of the State of Wisconsin.

IN WITNESS WHEREOF, the parties have executed this Agreement for Severance Pay and Benefits on the date first written above.

CONSOLIDATED PAPERS, INC.	EMPLOYEE
By: /s/ James E. Shewchuk James E. Shewchuk Its: Senior Vice President, Administration	/s/Donna Stephens Donna Stephens

EXHIBIT 21 TO FORM 10-K FOR
CONSOLIDATED PAPERS, INC.
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1998

SUBSIDIARIES OF THE REGISTRANT

Consolidated Papers, Inc. was incorporated under the laws of the State of Wisconsin and owns or controls the following corporations by means of owning the indicated percents of their voting securities:

Percent Voting Securities Owned By Consolidated Papers, Inc.	Subsidiary	State Or Province Of Incorporation
<S>	<C>	<C>
100%	Consolidated Water Power Company	Wisconsin
100%	Newaygo Forest Products Limited	Ontario
100%	Consolidated Papers Foreign Sales Corporation	U.S. Virgin Islands
100%	LSPI Paper Corporation	Minnesota
100%	Superior Recycled Fiber Corporation	Minnesota
100%	Consolidated Papers International Leasing, L.L.C.	Delaware
100%	CONDEPCO, Inc.	Delaware
100%	Inter Lake Papers, Inc.	Wisconsin
100%	Inter Lake Wisconsin, Inc.	Wisconsin
100%	Inter Lake Sales Corporation	New York

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This schedule contains summary financial information extracted from the December 31, 1998 consolidated balance sheet and the consolidated statements of income, shareholders' equity and cash flows for the twelve-month period ended 12/31/98 and is qualified in its entirety by reference to such financial statements.
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