FORM 8-K

Current report filing

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FILER

WAUSAU PAPER MILLS CO

CIK:**105076**| IRS No.: **390690900** | State of Incorp.:**WI** | Fiscal Year End: **0831**
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SIC: **2621** Paper mills

Mailing Address
1244 KRONEWETTER DRIVE
P O BOX 1408
MOSINEE WI 54455-9099

Business Address
1244 KRONENWETTER DRIVE
PO BOX 1408
MOSINEE WI 54455-9099
7158455266

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

____

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

____

Date of Report (date of earliest event reported): DECEMBER 17, 1997

WAUSAU-MOSINEE PAPER CORPORATION

(Exact name of registrant as specified in its charter)

WISCONSIN	0-7475	39-0690900
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

ONE CLARK'S ISLAND
P.O. BOX 1408
WAUSAU, WI 54402-1408
(Address of principal executive offices, including Zip Code)

(715) 845-5266
Registrant's telephone number, including area code

WAUSAU PAPER MILLS COMPANY
(Former name or former address, if changed since last report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On December 17, 1997, the merger between Wausau Paper Mills Company ("Wausau") and Mosinee Paper Corporation ("Mosinee") pursuant to which

Mosinee became a wholly-owned subsidiary of Wausau (the "Merger") was completed. In connection with the Merger, Wausau's corporate name was changed to Wausau-Mosinee Paper Corporation ("Wausau-Mosinee" or the "Registrant").

Pursuant to the Merger, the 15,201,721 shares of Mosinee common stock outstanding were converted at an exchange ratio of 1.4 into 21,282,409 shares of Wausau-Mosinee common stock (before adjustment for fractional shares).

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(A) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED.

Mosinee consolidated balance sheets as of December 31, 1996, and December 31, 1995, and the related consolidated statements of stockholders' equity, income and cash flows for each of the years in the three-year period ended December 31, 1996, and as of September 30, 1997 and 1996 and for the nine months then ended are filed herewith.

(B) PRO FORMA FINANCIAL INFORMATION.

It is not practical for Wausau-Mosinee to provide at this time the pro forma financial information for Wausau-Mosinee required by this item. Such financial statements are expected to be filed in a Form 8-K no later than February 13, 1998.

(C) EXHIBITS.

2.1 Agreement and Plan of Merger, dated as of August 24, 1997, by and among Wausau, WPM Holdings, Inc., and Mosinee (incorporated by reference to Item 7(c), Exhibit 99.1 to the Registrant's Registration Statement on Form 8-K dated August 24, 1997).

4.1 Restated Articles of Incorporation of Wausau-Mosinee Paper Corporation, as amended effective December 17, 1997 (incorporated by reference to Item 8, Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 dated December 17, 1997).

4.2 Restated Bylaws of Wausau-Mosinee Paper Corporation, as amended effective December 17, 1997 (incorporated by reference to Item 8, Exhibit 4.2 to the Registrant's Registration Statement on Form S-8 dated December 17, 1997).

23.1 Consent of Wipfli Ullrich Bertelson LLP.

99.1 Mosinee Paper Corporation audited consolidated financial statements as of December 31, 1996, and December 31, 1995, and for each of the years in the three-year period ended December 31, 1996.

99.2 Mosinee Paper Corporation unaudited condensed consolidated financial statements as of September 30, 1997, and September 30, 1996, and for the nine months then ended.

ITEM 8. CHANGE IN FISCAL YEAR

On December 17, 1997, the Board of Directors of the Registrant voted to change the fiscal year of the Registrant from a fiscal year ending on August 31 to a fiscal year ending on December 31. The report covering the transition period will be filed on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WAUSAU-MOSINEE PAPER CORPORATION

Date: December 18, 1997

By: GARY P. PETERSON
Gary P. Peterson
Senior Vice President-Finance,
Secretary and Treasurer

EXHIBIT INDEX
TO
FORM 8-K
OF
WAUSAU-MOSINEE PAPER CORPORATION
DATED DECEMBER 17, 1997
Pursuant to Section 102(d) of Regulation S-T
(17 C.F.R. <section>232.102(d))

23.1 Consent of Wipfli Ullrich Bertelson LLP.

99.1 Mosinee Paper Corporation audited consolidated financial statements as of December 31, 1996, and December 31, 1995, and for each of the years in the three-year period ended December 31, 1996.

99.2 Mosinee Paper Corporation unaudited condensed consolidated financial statements as of September 30, 1997, and September 30, 1996, and for the nine months then ended.

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 8-K, into Wausau-Mosinee Paper Corporation's previously filed Registration Statement File Nos. 33-44922, 33-42445, and 33-42447 on Form S-8, including all post-effective amendments thereto.

WIPFLI ULLRICH BERTELSON LLP

Wipfli Ullrich Bertelson LLP

December 18, 1997
Wausau, Wisconsin

EXHIBIT 99.1

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Mosinee Paper Corporation
Mosinee, Wisconsin

We have audited the accompanying consolidated balance sheets of Mosinee Paper Corporation and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of stockholders' equity, income and cash flows for each of the years in the three year period ended December 31, 1996 and the supporting schedule listed in the accompanying index to financial statements. These financial statements and supporting schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and supporting 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 and supporting schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and supporting schedule. 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 Mosinee Paper Corporation and subsidiaries at December 31, 1996 and 1995, and the results of their operations and cash flows for each of the years in the three year period ended December 31, 1996, and the supporting schedule presents fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, the company changed its method of accounting for postemployment benefits in 1994.

We hereby consent to the incorporation by reference of this report in the Registration Statements on Form S-8 filed with the Securities and Exchange Commission by Mosinee Paper Corporation on October 20, 1995.

January 30, 1997 WIPFLI ULLRICH BERTELSON LLP
Wausau, Wisconsin

<TABLE>

MOSINEE PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<CAPTION>

($ thousands)	As of December 31, 1996	1995
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,150	$ 2,416
Receivables, net	23,407	26,533
Inventories	41,254	33,641
Deferred income taxes	7,225	4,799
Other current assets	311	364
Total current assets	75,347	67,753
Property, plant and equipment, net	199,475	196,565
Other assets	10,207	8,627
TOTAL ASSETS	$285,029	$272,945

LIABILITIES

Current Liabilities:		
Accounts payable	$ 18,262	$ 20,583
Accrued and other liabilities	27,316	19,389
Accrued income taxes	2,420	1,131
Total current liabilities	47,998	41,103
Long-term debt	48,332	79,307
Deferred income taxes	35,538	24,646
Postretirement benefits	16,125	15,001
Other noncurrent liabilities	11,884	10,441
Total liabilities	159,877	170,498
Commitments and contingencies	--	--
Preferred stock of subsidiary	1,255	1,255
STOCKHOLDERS' EQUITY		
Preferred stock - $1 par value, authorized 1,000,000 shares, none issued		
Common stock - No par value - 30,000,000 shares authorized	58,678	58,678
Retained earnings	83,763	60,216
Subtotals	142,441	118,894
Treasury stock at cost	(18,544)	(17,702)
Total stockholders' equity	123,897	101,192
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$285,029	$272,945

<FN>
See accompanying notes to consolidated financial statements.
</TABLE>

<TABLE>
MOSINEE PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
<CAPTION>

($ thousands except share data)	COMMON STOCK Shares Issued	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Amount	Common Stock Shares Outstanding	Total Stock-holder's Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances December 31, 1993	10,393,823	$25,984	$13,851	$56,986	(3,245,380)	($17,688)	7,148,443	$79,133
Net income, 1994				12,291				12,291
Cash dividends declared on Mosinee common stock				(2,573)				(2,573)
Balances December 31, 1994	10,393,823	25,984	13,851	66,704	(3,245,380)	(17,688)	7,148,443	88,851
Net income, 1995				15,185				15,185
Cash dividends declared on Mosinee common stock				(2,830)				(2,830)
Elimination of par value		13,851	(13,851)					
10% Stock dividend	1,039,382	18,843		(18,843)	(325,085)	(14)	714,297	(14)
Balances December 31, 1995	11,433,205	58,678	0	60,216	(3,570,465)	(17,702)	7,862,740	101,192
Net income, 1996				26,899				26,899
Cash dividends declared on Mosinee common stock				(3,352)				(3,352)
Four-for-three stock split	3,811,068				(1,190,156)		2,620,912	
Purchases of treasury shares					(29,971)	(842)	(29,971)	(842)
BALANCES DECEMBER 31, 1996	15,244,273	$58,678	$0	$83,763	(4,790,592)	($18,544)	10,453,681	$123,897

<FN>
See accompanying notes to consolidated financial statements.
</TABLE>

<TABLE>
MOSINEE PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
<CAPTION>

($ thousands except share data)	For the Years Ended December 31, 1996	1995	1994

<S> <C> <C> <C>

Net sales	$314,490	$305,570	$266,707
Cost of sales	230,485	249,077	217,502
Gross profit on sales	84,005	56,493	49,205
Operating expenses:			
Selling	11,157	10,383	9,857
Administrative	23,322	16,404	13,377
Total operating expenses	34,479	26,787	23,234
Income from operations	49,526	29,706	25,971
Other income (expense):			
Interest expense	(4,412)	(6,066)	(5,010)
Other	(165)	1,470	580
Income before income taxes and cumulative effect adjustment	44,949	25,110	21,541
Provision for income taxes	18,050	9,925	8,500
Income before cumulative effect of a change in accounting principle	26,899	15,185	13,041
Cumulative effect of a change in accounting principle (net of income taxes)	-	-	(750)
Net income	$26,899	$15,185	$12,291
Income per share before cumulative effect of a change in accounting principle	$ 2.56	$ 1.44	$ 1.24
Cumulative effect of a change in accounting principle (net of income taxes)	-	-	(0.08)
Net income per share	$ 2.56	$ 1.44	$ 1.16
Weighted average common shares outstanding	10,479,805	10,483,014	10,483,014

<FN>
All share data has been restated for the 1996 four-for-three stock split and the 1995 10% stock dividend.

See accompanying notes to consolidated financial statements.
</TABLE>

<TABLE>
MOSINEE PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
<CAPTION>

	For the Years Ended December 31,		
($ thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$26,899	$15,185	$12,291
Provision for depreciation, depletion and amortization	18,064	16,633	15,684
Recognition of deferred revenue	(40)	(40)	(40)
Provision for losses on accounts receivable	257	443	901
Loss (gain) on property, plant and equipment disposals	223	(1,417)	(462)
Deferred income taxes	8,466	2,213	3,094
Changes in operating assets and liabilities:			
Accounts receivable	2,869	(769)	(5,647)
Inventories	(7,613)	(3,041)	(144)
Other assets	(3,831)	(1,907)	(3,339)
Accounts payable and other liabilities	9,835	3,424	3,060
Accrued income taxes	1,289	178	528
Net cash provided by operating activities	56,418	30,902	25,926
Cash flows from investing activities:			

Capital expenditures	(21,100)	(16,741)	(19,088)
Proceeds from property, plant and equipment disposals	457	1,556	647
Net cash used in investing activities	(20,643)	(15,185)	(18,441)
Cash flows from financing activities:			
Net payments under credit agreements	(30,975)	(12,076)	(4,878)
Dividends paid	(3,224)	(2,766)	(2,573)
Payments for purchase of treasury stock	(842)	(14)	--
Net cash used in financing activities	(35,041)	(14,856)	(7,451)
Net increase in cash and cash equivalents	734	861	34
Cash and cash equivalents at beginning of year	2,416	1,555	1,521
Cash and cash equivalents at end of year	$ 3,150	$ 2,416	$ 1,555
Supplemental Cash Flow Information:			
Interest paid - net of amount capitalized	$ 4,710	$ 6,034	$ 4,575
Income taxes paid	8,296	6,734	4,877

<FN>
See accompanying notes to consolidated financial statements.
</TABLE>

MOSINEE PAPER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION - The consolidated financial statements include the accounts of Mosinee Paper Corporation and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

USE OF ESTIMATES IN PREPARATION OF CONSOLIDATED STATEMENTS - The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires the use of certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

CASH EQUIVALENTS - The company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

INVENTORIES - Substantially all inventories are stated at the lower of cost, determined on the last-in, first-out method (LIFO), or market. Inventories not on the LIFO method, primarily supply items, are stated at cost (principally average cost) or market, whichever is lower. Allocation of the LIFO reserve among the components of inventories is impractical.

PROPERTY, PLANT AND EQUIPMENT - Depreciable property is stated at cost less accumulated depreciation. Land, water power rights, and construction in progress are stated at cost and timberlands are stated at net depleted value. Facilities financed by leases, which are essentially equivalent to installment purchases, are recorded as assets and the related obligation as a long-term liability.

When property units are retired, or otherwise disposed of, the applicable cost and accumulated depreciation thereon are removed from the accounts. The resulting gain or loss, if any, is reflected in income.

Depreciation is computed on the straight-line method for financial statement purposes over 20 to 45 years for buildings and 3 to 20 years for machinery and equipment. Depletion on timberlands is computed on the unit-of-production method. Depreciation expense includes amortization on capitalized leases. Maintenance and repair costs are charged to expense when incurred. Improvements which extend the useful lives of the assets are added to the plant and equipment accounts.

REVENUE RECOGNITION - Revenue is recognized upon shipment of goods and transfer of title to the customer. Concentrations of credit risk with respect to trade accounts receivable are generally diversified due to the large number of entities comprising the company's customer base and their dispersion across many different industries and geographies.

TAXES - Deferred tax assets and liabilities are determined based on the estimated future tax effects of the differences between the financial statement and tax bases of assets and liabilities, as measured by the current enacted tax rates. Deferred tax expense is the result of changes in the deferred tax asset and liability. The principal sources giving rise to such differences are identified in Note 10.

PER SHARE DATA - Income per share is computed by dividing net income less Sorg Paper preferred stock dividends by the weighted average number of shares of common stock outstanding.

2 - SEGMENT INFORMATION

The company operates predominantly in the paper and allied products industry. The company formed Mosinee Paper International, Inc., a wholly-owned subsidiary located and domiciled in the U.S. Virgin Islands, to administer the export sales made by the company.

3 - CHANGE IN ACCOUNTING POLICY

On January 1, 1994, the company adopted Statement of Financial Accounting Standards (SFAS) No. 112 "Employers' Accounting for Postemployment Benefits" which requires the company to accrue for the estimated cost of benefits provided by an employer to former or inactive employees after employment but before retirement. Previously, the cost of these benefits were expensed as they were incurred. The cumulative effect of $750,000 is shown net of income taxes of $400,000 and represents the entire liability for such benefits earned through 1993.

<TABLE>
4 - SUPPLEMENTAL BALANCE SHEET INFORMATION
<CAPTION>
Supplemental information on certain balance sheet items consist of the following:

($ thousands)	December 31, 1996	December 31, 1995
<S>	<C>	<C>
Receivables		
Trade	$25,446	$ 28,498
Other	857	848
	26,303	29,346
Less: allowances	(2,896)	(2,813)
	$23,407	$ 26,533
Inventories		
Raw materials	$18,154	$ 15,827
Finished goods and work in process	20,764	20,693
Supplies	8,944	8,896
	47,862	45,416
Less: LIFO Reserve	(6,608)	(11,775)
	$41,254	$ 33,641
Property, plant and equipment		
Buildings	$ 41,316	$ 35,984
Machinery and equipment	314,517	308,944
Totals	355,833	344,928
Less: accumulated depreciation	(170,610)	(157,555)
Net depreciated value	185,223	187,373
Land	2,162	2,162
Timber and timberlands, net of depletion	3,388	3,184
Water power rights	129	129
Construction in progress	8,573	3,717
	$199,475	$196,565
Accrued and other liabilities		
Payrolls	$ 4,415	$ 3,336
Vacation pay	4,761	4,442
Taxes, other than income	2,177	2,324
Employee retirement plans	2,597	1,350
Cash dividends declared	836	708
Insurance	1,649	1,067
Stock appreciation plans	4,730	3,833
Interest	274	643

Other	5,877	1,686
	$ 27,316	$ 19,389

</TABLE>

5 - LEASES

The company has no significant capital lease liabilities. The company has various operating leases for machinery and equipment, automobiles, office equipment and warehouse space.

<TABLE>
<CAPTION>

Future minimum payments, by year and in the aggregate, under noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 1996:

($ thousands)	Operating Leases
<S>	<C>
1997	$ 946
1998	765
1999	616
2000	355
2001	107
Total minimum lease payments	$2,789

</TABLE>

Rent expense for all operating leases of plant and equipment was $2,245,000 in 1996, $2,563,000 in 1995 and $2,834,000 in 1994.

6 - RETIREMENT PLANS

PENSIONS

Substantially all employees of the company are covered under various pension plans. The defined benefit pension plan benefits are based on the participants' years of service and either compensation earned over certain final years of employment or fixed benefit amounts for each year of service. The plans are funded in accordance with federal laws and regulations.

<TABLE>

The net pension costs for all defined benefit pension plans consist of the following components:

<CAPTION>

($ thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Service cost	$ 950	$ 775	$ 801
Interest cost	2,177	1,985	1,747
Actual return on assets	(4,441)	(2,241)	(315)
Net amortization and deferral	2,142	(146)	(1,976)
Net pension cost	$ 828	$ 373	$ 257

</TABLE>

<TABLE>

In 1995, various underfunded defined benefit pension plans of the company were merged with an overfunded defined benefit pension plan. The following sets forth the funded status of the company's defined benefit pension plans and the amounts reflected in the accompanying consolidated balance sheets:

<CAPTION>

	DECEMBER 31,			
($ thousands)	1996		1995	
	PLANS WITH ASSETS EXCEEDING ACCUMULATED BENEFIT OBLIGATION	PLANS WITH ASSETS LESS THAN ACCUMULATED BENEFIT OBLIGATION	PLANS WITH ASSETS EXCEEDING ACCUMULATED BENEFIT OBLIGATION	PLANS WITH ASSETS LESS THAN ACCUMULATED BENEFIT OBLIGATION
<S>	<C>	<C>	<C>	<C>
ACTUARIAL PRESENT VALUE OF BENEFIT OBLIGATIONS AT SEPTEMBER 30				
VESTED BENEFIT OBLIGATION	($21,325)	($964)	($20,587)	($ 766)

ACCUMULATED BENEFIT OBLIGATION	($24,619)	($1,829)	($24,204)	($ 1,359)
PROJECTED BENEFIT OBLIGATION	($27,599)	($2,516)	($27,145)	($ 1,686)
FAIR VALUE OF PLAN ASSETS AT SEPTEMBER 30	28,551	--	25,505	--
PROJECTED BENEFIT OBLIGATION (IN EXCESS OF) LESS THAN PLAN ASSETS AT SEPTEMBER 30	952	(2,516)	(1,640)	(1,686)
UNRECOGNIZED NET LOSS (GAIN)	(2,980)	757	(436)	273
UNRECOGNIZED PRIOR SERVICE COST	560	472	632	514
UNRECOGNIZED INITIAL NET OBLIGATION (ASSET)	(1,121)	93	(1,280)	105
UNRECOGNIZED ACQUISITION TAX BENEFIT	557	--	641	--
CASH CONTRIBUTIONS TO PLANS SUBSEQUENT TO SEPTEMBER 30	--	12	--	12
ADJUSTMENT REQUIRED TO RECOGNIZE MINIMUM LIABILITY	--	(647)	--	(577)
CONSOLIDATED BALANCE SHEETS AT DECEMBER 31	($ 2,032)	($ 1,829)	($ 2,083)	($ 1,359)

</TABLE>

The projected benefit obligations at September 30, were determined using an assumed discount rate of 7.75% and 7.5% for 1996 and 1995, respectively, and assumed compensation increases of 5% in 1996 and 1995. The assumed long-term rate of return on plan assets was 9%. Plan assets consist principally of fixed income and equity securities and includes Mosinee Paper Corporation common stock of $3,459,000 and $2,253,000 in 1996 and 1995, respectively.

The company's defined contribution pension plans, covering various salaried employees, provide for company contributions based on various formulas. The cost of such plans totaled $3,669,000 in 1996, $2,279,000 in 1995, and $2,100,000 in 1994.

The company has deferred compensation or supplemental retirement agreements with certain present and past key officers, directors and employees. The principal cost of such plans is being or has been accrued over the period of active employment to the full eligibility date. Certain payments, insignificant in amount, are charged to expense when paid. Costs charged to operations under such agreements approximated $157,000, $155,000, and $161,000 for 1996, 1995, and 1994, respectively.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the company provides certain health care and nominal term life insurance benefits for retired employees. Substantially all of the company's employees may become eligible for those benefits if they reach normal retirement age while working for the company.

Cost-sharing provisions, benefits and eligibility for various employee groups vary by location and union agreements. Generally, eligibility is attained after reaching age 55 or 62 with minimum service requirements. Upon reaching age 65, the benefits become coordinated with Medicare. The plans are unfunded and the company funds the benefit costs on a current basis.

<TABLE>

The net postretirement benefit costs consists of the following components:

<CAPTION>

($ thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Service cost	$ 658	$ 474	$ 467
Interest cost	1,443	1,195	1,046
Net amortization and deferral	169	5	72
Net postretirement benefit cost	$2,270	$1,674	$1,585

</TABLE>

<TABLE>

The following table sets forth the accumulated postretirement benefit obligation (APBO) of the plans as reported in the accompanying consolidated balance sheets:

<CAPTION>

December 31,

($ thousands)	1996	1995
<S>	<C>	<C>
Retirees and dependents	($8,812)	($8,985)
Fully eligible active participants	(2,217)	(1,964)
Other active participants	(8,272)	(7,350)
Total APBO	(19,301)	(18,299)
Unrecognized net loss	3,176	3,298
Accrued postretirement benefit cost	($16,125)	($15,001)

</TABLE>

The 1996 assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 9%, declining by 1% annually for four years to an ultimate rate of 5%. The weighted average discount rate used was 7.75%. For 1995, the obligation was calculated using a health care cost trend rate of 10%, declining by 1% annually for five years to an ultimate rate of 5%. The weighted average discount rate was 7.5%.

The effect of a 1% increase in the health care cost trend rate would increase the APBO by $2,174,000 or 11.3% and $2,039,000 or 11.1%, at December 31, 1996 and 1995, respectively. The effect of this change would increase the aggregate of the service cost and interest cost by $326,000 or 15.5% in 1996, $251,000 or 15.0% in 1995 and $262,000 or 16.5% in 1994.

<TABLE>

7 - LONG-TERM DEBT

<CAPTION>

Long-term debt consists of the following:

($ thousands)	December 31, 1996	1995
<S>	<C>	<C>
Commercial paper	$ 13,332	$ 34,307
Revolving credit agreement	15,000	25,000
Long-term note	20,000	20,000
Total	48,332	79,307
Less: current maturities	-	-
Long-term debt	$ 48,332	$ 79,307

</TABLE>

The company has a commercial paper placement agreement to issue up to $50 million of unsecured debt obligations. The weighted average interest rate on commercial paper outstanding at December 31, 1996 was 5.7% and 6.0% at December 31, 1995. The amounts have been classified as long-term as the company intends, and has the ability, to refinance the obligations under the revolving credit agreement.

A five year credit agreement with one bank as agent and certain financial institutions as lenders was established April 16, 1993 to issue up to $130 million of unsecured borrowing less the amount of commercial paper outstanding. There are no payments required until March 31, 1998, at which time, all outstanding amounts become due. Under the agreement, the company may reduce the commitment amount prior to March 31, 1998 without penalty. As of December 31, 1996, the commitment amount has been reduced to $65 million. The weighted average interest rate at December 31, 1996 was 5.8% and at December 31, 1995 was 6.0%. The agreement provides for various restrictive covenants, which includes maintaining minimum net worth, interest coverage and debt to equity ratios and limits dividend and other restricted payments to approximately $41 million.

The credit agreement provides for commitment and facility fees during the revolving loan period. Commitment fees are 0.1875% per annum of the unused portions of the commitment, payable quarterly. Facility fees are 0.125% per annum of the total commitment, payable quarterly.

The company entered into an unsecured five year fixed rate debt arrangement for $20 million on September 30, 1994 with one financial institution to secure an interest rate of 7.83%. Interest is paid monthly and the principal is not due until September 1999. The arrangement provides for various restrictive covenants, which includes maintaining a minimum net worth, interest coverage and debt to capital ratios.

The difference between the book value and the fair market value of long-term debt is not material.

<TABLE>
The aggregate annual maturities of long-term debt in future years is shown below:
<CAPTION>

($ THOUSANDS)	1997	1998	1999
	<S>	<C>	<C>
	-	$28,332	$20,000

</TABLE>

The annual maturities on the revolving credit agreement included in the above schedule are based on the amount outstanding at December 31, 1996. Annual maturities will be affected by future borrowing under the agreement.

<TABLE>
8 - INTEREST EXPENSE AND CAPITALIZED INTEREST
<CAPTION>
($ THOUSANDS)

December 31,	Total Interest Expense	Capitalized Interest	Net Interest Expense
<S>	<C>	<C>	<C>
1996	$4,601	$189	$4,412
1995	6,247	181	6,066
1994	5,143	133	5,010

</TABLE>
9 - PREFERRED SHARE PURCHASE RIGHTS PLAN

On July 10, 1996, pursuant to the Rights Agreement dated July 1, 1996, the company paid a dividend of one preferred share purchase right (a "Right") for each outstanding share of the company's common stock. The Rights replace the rights granted to shareholders in 1986 which expired July 1996.

In general, the Rights will not become exercisable until 10 days after a public announcement that a person has acquired 15% of the common stock or 10 business days after a person has announced a tender or exchange offer in which 15% or more of the common stock would be acquired. A "person" for purposes of the Rights, includes a group of affiliated or associated persons.

Each Right provides that, when exercisable, the holder may purchase .01 share of Mosinee series A Junior Participating Preferred Stock ("Preferred Stock") at a price of $100. Each .01 share of Preferred Stock is entitled to a dividend equal to the dividend paid on a share of common stock (with a minimum of $.05 per quarter) and will have one vote. In the event that the company is liquidated, each .01 share of Preferred Stock would be entitled to a minimum liquidation preference of $1 and would otherwise receive the liquidation payment of a share of stock. In the event of a merger or other exchange involving the common stock, the holder of a share of Preferred Stock would receive the same amount as that received by the holder of a share of common stock.

Once a person has acquired at least 15% of the common stock, a holder may exercise the Rights and receive, in lieu of Preferred Stock, common stock having a value equal to 200% of the exercise price of each Right. If a person has acquired at least 15% of the common stock and the company is acquired in a merger or similar transaction or 50% of its assets are acquired, the holder may exercise the Rights and receive, in lieu of Preferred Stock, common stock from the acquiring company which has a value of twice the exercise price of the Rights.

The company may redeem the Rights for $.01 per Right before a person acquires 15% of the common stock. If a person acquires 15%, but has not yet acquired 50% of the common stock, the company may exchange one share of common stock for each Right.

The Rights Agreement contains provisions to permit the Board of Directors to adjust the percentage of stock to be acquired by a person before the Rights become exercisable and to adjust, among other things, the exercise price, the redemption price and/or conversion amounts in the event of stock splits, stock dividends or other events which affect the number, classes or rights of the common stock. The Rights will expire on July 10, 2006 unless they are redeemed or exchanged earlier by the company as described above or are exercised by shareholders. The company has reserved 100,000 shares of preferred stock.

10 - INCOME TAXES

<TABLE>

PROVISION FOR INCOME TAXES

<CAPTION>

The provision for income taxes is as follows:

($ thousands)

<S>	1996 <C>	1995 <C>	1994 <C>
Current tax expense:			
Federal	$ 7,171	$6,443	$4,406
State	2,413	1,269	1,000
Total current	9,584	7,712	5,406
Deferred tax expense:			
Federal	8,374	1,820	2,880
State	92	393	214
Total deferred	8,466	2,213	3,094
Total provision for income taxes	$18,050	$ 9,925	$ 8,500

</TABLE>

<TABLE>

RECONCILIATION FROM FEDERAL STATUTORY TO EFFECTIVE TAX RATE

<CAPTION>

($ thousands)

	1996		1995		1994	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal statutory rate	$15,731	35.0%	$8,789	35.0%	$7,539	35.0%
State taxes, net of federal benefit	1,628	3.7%	1,080	4.3%	790	3.7%
Other - net	691	1.5%	56	.2%	171	.8%
Consolidated effective tax	$18,050	40.2%	$9,925	39.5%	$8,500	39.5%

</TABLE>

At the end of 1996, $29,000,000 of unused state operating loss carryovers existed which may be used to offset future state taxable income in various amounts through the year 2010. Because separate state tax returns are filed, the company is not able to offset consolidated income with the subsidiaries' losses. Under the provisions of SFAS No. 109, the benefits of state tax losses are recognized as a deferred tax asset, subject to appropriate valuation allowances. At December 31, 1996, the company has unused alternative minimum tax credit carryforwards of approximately $1,627,000 which can be used to offset future regular tax liabilities.

<TABLE>

DEFERRED INCOME TAXES

<CAPTION>

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the company's assets and liabilities. The tax effects of major temporary differences that give rise to the deferred tax assets and liabilities at December 31, are as follows:

($ thousands)

<S>	1996 <C>	1995 <C>
Deferred tax assets:		
Allowances on accounts receivable	$ 1,027	$ 1,062
Accrued compensated absences	1,636	1,478
Stock appreciation rights plans	2,883	2,053
Pensions	856	857
Postretirement benefits	6,235	5,800
Postemployment benefits	371	364
Reserves	2,130	866
State net operating loss carryforward	2,724	3,783

Alternative minimum tax credit carryforward	1,627	8,838
Other	180	27
Gross deferred tax assets	19,669	25,128
Less: valuation allowance	(1,632)	(1,672)
Net deferred tax assets	18,037	23,456
Deferred tax liabilities:		
Property, plant and equipment	(44,049)	(41,478)
Deferred expenses	(2,301)	(1,825)
Total gross deferred tax liabilities	(46,350)	(43,303)
Net deferred tax liability	($28,313)	($19,847)

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

($ thousands)	1996	1995
Net long-term deferred tax liabilities	$35,538	$ 24,646
Gross current deferred tax assets	(8,857)	(6,471)
Valuation allowance on deferred tax assets	1,632	1,672
Net current deferred tax assets	(7,225)	(4,799)
Net deferred tax liability	$28,313	$ 19,847

A valuation allowance has been recognized for a subsidiary's state tax loss carryforward as cumulative losses create uncertainty about the realization of the tax benefits in future years.

11 - STOCK OPTIONS AND APPRECIATION RIGHTS

The company has adopted two Executive Stock Option Plans. The 1994 plan, which was amended effective December 19,1996, subject to shareholder approval, provides for the granting of either qualified incentive stock options (ISO) or non-qualified options. Under the 1994 plan, options to purchase 300,000 shares of common stock may be issued to key employees and directors of the company. Options must be granted at an option price which is not less than fair market value at the time of the grant. Qualified options can be exercised no later than ten years from the date of the grant (twenty years from date of grant for non-qualified options).

The 1985 plan is a non-qualified stock option plan under which options to purchase 168,597 common shares have been issued to key executive employees of the company or subsidiaries. The plan provides for the granting of options at a price which is not less than market value at the time of the grant. Options can be exercised no sooner than six months or no later than twenty years from the date of the grant.

Effective January 1, 1996, the company has adopted Statement of Financial Accounting Standards (SFAS) No.123, "Accounting for Stock-Based Compensation". As permitted under SFAS No.123, the company will continue to measure compensation cost for stock option plans using the "intrinsic value based method" prescribed under APB No.25, "Accounting for Stock Issued to Employees". Accordingly, no compensation cost has been recognized for the stock option plans. If compensation cost had been determined consistent with the provision of SFAS No.123, which prescribes the "fair value based method" on the grant date, the results on the company's net earnings and earnings per share would not have been materially different from amounts reported in 1996 and 1995.

The following table summarizes information relating to the company's stock option plans:

(IN DOLLARS OR NUMBER OF SHARES)

	1996		1995		1994	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstand-iny at beginning of year	220,000	$21.55	117,333	$23.86	99,000	$23.86

Granted	42,267	28.60	102,667	18.91	18,333	23.87
Options outstanding at end of year	262,267	22.69	220,000	21.55	117,333	23.86
Options exercisable at end of year	220,000	21.55	117,333	23.86	99,000	23.86
Option price range at end of year	$18.37-35.78		$18.37-27.27		$20.45-27.27	

<FN>

All shares and per share data have been adjusted for the 1996 four-for-three stock split and the 1995 10% stock dividend.

</TABLE>

Two stock appreciation rights plans are maintained by the company. The 1988 Stock Appreciation Rights Plan gives certain officers and key employees the right to receive cash equal to the sum of the appreciation in value of the stock and the value of reinvested hypothetical cash dividends which would have been paid on the stock covered by the grant. The 1988 Management Incentive Plan gives certain management employees the right to receive similar cash payments. The stock appreciation rights granted under the plans may be exercised in whole or in part and are paid in installments and will vest at such times as specified in the grant. In all instances, the rights lapse if not exercised within 20 years of the grant date. Compensation expense is recorded with respect to the rights, based upon quoted market value of the shares and the exercise provisions. The provision (credit) for incentive compensation plans based upon the company's stock price, principally stock appreciation rights, was $4,902,000 in 1996, $775,000 in 1995, and ($933,000) in 1994.

<TABLE>

The following table summarizes the activity relating to the company's stock appreciation plan:

<CAPTION>

(IN DOLLARS OR NUMBER OF SHARES)	1996	1995	1994
<S>	<C>	<C>	<C>
Rights outstanding at beginning of year	414,579	426,803	439,023
Granted	-	-	11,000
Exercised	(204,846)	(12,224)	(23,220)
Terminated	(2,933)	-	-
Rights outstanding at end of year	206,800	414,579	426,803
Rights exercisable at end of year	206,800	407,733	407,733
Price range of outstanding stock appreciation rights	$8.52- 20.37	$7.50- 20.37	$7.50- 20.37

<FN>

ALL SHARES AND PER SHARE DATA HAVE BEEN ADJUSTED FOR THE 1996 FOUR-FOR-THREE STOCK SPLIT AND THE 1995 10% STOCK DIVIDEND.

</TABLE>

12 - STOCKHOLDERS' EQUITY

On April 20, 1995, the shareholders of the company approved a resolution which amended the company's Restated Articles of Incorporation to increase the number of authorized shares of common stock from 15,000,000 shares, par value $2.50, to 30,000,000 shares, without par value. The additional paid-in capital account has been combined with common stock as presented in the Consolidated Statements of Stockholders' equity.

13 - CONTINGENCIES, LITIGATION, & COMMITMENTS

In 1986, the Wisconsin Department of Natural Resources ("DNR") determined that a landfill, for which the company may be a potentially responsible party, was nominated by the DNR for inclusion by the Environmental Protection Agency ("EPA") on the National Priorities List ("NPL"). The EPA has not placed the landfill on the NPL nor has any other action been taken by the DNR or the EPA. The company has contributed its allocated portion of the cost of remediation of a second landfill pursuant to a cost sharing agreement and remediation work at the site is now complete.

Based on information now available to the company, the company believes that any additional costs associated with these landfills will not have a material adverse effect on the company's operations, liquidity or consolidated financial condition.

The company, along with other paper companies, is part of a civil investigation begun in 1994 by the U. S. Department of Justice to determine whether any violation of U. S. antitrust laws has occurred in the commercial and industrial market for sanitary paper products. The company believes it has not violated any antitrust laws.

In the ordinary course of conducting business, the company, from time to time, also becomes involved in other issues, investigations, administrative proceedings and litigation including matters relating to the environment. While any proceeding or litigation has an element of uncertainty, the company believes that the outcome of any pending or threatened claim or lawsuit will not have a material adverse effect on the operations, liquidity or consolidated financial condition of the company.

Through the year 2006, the company is to pay a municipality a minimum annual usage fee of approximately $150,000 paid on a quarterly basis, to discharge industrial waste into the municipality's wastewater treatment facility. The aggregate amount of such required future minimum payments at December 31, 1996 was $1,405,000. In addition, the company is to pay monthly contingent usage fees to the municipality based on the amount of industrial waste discharged. Minimum and contingent usage fees incurred totaled $653,000, $666,000 and $630,000 in 1996, 1995, and 1994, respectively.

EXHIBIT 99.2

<TABLE>

MOSINEE PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

<CAPTION>

($ thousands, except share data - unaudited)	Three Months Ended September 30, 1997	Three Months Ended September 30, 1996	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
<S>	<C>	<C>	<C>	<C>
Net sales	$89,782	$81,761	$253,293	$237,130
Cost of sales	67,073	58,764	187,542	173,445
Gross profit on sales	22,709	22,997	65,751	63,685
Operating expenses:				
Selling	3,052	3,140	9,244	8,487
Administrative	7,711	4,974	16,266	17,299
Total operating expenses	10,763	8,114	25,510	25,786
Income from operations	11,946	14,883	40,241	37,899
Other income (expense):				
Interest expense	(989)	(1,056)	(2,915)	(3,512)
Other	182	72	319	143
Income before income taxes	11,139	13,899	37,645	34,530
Provision for income taxes	4,175	5,620	14,525	13,950
Net income	$6,964	$8,279	$23,120	$20,580
Net income per share	$0.46	$0.53	$1.52	$1.31
Weighted average common shares outstanding	15,201,721	15,724,596	15,214,603	15,724,596

</TABLE>

<TABLE>

MOSINEE PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<CAPTION>

($ thousands *)	September 30, 1997	December 31, 1996
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 350	$ 3,150
Receivables, net	31,457	23,407
Inventories	47,236	41,254
Deferred income taxes	8,275	7,225
Other	312	311
Total current assets	87,630	75,347

Property, plant and equipment	398,983	370,085
Less: accumulated depreciation	182,859	170,610
Net depreciated value	216,124	199,475
Other assets	13,021	10,207
TOTAL ASSETS	$316,775	$285,029
LIABILITIES		
Accounts payable	$ 19,926	$ 18,262
Accrued and other liabilities	25,988	27,316
Accrued income taxes	1,569	2,420
Total current liabilities	47,483	47,998
Long-term debt	64,864	48,332
Deferred income taxes	38,685	35,538
Postretirement benefits	16,906	16,125
Other noncurrent liabilities	13,596	11,884
Total liabilities	181,534	159,877
Commitments and contingencies	---	---
Preferred stock of subsidiary	1,255	1,255
STOCKHOLDERS' EQUITY		
Preferred stock - $1 par value, authorized - 1,000,000 shares, none issued		
Common stock - no par value, authorized 30,000,000 shares	58,678	58,678
Retained earnings	104,779	83,763
Subtotals	163,457	142,441
Treasury stock at cost	(29,471)	(18,544)
Total stockholders' equity	133,986	123,897
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$316,775	$285,029

<FN>
*The consolidated balance sheet at September 30, 1997 is unaudited. The December 31, 1996 consolidated balance sheet is derived from audited financial statements.
</TABLE>

<TABLE>
MOSINEE PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
<CAPTION>

	Nine Months Ended September 30,	
($ thousands - unaudited)	1997	1996
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 23,120	$ 20,580
Provision for depreciation, depletion		

and amortization	14,177	13,014
Recognition of deferred revenue	(30)	(30)
Provision for losses on accounts receivable	24	224
Gain on property, plant and equipment disposals	(296)	(136)
Deferred income taxes	2,097	7,350
Changes in operating assets and liabilities:		
Receivables	(5,372)	(510)
Inventories	(3,213)	(5,410)
Other assets	(4,497)	(2,621)
Accounts payable and other liabilities	2,361	4,015
Accrued income taxes	(851)	839
Net cash provided by operating activities	27,520	37,315
Cash flows from investing activities:		
Capital expenditures	(25,170)	(16,564)
Acquisition of B & J Supply	(6,235)	
Proceeds from property, plant and equipment disposals	450	311
Net cash used in investing activities	(30,955)	(16,253)
Cash flows from financing activities:		
Borrowings (payments) under credit agreements	14,503	(19,058)
Dividends paid	(2,941)	(2,385)
Payments for purchase of company stock	(10,927)	(20)
Net cash provided by (used in) financing activities	635	(21,463)
Net decrease in cash and cash equivalents	(2,800)	(401)
Cash and cash equivalents at beginning of year	3,150	2,416
Cash and cash equivalents at end of period	$ 350	$ 2,015
Supplemental Cash Flow Information:		
Interest paid - net of amount capitalized	$ 2,867	$ 3,784
Income taxes paid	13,279	5,762

</TABLE>

MOSINEE PAPER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying financial statements, in the opinion of management, reflect all adjustments which are normal and recurring in nature and which are necessary for a fair statement of the results for the periods presented. Some adjustments involve estimates which may require revision in subsequent interim periods or at year-end. In all regards, the financial statements have been presented in accordance with generally accepted accounting principles.

<TABLE>

2. Inventories consist of the following:

<CAPTION>

($ thousands)	Sept. 30, 1997	Dec. 31, 1996
<S>	<C>	<C>
Raw material	$19,991	$18,154
Finished goods and work in process	24,637	20,764
Supplies	9,873	8,944
Subtotal	54,501	47,862
Less: LIFO reserve	7,265	6,608
Net inventories	$47,236	$41,254

</TABLE>

3. Earnings per share of common stock is based on the weighted average number of common shares outstanding and gives effect to applicable preferred stock dividends. Sorg Paper Company preferred stock dividends in arrears for the nine months ended September 30, 1997 and 1996 were $51,840.

4. Net income includes expenses for incentive compensation plans based upon the company's stock price. The company calculates this liability using the average price of Mosinee Paper's stock at the close of each fiscal quarter as if all earned incentive compensation plans had been exercised on that day. For the three months ended September 30, 1997, these plans resulted in an after-tax expense of $2,416,000 or $0.16 per share, compared to the third quarter of 1996 which produced an after-tax expense of $183,000 or $0.01 per share. For the year-to-date in 1997 these plans resulted in an after-tax expense of $2,564,000 or $0.17 per share, compared to an after-tax expense of $2,139,000 or $0.14 per share for the same period of 1996.

5. Prior year per share data has been restated for a 3 for 2 stock split on May 15, 1997.

6. Certain legal proceedings are described under Part II, Item 1 of this report.

7. Refer to notes to the financial statements which appear in the 1996 annual report for the company's accounting policies which are pertinent to these statements.