MORGAN STANLEY
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Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. Equities

Contingent Income Auto-Callable Securities due February 2, 2022, with 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Financial Select Sector SPDR® Fund, the Health Care Select Sector SPDR® Fund and the Technology Select Sector SPDR® Fund

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The securities offered are unsecured obligations of Morgan Stanley Finance LLC ("MSFL") and are fully and unconditionally guaranteed by Morgan Stanley. The securities have the terms described in the accompanying product supplement, index supplement and prospectus, as supplemented or modified by this document. The securities do not guarantee the repayment of principal and do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon **but only if** the determination closing price of **each of the Financial Select Sector SPDR® Fund, the Health Care Select Sector SPDR® Fund and the Technology Select Sector SPDR® Fund**, which we refer to as the underlying shares, is **at or above** 65% of its respective initial share price, which we refer to as the downside threshold level, on the related observation date. If, however, the determination closing price of **any of the underlying shares** is less than its respective downside threshold level on any observation date, we will pay no interest for the related quarterly period. In addition, the securities will be automatically redeemed if the determination closing price of each of the underlying shares is **greater than or equal to 95%** of its respective initial share price, which we refer to as the respective call threshold level, on any quarterly redemption determination date (beginning approximately six months after the original issue date) for the early redemption payment equal to the sum of the stated principal amount plus the related contingent quarterly coupon. No further payments will be made on the securities once they have been redeemed. At maturity, if the securities have not previously been redeemed and the final share price of **each of the underlying shares is greater than or equal to** its respective downside threshold level, the payment at maturity will be the sum of the stated principal amount and the related contingent quarterly coupon. However, if the final share price of **any of the underlying shares** is less than its respective downside threshold level, investors will be exposed to the decline in the worst performing underlying shares on a 1-to-1 basis, and will receive a payment at maturity that is less than 65% of the stated principal amount of the securities and could be zero.

Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment and also the risk of not receiving any contingent quarterly coupons throughout the 3-year term of the securities. The securities are for investors who are willing to risk their principal and seek an opportunity to earn interest at a potentially above-market rate in exchange for the risk of receiving no quarterly interest over the entire 3-year term and in exchange for the possibility of an automatic early redemption prior to maturity. Because the payment of contingent quarterly coupons is based on the worst performing of the underlying shares, the fact that the securities are linked to three underlying shares does not provide any asset diversification benefits and instead means that a decline in the price of any of the underlying shares below the relevant downside threshold level will result in no contingent quarterly coupons, even if the other underlying shares close at or above their respective downside threshold levels. Because all payments on the securities are based on the worst performing of the underlying shares, a decline beyond the respective downside threshold level of any of the underlying shares will result in no contingent quarterly coupon payments and a significant loss of your investment, even if the other underlying shares have appreciated or have not declined as much. Investors will not participate in any appreciation of any of the underlying shares. The securities are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These securities are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

SUMMARY TERMS

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Underlying shares:	Financial Select Sector SPDR® Fund (the "XLF Shares"), Health Care Select Sector SPDR® Fund (the "XLV Shares") and Technology Select Sector SPDR® Fund (the "XLK Shares")
Aggregate principal amount:	$
Stated principal amount:	$1,000 per security
Issue price:	$1,000 per security
Pricing date:	January 28, 2019
Original issue date:	January 31, 2019 (3 business days after the pricing date)
Maturity date:	February 2, 2022
Early redemption:	**The securities are not subject to early redemption until six months after the original issue date.** Following this six-month non-call period if, on any redemption determination date, beginning on July 29, 2019, the determination closing price of each of the underlying shares is greater than or equal to its respective call threshold level, the securities will be automatically redeemed for an early redemption payment on the related early redemption date. No further payments will be made on the securities once they have been redeemed. **The securities will not be redeemed early on any early redemption date if the determination closing price of any of the underlying shares is below respective call threshold level on the related redemption determination date.**
Early redemption payment:	The early redemption payment will be an amount equal to (i) the stated principal amount for each security you hold *plus* (ii) the contingent quarterly coupon with respect to the related

	observation date.
Determination closing price:	With respect to each of the underlying shares, the closing price of such underlying shares on any redemption determination date or observation date (other than the final observation date), *times* the adjustment factor on such redemption determination date or observation date, as applicable
Redemption determination dates:	Beginning after six months, quarterly, on July 29, 2019, October 28, 2019, January 28, 2020, April 28, 2020, July 28, 2020, October 28, 2020, January 28, 2021, April 28, 2021, July 28, 2021 and October 28, 2021, subject to postponement for non-trading days and certain market disruption events.
Early redemption dates:	Beginning after six months, quarterly, on August 1, 2019, October 31, 2019, January 31, 2020, May 1, 2020, July 31, 2020, November 2, 2020, February 2, 2021, May 3, 2021, August 2, 2021 and November 2, 2021; provided that if any such day is not a business day, that early redemption payment, if payable, will be made on the next succeeding business day and no adjustment will be made to any early redemption payment made on that succeeding business day.
Contingent quarterly coupon:	A *contingent* quarterly coupon at an annual rate of at least 7.25% (corresponding to at least approximately $18.125 per quarter per security, to be determined on the pricing date) will be paid on the securities on each coupon payment date ***but only if*** the determination closing price of **each of the underlying shares** is at or above its respective downside threshold level on the related observation date. **If, on any observation date, the determination closing price of any of the underlying shares is less than its respective downside threshold level, no contingent quarterly coupon will be paid with respect to that observation date. It is possible that one or more of the underlying shares will remain below their respective downside threshold levels for extended periods of time or even throughout the entire 3-year term of the securities so that you will receive few or no contingent quarterly coupons.**
Downside threshold level:	With respect to the XLF Shares, $, which is equal to 65% of its initial share price With respect to the XLV Shares, $, which is equal to 65% of its initial share price With respect to the XLK Shares, $, which is equal to 65% of its initial share price
Call threshold level	With respect to the XLF Shares, $, which is equal to 95% of its initial share price

	With respect to the XLV Shares, $, which is equal to 95% of its initial share price With respect to the XLK Shares, $, which is equal to 95% of its initial share price
Payment at maturity:	If the securities are not redeemed prior to maturity, investors will receive a payment at maturity determined as follows: · If the final share price of **each of the underlying shares is greater than or equal to** its respective downside threshold level: (i) the stated principal amount *plus* (ii) the contingent quarterly coupon with respect to the final observation date · If the final share price of **any of the underlying shares is less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the share performance factor of the worst performing underlying shares *Under these circumstances, the payment at maturity will be significantly less than the stated principal amount of $1,000, and will represent a loss of more than 35%, and possibly all, of your investment.* ***Terms continued on the following page***
Agent:	Morgan Stanley & Co. LLC ("MS & Co."), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest."
Estimated value on the pricing date:	Approximately $950.10 per security, or within $22.50 of that estimate. See "Investment Summary" beginning on page 3.

Commissions and issue price:	**Price to public**	**Agent's commissions[(1)]**	**Proceeds to us[(2)]**
Per security	$1,000	$	$
Total	$	$	$

(1) Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of $ for each security they sell. See "Supplemental information regarding plan of distribution; conflicts of interest." For additional information, see "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement.

(2) See "Use of proceeds and hedging" on page 33.

The securities involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 12.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this document or the accompanying product supplement, index supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related product supplement, index supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Additional Terms of the Securities" and "Additional Information About the Securities" at the end of this document.

As used in this document, "we," "us" and "our" refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Product Supplement for Auto-Callable Securities dated November 16, 2017 **Index Supplement dated November 16, 2017**

Prospectus dated November 16, 2017

Morgan Stanley Finance LLC

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All Payments on the Securities Based on the Worst Performing of the Financial Select Sector SPDR® Fund, the Health Care Select Sector SPDR® Fund and the Technology Select Sector SPDR® Fund

Principal at Risk Securities

Terms continued from previous page:

Initial share price:	With respect to the XLF Shares, $, which is its closing price on the pricing date With respect to the XLV Shares, $, which is its closing price on the pricing date With respect to the XLK Shares, $, which is its closing price on the pricing date
Coupon payment dates:	Quarterly, on May 2, 2019, August 1, 2019, October 31, 2019, January 31, 2020, May 1, 2020, July 31, 2020, November 2, 2020, February 2, 2021, May 3, 2021, August 2, 2021, November 2, 2021 and the maturity date; *provided* that if any such day is not a business day, that coupon payment will be made on the next succeeding business day and no adjustment will be made to any coupon payment made on that succeeding business day.
Observation dates:	Quarterly, on April 29, 2019, July 29, 2019, October 28, 2019, January 28, 2020, April 28, 2020, July 28, 2020, October 28, 2020, January 28, 2021, April 28, 2021, July 28, 2021, October 28, 2021 and January 28, 2022, subject, independently in the case of each of the underlying shares, to postponement for non-trading days and certain market disruption events. We also refer to January 28, 2022 as the final observation date.
Final share price:	With respect to each of the underlying shares, the closing price of such underlying shares on the final observation date *times* the adjustment factor on such date
Adjustment factor:	With respect to each of the underlying shares, 1.0, subject to adjustment in the event of certain events affecting such underlying shares
Worst performing underlying shares:	The underlying shares with the largest percentage decrease from the respective initial share price to the respective final share price
Share performance factor:	Final share price *divided by* the initial share price
CUSIP / ISIN:	61768DYL3 / US61768DYL36
Listing:	The securities will not be listed on any securities exchange.

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All Payments on the Securities Based on the Worst Performing of the Financial Select Sector SPDR® Fund, the Health Care Select Sector SPDR® Fund and the Technology Select Sector SPDR® Fund

Principal at Risk Securities

Investment Summary

Contingent Income Auto-Callable Securities

Principal at Risk Securities

Contingent Income Auto-Callable Securities due February 2, 2022, with 6-month Initial Non-Call Period All Payments on the Securities Based on the Worst Performing of the Financial Select Sector SPDR® Fund, the Health Care Select Sector SPDR® Fund and the Technology Select Sector SPDR® Fund (the "securities") do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon **but only if** the determination closing price of **each of the Financial Select Sector SPDR® Fund, the Health Care Select Sector SPDR® Fund and the Technology Select Sector SPDR® Fund**, which we refer to as the underlying shares, is **at or above** 65% of its respective initial share price, which we refer to as the downside threshold level, on the related observation date. If, however, the determination closing price of **any of the underlying shares** is less than its respective downside threshold level on any observation date, we will pay no interest for the related quarterly period. In addition, the securities will be automatically redeemed if the determination closing price of each of the underlying shares is **greater than or equal to** its respective call threshold level on any quarterly redemption determination date (beginning approximately six months after the original issue date) for the early redemption payment equal to the sum of the stated principal amount plus the related contingent quarterly coupon. No further payments will be made on the securities once they have been redeemed. At maturity, if the securities have not previously been redeemed and the final share price of each of the underlying shares is **greater than or equal to** its respective downside threshold level, the payment at maturity will be the sum of the stated principal amount and the related contingent quarterly coupon. However, if the final share price of **any of the underlying shares** is less than its respective downside threshold level, investors will be exposed to the decline in the worst performing underlying shares on a 1-to-1 basis, and will receive a payment at maturity that is less than 65% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment and also the risk of not receiving any contingent quarterly coupons throughout the 3-year term of the securities.** Investors will not participate in any appreciation in the price of any of the underlying shares.

Maturity:	Approximately 3 years
Contingent quarterly coupon:	A *contingent* quarterly coupon at an annual rate of at least 7.25% (corresponding to at least approximately $18.125 per quarter per security, to be determined on the pricing date) will be paid on the securities on each coupon payment date **but only if** the determination closing price of **each of the underlying shares** is at or above its respective downside threshold level on the related observation date. **If on any observation date, the determination closing price of any of the underlying shares is less than its respective downside threshold level, we will pay no coupon for the applicable quarterly period.**
Automatic early redemption quarterly starting after six months:	If the determination closing price of **each of the underlying shares** is **greater than or equal to** its respective call threshold level on any quarterly redemption determination date, beginning on July 29, 2019 (approximately six months after the original issue date), the securities will be automatically redeemed for an early redemption payment equal to the stated principal amount *plus* the contingent quarterly coupon with respect to the related observation date. No further payments will be made on the securities once they have been redeemed.
Payment at maturity:	If the securities have not previously been redeemed and the final share price of **each of the underlying shares** is **greater than or equal to its respective downside threshold level**, the payment at maturity will be the sum of the stated principal amount and the related contingent quarterly coupon. If the final share price of **any of the underlying shares is** less than its respective downside threshold level, investors will receive a payment at maturity based on the decline in the worst performing underlying shares over the term of the securities. Under these circumstances, the payment at maturity will be less than 65% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment.**

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due February 2, 2022, with 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Financial Select Sector SPDR® Fund, the Health Care Select Sector SPDR® Fund and the Technology Select Sector SPDR® Fund

Principal at Risk Securities

The original issue price of each security is $1,000. This price includes costs associated with issuing, selling, structuring and hedging the securities, which are borne by you, and, consequently, the estimated value of the securities on the pricing date will be less than $1,000. We estimate that the value of each security on the pricing date will be approximately $950.10, or within $22.50 of that estimate. Our estimate of the value of the securities as determined on the pricing date will be set forth in the final pricing supplement.

What goes into the estimated value on the pricing date?

In valuing the securities on the pricing date, we take into account that the securities comprise both a debt component and a performance-based component linked to the underlying shares. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying shares, instruments based on the underlying shares, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the securities?

In determining the economic terms of the securities, including the contingent quarterly coupon rate, the call threshold levels and the downside threshold levels, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more terms of the securities would be more favorable to you.

What is the relationship between the estimated value on the pricing date and the secondary market price of the securities?

The price at which MS & Co. purchases the securities in the secondary market, absent changes in market conditions, including those related to the underlying shares, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlying shares, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the securities and, if it once chooses to make a market, may cease doing so at any time.

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Principal at Risk Securities

Key Investment Rationale

The securities do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon **but only if** the determination closing price of **each of the underlying shares** is **at or above its respective downside threshold level** on the related observation date. The securities have been designed for investors who are willing to forgo market floating interest rates and risk the loss of principal and accept the risk of receiving few or no coupon payments for the entire 3-year term of the securities in exchange for an opportunity to earn interest at a potentially above-market rate if all of the underlying shares close at or above their respective downside threshold levels on each quarterly observation date, unless the securities are redeemed early. The following scenarios are for illustration purposes only to demonstrate how the coupon and the payment at maturity (if the securities have not previously been redeemed) are calculated, and do not attempt to demonstrate every situation that may occur. Accordingly, the securities may or may not be redeemed, the contingent quarterly coupon may be payable in none of, or some but not all of, the quarterly periods during the 3-year term of the securities, and the payment at maturity may be less than 65% of the stated principal amount of the securities and may be zero.

Scenario 1: The securities are redeemed prior to maturity	This scenario assumes that, prior to early redemption, each of the underlying shares closes at or above its respective downside threshold level on some quarterly observation dates, but one or more of the underlying shares close below the respective downside threshold level(s) on the others. Investors receive the contingent quarterly coupon for the quarterly periods for which the determination closing price of each of the underlying shares is at or above its respective downside threshold level on the related observation date, but not for the quarterly periods for which the determination closing price of any of the underlying shares is below the respective downside threshold level(s) on the related observation date.
	When each of the underlying shares closes at or above its respective call threshold level on a quarterly redemption determination date, the securities will be automatically redeemed for the stated principal amount *plus* the contingent quarterly coupon with respect to the related observation date.

Scenario 2: The securities are not redeemed prior to maturity, and investors receive principal back at maturity	This scenario assumes that each of the underlying shares closes at or above its respective downside threshold level on some quarterly observation dates, but one or more of the underlying shares close below the respective downside threshold level(s) on the others, and at least one of the underlying shares closes below its call threshold level on every quarterly redemption determination date. Consequently, the securities are not redeemed early, and investors receive the contingent quarterly coupon for the quarterly periods for which the determination closing price of each of the underlying shares is at or above its respective downside threshold level on the related observation date, but not for the quarterly periods for which the determination closing price of one or more of the underlying shares is below the respective downside threshold level(s) on the related observation date. On the final observation date, each of the underlying shares closes at or above its respective downside threshold level. At maturity, in addition to the contingent quarterly coupon with respect to the final observation date, investors will receive the stated principal amount.

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Principal at Risk Securities

Scenario 3: The securities are not redeemed prior to maturity, and investors suffer a substantial loss of principal at maturity	This scenario assumes that each of the underlying shares closes at or above its respective downside threshold level on some quarterly observation dates, but one or more of the underlying shares close below the respective downside threshold level(s) on the others, and at least one of the underlying shares closes below its call threshold level on every quarterly redemption determination date. Consequently, the securities are not redeemed early, and investors receive the contingent quarterly coupon for the quarterly periods for which the determination closing price of each of the underlying shares is greater than or equal to its respective downside threshold level on the related observation date, but not for the quarterly periods for which the determination closing price of one or more of the underlying shares are below the respective downside threshold level(s) on the related observation date. On the final observation date, one or more of the underlying shares close below the respective downside threshold level(s). At maturity, investors will receive an amount equal to the stated principal amount multiplied by the share performance factor of the worst performing underlying shares. Under these circumstances, the payment at maturity will be less than 65% of the stated principal amount and could be zero. No coupon will be paid at maturity in this scenario.

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All Payments on the Securities Based on the Worst Performing of the Financial Select Sector SPDR® Fund, the Health Care Select Sector SPDR® Fund and the Technology Select Sector SPDR® Fund

Principal at Risk Securities

How the Securities Work

The following diagrams illustrate the potential outcomes for the securities depending on (1) the determination closing prices on each quarterly observation date, (2) the determination closing prices on each quarterly redemption determination date and (3) the final share prices. Please see "Hypothetical Examples" below for an illustration of hypothetical payouts on the securities.

Diagram #1: Contingent Quarterly Coupons (Beginning on the First Coupon Payment Date until Early Redemption or Maturity)

Diagram #2: Automatic Early Redemption (Starting After Six Months)

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Principal at Risk Securities

Diagram #3: Payment at Maturity if No Automatic Early Redemption Occurs

For more information about the payout upon an early redemption or at maturity in different hypothetical scenarios, see "Hypothetical Examples" below.

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Principal at Risk Securities

Hypothetical Examples

The following hypothetical examples illustrate how to determine whether a contingent quarterly coupon is paid with respect to an observation date and how to calculate the payment at maturity, if any, assuming the securities are not redeemed prior to maturity. The following examples are for illustrative purposes only. Whether you receive a contingent quarterly coupon will be determined by reference to the determination closing price of each of the underlying shares on each quarterly redemption determination date, and the amount you will receive at maturity, if any, will be determined by reference to the final share price of each of the underlying shares on the final observation date. The actual initial share price, call threshold level and downside threshold level for each of the underlying shares will be determined on the pricing date. All payments on the securities, if any, are subject to our credit risk. The below examples are based on the following terms:

Hypothetical Contingent Quarterly Coupon:	7.25% per annum (corresponding to approximately $18.125 per quarter per security)[1] **With respect to each coupon payment date, a contingent quarterly coupon is paid but only if the determination closing price of each of the underlying shares is at or above its respective downside threshold level on the related observation date.**
Automatic Early Redemption:	If the determination closing price of **each of the underlying shares** is greater than or equal to its respective call threshold level on any quarterly redemption determination date, beginning on July 29, 2019 (approximately six months after the original issue date), the securities will be automatically redeemed for an early redemption payment equal to the stated principal amount plus the contingent quarterly coupon with respect to the related observation date. No further payments will be made on the securities once they have been redeemed.
Payment at Maturity (if the securities are not redeemed prior to maturity):	If the final share price of each of the underlying shares is **greater than or equal to its respective downside threshold level**: the stated principal amount and the contingent quarterly coupon with respect to the final observation date

	If the final share price of **any of the underlying shares is less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the share performance factor of the worst performing underlying shares
Stated Principal Amount:	$1,000
Hypothetical Initial Share Price:	With respect to the XLF Shares: $25.00 With respect to the XLV Shares: $85.00 With respect to the XLK Shares: $65.00
Hypothetical Downside Threshold Level:	With respect to the XLF Shares: $16.25, which is 65% of its hypothetical initial share price With respect to the XLV Shares: $55.25, which is 65% of its hypothetical initial share price With respect to the XLK Shares: $42.25, which is 65% of its hypothetical initial share price
Hypothetical Call Threshold Level:	With respect to the XLF Shares: $23.75, which is 95% of its hypothetical initial share price With respect to the XLV Shares: $80.75, which is 95% of its hypothetical initial share price With respect to the XLK Shares: $61.75, which is 95% of its hypothetical initial share price

[1] The actual contingent quarterly coupon will be an amount determined by the calculation agent based on the actual contingent quarterly coupon rate and the number of days in the applicable payment period, calculated on a 30/360 day count basis. The hypothetical contingent quarterly coupon of $18.125 is used in these examples for ease of analysis.

How to determine whether a contingent quarterly coupon is payable with respect to an observation date:

Determination Closing Price			Hypothetical Contingent Quarterly Coupon
XLF Shares	XLV Shares	XLK Shares	

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Hypothetical Observation Date 1	$20.00 (**at or above** its downside threshold level)	$78.50 (**at or above** its downside threshold level)	$50.00 (**at or above** its downside threshold level)	$18.125
Hypothetical Observation Date 2	$14.75 (**below** its downside threshold level)	$65.25 (**at or above** its downside threshold level)	$50.00 (**at or above** its downside threshold level)	$0
Hypothetical Observation Date 3	$18.75 (**at or above** its downside threshold level)	$68.00 (**at or above** its downside threshold level)	$25.00 (**below** its downside threshold level)	$0
Hypothetical Observation Date 4	$13.00 (**below** its downside threshold level)	$50.00 (**below** its downside threshold level)	$25.00 (**below** its downside threshold level)	$0

On hypothetical observation date 1, each of the underlying shares closes at or above its respective downside threshold level. Therefore, a hypothetical contingent quarterly coupon of $18.125 is paid on the relevant coupon payment date.

On each of hypothetical observation dates 2 and 3, two of the underlying shares close at or above their respective downside threshold levels but the other underlying shares closes below its respective downside threshold level. Therefore, no contingent quarterly coupon is paid on the relevant coupon payment date.

On hypothetical observation date 4, each of the underlying shares closes below its respective downside threshold level and accordingly no contingent quarterly coupon is paid on the relevant coupon payment date.

You will not receive a contingent quarterly coupon on any coupon payment date if the determination closing price of any of the underlying shares is below its respective downside threshold level on the related observation date.

How to calculate the payment at maturity:

In the following examples, one or more of the underlying shares close below the respective call threshold level(s) on each redemption determination date, and, consequently, the securities are not automatically redeemed prior to, and remain outstanding until, maturity.

	Final Share Price			Payment at Maturity
	XLF Shares	XLV Shares	XLK Shares	
Example 1:	$30.00 (**at or above** its downside threshold level)	$100.00 (**at or above** its downside threshold level)	$100.00 (**at or above** its downside threshold level)	$1,018.125 (the stated principal amount *plus* the contingent quarterly coupon with respect to the final observation date)
Example 2:	$20.00 (**at or above** its downside threshold level)	$42.50 (**below** its downside threshold level)	$70.00 (**at or above** its initial share price)	$1,000 x share performance factor of the worst performing underlying shares = $1,000 x ($42.50 / $85.00) = $500.00
Example 3:	$20.50 (**at or above** its downside threshold level)	$42.50 (**below** its downside threshold level)	$35.75 (**below** its downside threshold level)	$1,000 x ($42.50 / $85.00) = $500.00
Example 4:	$12.50 (**below** its downside threshold level)	$42.50 (**below** its downside threshold level)	$26.00 (**below** its downside threshold level)	$1,000 x ($26.00 / $65.00) = $400.00
Example 5:	$7.50 (**below** its downside threshold level)	$34.00 (**below** its downside threshold level)	$32.50 (**below** its downside threshold level)	$1,000 x ($7.50 / $25.00) = $300.00

In example 1, the final share price of each of the underlying shares is at or above its respective downside threshold level. Therefore, investors receive at maturity the stated principal amount of the securities and the hypothetical contingent quarterly

Morgan Stanley Finance LLC

Contingent Income Auto-Callable Securities due February 2, 2022, with 6-month Initial Non-Call Period

All Payments on the Securities Based on the Worst Performing of the Financial Select Sector SPDR® Fund, the Health Care Select Sector SPDR® Fund and the Technology Select Sector SPDR® Fund

Principal at Risk Securities

coupon with respect to the final observation date. However, investors do not participate in the appreciation of any of the underlying shares.

In example 2, the final share prices of two of the underlying shares are above their respective initial share prices, but the final share price of the other underlying shares is below its downside threshold level. Therefore, investors are exposed to the downside performance of the worst performing underlying shares at maturity and receive an amount equal to the stated principal amount *times* the share performance factor of the worst performing underlying shares.

In example 3, the final share price of one of the underlying shares is at or above its downside threshold level, but the final share price of each of the other underlying shares is below its respective downside threshold level. Therefore, investors are exposed to the downside performance of the worst performing underlying shares at maturity. The XLV Shares have declined 50% from their initial share price to their final share price, while the XLK Shares have declined 45% from their initial share price to their final share price. Therefore, investors receive at maturity an amount equal to the stated principal amount times the share performance factor of the XLV Shares, which are the worst performing underlying shares in this example.

In examples 4 and 5, the final share price of each of the underlying shares is below its respective downside threshold level, and investors receive at maturity an amount equal to the stated principal amount *times* the share performance factor of the worst performing underlying shares. In example 4, the XLF Shares have declined 50% from their initial share price to their final share price, the XLV Shares have declined 50% from their initial share price to their final share price, and the XLK Shares have declined 60% from their initial share price to their final share price. Therefore, the payment at maturity equals the stated principal amount *times* the share performance factor of the XLK Shares, which are the worst performing underlying shares in this example.

In example 5, the XLF Shares have declined 70% from their initial share price to their final share price, the XLV Shares have declined 60% from their initial share price to their final share price and the XLK Shares have declined 50% from their initial share price to their final share price. Therefore the payment at maturity equals the stated principal amount *times* the share performance factor of the XLF Shares, which are the worst performing underlying

shares in this example.

If the final share price of ANY of the underlying shares is below its respective downside threshold level, you will be exposed to the downside performance of the worst performing underlying shares at maturity, and your payment at maturity will be less than 65% of the stated principal amount per security and could be zero.

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Risk Factors

The following is a list of certain key risk factors for investors in the securities. For further discussion of these and other risks, you should read the section entitled "Risk Factors" in the accompanying product supplement, index supplement and prospectus. We also urge you to consult with your investment, legal, tax, accounting and other advisers in connection with your investment in the securities.

§ **The securities do not guarantee the return of any principal.** The terms of the securities differ from those of ordinary debt securities in that they do not guarantee the return of any of the principal amount at maturity. If the securities have not been automatically redeemed prior to maturity and if the final share price of **any of the underlying shares** is less than its downside threshold level of 65% of its initial share price, you will be exposed to the decline in the closing price of the worst performing underlying shares, as compared to the initial share price, on a 1-to-1 basis, and you will receive for each security that you hold at maturity an amount equal to the stated principal amount *times* the share performance factor of the worst performing underlying shares. In this case, the payment at maturity will be less than 65% of the stated principal amount and could be zero. **You could lose up to your entire investment in the securities.**

§ **The securities do not provide for the regular payment of interest and may pay no interest over the entire term of the securities.** The terms of the securities differ from those of ordinary debt securities in that they do not provide for the regular payment of interest. Instead, the securities will pay a contingent quarterly coupon **but only if** the determination closing price of **each of the underlying shares** is **at or above** 65% of its respective initial share price, which we refer to as the downside threshold level, on the related observation date. If, on the other hand, the determination closing price of **any of the underlying shares** is lower than its respective downside threshold level on the relevant observation date for any interest period, we will pay no coupon on the applicable coupon payment date. It is possible that the determination closing price of one or more of the underlying shares could remain below the respective downside threshold level(s) for extended periods of time or even throughout the entire 3-year term of the securities so that you will receive few or no contingent quarterly coupons. If you do not earn sufficient contingent quarterly coupons over the term of the securities, the overall return on the securities may be less than the amount that would be paid on a conventional debt security of ours of comparable maturity.

§ **You are exposed to the price risk of each of the underlying shares, with respect to both the contingent quarterly coupons, if any, and the payment at maturity, if any.** Your return on the securities is not linked to a basket consisting of each of the underlying shares. Rather, it will be contingent upon the independent performance of each of the underlying shares. Unlike an instrument with a return linked to a basket of underlying assets, in which risk is mitigated and diversified among all the components of the basket, you will be exposed to the risks related to each of the underlying shares. Poor performance by **any** of the underlying shares over the term of the securities may negatively affect your return and will not be offset or mitigated by any positive performance by the other underlying shares. To receive **any** contingent quarterly coupons, **each of the underlying shares** must close at or above its respective downside threshold level on the applicable observation date. In addition, if **any** of the underlying shares has declined to below its respective downside threshold level as of the final observation date, you will be **fully exposed** to the decline in the worst performing underlying shares over the term of the securities on a 1-to-1 basis, even if the other underlying shares have appreciated or have not declined as much. Under this scenario, the value of any such payment will be less than 65% of the stated principal amount and could be zero. Accordingly, your investment is subject to the price risk of each of the underlying shares.

§ **Each of the underlying shares is subject to risks associated with investments concentrated in a particular sector.** All or substantially all of the equity securities held by the XLF Shares, XLV Shares and XLK Shares are issued by companies whose primary business is directly associated with the financial sector, the health care sector and the technology sector, respectively. Each of the underlying shares may therefore be subject to increased price volatility, as each is concentrated in a single specific industry and market sector, and each of the underlying shares may be more susceptible to adverse economic, market, political or regulatory events affecting that particular industry or market sector. Therefore, the securities are exposed to concentration risks relating to the industry and market sector reflected in each of the underlying shares.

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§ **The contingent quarterly coupon, if any, is based only on the determination closing prices of the underlying shares on the related quarterly observation date at the end of the related interest period.** Whether the contingent quarterly coupon will be paid on any coupon payment date will be determined at the end of the relevant interest period based on the determination closing price of each of the underlying shares on the relevant quarterly observation date. As a result, you will not know whether you will receive the contingent quarterly coupon on any coupon payment date until near the end of the relevant interest period. Moreover, because the contingent quarterly coupon is based solely on the price of each of the underlying shares on quarterly observation dates, if the determination closing price of any of the underlying shares on any observation date is below its respective downside threshold level, you will receive no coupon for the related interest period even if the price(s) of one or more of the other underlying shares were higher on other days during that interest period.

§ **Investors will not participate in any appreciation in the price of any of the underlying shares.** Investors will not participate in any appreciation in the price of the underlying shares from their initial share prices, and the return on the securities will be limited to the contingent quarterly coupon that is paid with respect to each observation date on which each determination closing price is greater than or equal to its respective downside threshold level, if any.

§ **The market price will be influenced by many unpredictable factors.** Several factors, many of which are beyond our control, will influence the value of the securities in the secondary market and the price at which MS & Co. may be willing to purchase or sell the securities in the secondary market. We expect that generally the level of interest rates available in the market and the prices of the underlying shares on any day, including in relation to the respective downside threshold levels, will affect the value of the securities more than any other factors. Other factors that may influence the value of the securities include:

o the trading price and volatility (frequency and magnitude of changes in value) of the underlying shares and the stocks constituting their respective share underlying indices,

o whether the determination closing price of any of the underlying shares has been below its respective downside threshold level on any observation date,

o dividend rates on the stocks constituting the share underlying indices,

- geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying shares or equity markets generally and which may affect the prices of the underlying shares,
- the time remaining until the securities mature,
- interest and yield rates in the market,
- the availability of comparable instruments,
- the occurrence of certain events affecting the underlying shares that may or may not require an adjustment to the adjustment factor,
- the composition of the underlyings and changes in the constituents of the underlying shares, and
- any actual or anticipated changes in our credit ratings or credit spreads.

Some or all of these factors will influence the price that you will receive if you sell your securities prior to maturity. For example, you may have to sell your securities at a substantial discount from the stated principal amount of $1,000 per security if the price of any of the underlying shares at the time of sale is near or below its downside threshold level or if market interest rates rise.

The price of any or all of the underlying shares may be, and have recently been, volatile, and we can give you no assurance that the volatility will lessen. The prices of one or more of the underlying shares may decrease and be below the respective downside threshold level(s) on each observation date so that you will receive no return on your investment or receive a payment at maturity that is less than 65% of the stated principal amount. There can be no assurance that the determination closing prices of all of the underlying shares will be at or above their respective downside threshold levels on any observation date so that you will receive a coupon payment on the securities for the

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applicable interest period or, with respect to the final observation date, so that you do no suffer a significant loss on your initial investment in the securities. See **"**Financial Select Sector SPDR® Fund Overview,**" "**Health Care Select Sector SPDR® Fund Overview" and **"**Technology Select Sector SPDR® Fund Overview**"** below**.**

§ **The securities are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the securities.** You are dependent on our ability to pay all amounts due on the securities on each coupon payment date, upon automatic redemption and at maturity and therefore you are subject to our credit risk. The securities are not guaranteed by any other entity. If we default on our obligations under the securities, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the securities prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the securities.

§ **As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

§ **Reinvestment risk.** Th0in .0001pt;">	**$**		$		**$**	**0.06**	$	0.06
Other comprehensive income (loss)								
Retirement and other post-retirement plans, net of taxes	**$**	**5,452**	$	587	**$**	**7,398**	$	(1,037)
Other comprehensive income (loss)		**5,452**		587		**7,398**		(1,037)

Comprehensive income	**$ 143**	$ 5,768	**$ 10,532**	$ 5,983

See Notes to Condensed Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(all dollar amounts in thousands)	September 30, 2012 (unaudited)	December 31, 2011 (derived from audited financial statements)
Assets		
Current assets:		
Cash and cash equivalents	$ **6,421**	$ 26,661
Receivables, net	**78,823**	87,918
Refundable income taxes	**6,524**	161
Inventories	**47,509**	80,525
Spare parts	**27,400**	26,532
Other current assets	**3,372**	4,537
Assets of discontinued operations - current	**444**	
Total current assets	**170,493**	226,334
Property, plant, and equipment, net	**444,267**	369,836
Deferred income taxes	**27,022**	32,607
Other assets	**54,647**	50,053
Total Assets	$ **696,429**	$ 678,830
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ **69,583**	$ 77,925
Accrued and other liabilities	**42,009**	77,370
Deferred income taxes	**5,220**	
Liabilities of discontinued operations - current	**1,482**	
Total current liabilities	**118,294**	155,295
Long-term debt	**165,000**	127,650
Post-retirement benefits	**99,773**	97,421
Pension	**79,455**	77,824
Other noncurrent liabilities	**29,050**	24,396
Total liabilities	**491,572**	482,586
Stockholders equity	**204,857**	196,244
Total Liabilities and Stockholders Equity	$ **696,429**	$ 678,830

See Notes to Condensed Consolidated Financial Statements.

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Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(all dollar amounts in thousands)	Nine Months Ended September 30, 2012	2011
Net cash provided by operating activities	**$ 31,344**	$ 32,208
Cash flows from investing activities:		
Capital expenditures	**(110,346)**	(63,071)
Grants received for capital expenditures	**236**	610
Proceeds from sale of business	**20,837**	
Proceeds from sale of assets	**4,777**	1,781
Net cash used in investing activities	**(84,496)**	(60,680)
Cash flows from financing activities:		
Net borrowings of commercial paper	**6,350**	20,535
Borrowings under credit agreement	**3,000**	33,000
Payments under credit agreement	**(3,000)**	(33,000)
Issuances of notes payable	**50,000**	50,000
Payments under note payable obligations		(35,000)
Payments under industrial development bond agreement	**(19,000)**	
Payment of premium on early extinguishment of debt		(708)
Dividends paid	**(4,438)**	(4,430)
Net cash provided by financing activities	**32,912**	30,397
Net (decrease) increase in cash and cash equivalents	**(20,240)**	1,925
Cash and cash equivalents, beginning of period	**26,661**	2,003
Cash and cash equivalents, end of period	**$ 6,421**	$ 3,928

See Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Note 1. Basis of Presentation

The unaudited condensed consolidated financial statements include the results of Wausau Paper Corp. and our consolidated subsidiaries. All significant intercompany transactions have been eliminated. The accompanying condensed consolidated financial statements, in the opinion of management, reflect all adjustments, which are normal and recurring in nature and which are necessary for a fair statement of the results for the periods presented. Results for the interim period are not necessarily indicative of future results. In all regards, the financial statements have been presented in accordance with accounting principles generally accepted in the United States of America. Refer to notes to consolidated financial statements, which appear in the Annual Report on Form 10-K for the year ended December 31, 2011, for our accounting policies and other disclosures, which are pertinent to these statements.

The results of operations of the Paper segment s Brokaw, Wisconsin paper mill have been reported as discontinued operations in the Condensed Consolidated Statements of Comprehensive Income for all periods presented. The corresponding assets and liabilities of the discontinued operation in the Condensed Consolidated Balance Sheets have been reclassified at September 30, 2012 in accordance with authoritative literature on discontinued operations. The assets and liabilities of the discontinued operation were not retroactively reclassified in the December 31, 2011 Condensed Consolidated Balance Sheet, and as a result, the balances are not comparable between periods. Also, in accordance with the authoritative literature, we have elected to not separately disclose the cash flows related to the discontinued operation. See Note 3 for further information regarding discontinued operations.

Note 2. New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-05, Presentation of Comprehensive Income (ASU 2011-05), which amends Accounting Standards Codification (ASC) 220, Comprehensive Income . This guidance requires the presentation of total comprehensive income, total net income and the components of net income and comprehensive income either in a single continuous statement or in two separate but consecutive statements. The requirements do not change how earnings per share is calculated or presented. We adopted ASU 2011-05 in the first quarter of 2012, and have presented comprehensive income as a single continuous statement in our Condensed Consolidated Statements of Comprehensive Income.

On January 1, 2012, we adopted FASB ASU 2011-04, an amendment to ASC 820, Fair Value Measurements . The amendments in ASU 2011-04 generally represent clarifications of fair value measurement, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. ASU 2011-04 results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements. Adopting these amendments had no effect on the condensed consolidated financial statements.

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The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The FASB s guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs, other than quoted market prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 Unobservable inputs based on the reporting entity s own assumptions.

A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Note 3. Discontinued Operations and Other

In December 2011, we announced that our Board of Directors had approved the sale of our premium Print & Color brands, and the closure of our Brokaw, Wisconsin paper mill. The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment to Neenah Paper, Inc. closed on January 31, 2012. We permanently ceased papermaking operations at the mill on February 10, 2012. During the third quarter of 2012, we completed the sale and disposal of the remaining long-lived assets of the Brokaw mill, generating proceeds of $4.8 million and a pre-tax gain of approximately $0.2 million. For the nine months ended September 30, 2012, we recorded impairment charges related to the long-lived assets of the Brokaw mill of $2.1 million, which are included in earnings from discontinued operations in the Condensed Consolidated Statements of Comprehensive Income. No impairment charges related to the long-lived assets of the Brokaw mill were incurred during the third quarter of 2012. At March 31, 2012, we determined that the Brokaw mill was a component of the entity and is presented as discontinued operations in accordance with FASB ASC Subtopic 205-20, Discontinued Operations.

The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment generated a pre-tax gain of $12.5 million, which is recorded in earnings from discontinued operations in the Condensed Consolidated Statements of Comprehensive Income for the nine months ended September 30, 2012. With the sale of the premium Print & Color brands and closure of the Brokaw mill, we have eliminated our material participation in the Print & Color markets in which we have historically competed. We continue to manufacture and convert select Print & Color products for the buyer during a post-closing period which is expected to expire in late 2012. The continuing cash flows from this supply agreement are not a result of participation in an active market, and are not considered direct cash flows under ASC 205-20.

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The following table details the components of assets and liabilities that are classified as discontinued operations in the Condensed Consolidated Balance Sheets:

(all dollar amounts in thousands)		September 30, 2012
Receivables	$	429
Other current assets		15
Assets of discontinued operations - current		444
Accounts payable		(203)
Accrued and other liabilities, net		(1,279)
Liabilities of discontinued operations - current		(1,482)
Net liabilities of discontinued operations	$	(1,038)

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

(all amounts in thousands, except per share data)	Three Months Ended September 30, 2012		2011		Nine Months Ended September 30, 2012		2011	
Net sales	$		$	53,347	$	45,077	$	161,841
(Loss) earnings from discontinued operations before income taxes		(248)		(279)		7,374		(4,584)
(Credit) provision for income taxes		(92)		(107)		2,728		(1,614)
(Loss) earnings from discontinued operations, net of taxes	$	(156)	$	(172)	$	4,646	$	(2,970)
Net (loss) earnings per share basic and diluted	$	(0.00)	$	(0.00)	$	0.09	$	(0.06)

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During the third quarter of 2012, we continued to execute restructuring activities related to the closure of the Brokaw mill, and have recognized net pre-tax charges of $0.4 million during the three months ended September 30, 2012, and, exclusive of the gain recorded for the sales transactions, net pre-tax charges of $6.7 million during the nine months ended September 30, 2012. These net charges, which are detailed in the following table, are recorded in earnings from discontinued operations in the Condensed Consolidated Statements of Comprehensive Income.

(all dollar amounts in thousands)	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Impairment of long-lived assets	$	$ 2,075
Inventory and spare parts write-downs		985
Severance and benefit continuation costs	89	1,819
Other associated costs, net	325	1,816
Total	$ 414	$ 6,695

No significant additional pre-tax closure charges are expected to be incurred during the remainder of 2012.

Following is a summary of the liabilities for restructuring expenses through September 30, 2012, related to the closure of the Brokaw mill, all of which are included in liabilities of discontinued operations - current:

(all dollar amounts in thousands)	December 31, 2011	Reserve Provisions	Payments/ Usage	September 30, 2012
Severance and benefit continuation	$ 4,997	$ 1,819	$ (6,650)	**$ 166**
Contract termination and other	570	239	(707)	**102**
Total	$ 5,567	$ 2,058	$ (7,357)	**$ 268**

In the first quarter of 2012, we incurred pre-tax charges of $3.3 million related to a previously terminated natural gas contract for our Paper segment s previously closed Groveton, New Hampshire mill. The charge is included in selling and administrative expenses in the Condensed Consolidated Statements of Comprehensive Income. During the first nine months of 2012, we have made payments related to this natural gas contract of $1.5 million. We will continue to make payments related to the contract over the original contractual term. At September 30, 2012, $2.3 million and $10.1 million are included in current liabilities and noncurrent liabilities, respectively, consisting of contract termination costs associated with the Groveton, New Hampshire mill. At December 31, 2011, $2.3 million and $7.9 million are included in current liabilities and noncurrent liabilities, respectively, related to these contract termination costs.

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Note 4. Earnings Per Share (EPS)

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

(all amounts in thousands, except per share data)	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
Basic weighted average common shares outstanding	**49,323**	49,171	**49,309**	49,155
Dilutive securities:				
Stock compensation plans		254	**219**	231
Diluted weighted average common shares outstanding	**49,323**	49,425	**49,528**	49,386
(Loss) earnings from continuing operations, net of tax	**$ (5,153)**	$ 5,353	**$ (1,512)**	$ 9,990
(Loss) earnings from discontinued operations, net of tax	**(156)**	(172)	**4,646**	(2,970)
Net (loss) earnings	**$ (5,309)**	$ 5,181	**$ 3,134**	$ 7,020
(Loss) earnings from continuing operations, net of tax, per share basic and diluted	**$ (0.10)**	$ 0.11	**$ (0.03)**	$ 0.20
(Loss) earnings from discontinued operations, net of tax, per share basic and diluted	**(0.00)**	(0.00)	**0.09**	(0.06)
Net (loss) earnings per share basic	**$ (0.11)**	$ 0.11	**$ 0.06**	$ 0.14
Net (loss) earnings per share diluted	**$ (0.11)**	$ 0.10	**$ 0.06**	$ 0.14

Stock options for which the exercise price exceeds the average market price over the applicable period have an antidilutive effect on EPS, and accordingly, are excluded from the calculation of diluted EPS. Due to the net loss for the three months ended September 30, 2012, stock-based grants for 1,801,659 shares were considered to be antidilutive. For the three months ended September 30, 2011, stock-based grants for 1,818,636 shares were excluded from the diluted EPS calculation because the shares were antidilutive. For the nine months ended September 30, 2012 and 2011, stock-based grants for 1,151,222 shares and 1,914,740 shares, respectively, were excluded from the diluted EPS calculation because the shares were antidilutive.

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Note 5. Receivables

Receivables at September 30, 2012 exclude discontinued operations. The receivables related to discontinued operations were not retroactively reclassified and are included in the following table at December 31, 2011.

(all dollar amounts in thousands)	September 30, 2012	December 31, 2011
Trade	**$ 79,140**	$ 87,152
Other	**569**	1,719
	79,709	88,871
Less: allowances for doubtful accounts	**(886)**	(953)
	$ 78,823	$ 87,918

Note 6. Inventories

The various components of inventories were as follows:

(all dollar amounts in thousands)	September 30, 2012	December 31, 2011
Raw materials	**$ 34,936**	$ 32,069
Work in process and finished goods	**51,291**	100,044
Supplies	**5,182**	4,166
Inventories at cost	**91,409**	136,279
Less: LIFO reserve	**(43,900)**	(55,754)
	$ 47,509	$ 80,525

Note 7. Property, Plant, and Equipment

The various components of property, plant, and equipment were as follows:

	September 30, 2012	December 31, 2011
Property, plant, and equipment		
Buildings	**$ 92,439**	$ 121,625
Machinery and equipment	**804,807**	992,244

		897,246		1,113,869
Less: accumulated depreciation		**(625,054)**		(820,815)
Net depreciated value		**272,192**		293,054
Land		**3,943**		6,776
Timber and timberlands, net of depletion		**48**		48
Construction in progress		**168,084**		69,958
	$	**444,267**	$	369,836

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Excluding discontinued operations, the provision for depreciation, amortization, and depletion for the three months ended September 30, 2012 and 2011 was $11.6 million and $12.3 million, respectively. Excluding discontinued operations, the provision for depreciation, amortization, and depletion for the nine months ended September 30, 2012 and 2011 was $34.4 million and $37.4 million, respectively.

During the three and nine months ended September 30, 2012, interest capitalized on projects with a construction period exceeding one year totaled $1.4 million and $3.5 million, respectively. Interest capitalized on projects with a construction period exceeding one year during the three and nine months ended September 30, 2011, totaled $0.2 million and $0.4 million, respectively.

Note 8. Debt

A summary of total debt is as follows:

(all dollar amounts in thousands)		**September 30, 2012**		**December 31, 2011**
Unsecured private placement notes	**$**	**150,000**	$	100,000
Industrial development bonds				19,000
Commercial paper placement agreement		**15,000**		8,650
Total long-term debt	**$**	**165,000**	$	127,650

On March 31, 2010, we entered into a note purchase and private-shelf agreement. This agreement provided for the April 9, 2010, issuance of $50 million of unsecured senior notes having an interest rate of 5.69% with a maturity date of April 9, 2017, and also established a three-year private shelf facility under which up to $125 million of additional promissory notes may be issued at terms agreed upon by the parties at the time of issuance. On April 4, 2011, we issued an additional aggregate principal amount of $50 million of our senior notes under the terms of this note purchase and private-shelf agreement. The notes bear interest at 4.68% and mature on April 4, 2018. On August 22, 2011, the private-shelf agreement was amended to expand the total amount available under the private-shelf agreement to $150 million. On April 9, 2012, we issued an additional aggregate principal amount of $50 million of our senior notes under this note purchase and private-shelf agreement. The notes bear interest at 4.00% and mature on June 30, 2016. At September 30, 2012, $150 million was currently outstanding under the note purchase and private-shelf agreement.

We have estimated the fair value of our long-term debt in accordance with FASB authoritative guidance. The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. Fair value information for long-term debt is within Level 2 of the fair value hierarchy and is based on current market interest rates and estimates of current market conditions for instruments with similar terms and maturities. At September 30, 2012, the estimated fair value of long-term debt is approximately $179 million which compares to the carrying value of $165 million. At December 31, 2011, the estimated fair value of long-term debt was approximately $138 million which compares to the carrying value of $128 million.

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During the second quarter of 2012, we settled our obligations related to the $19 million of industrial development bonds. There were no prepayment penalties or additional costs associated with the retirement of these obligations.

On June 23, 2010, we entered into a $125 million revolving-credit agreement with five financial institutions that will expire on June 23, 2014. At September 30, 2012, there were no outstanding borrowings under the revolving-credit agreement.

In addition, at September 30, 2012, we had $15.0 million of commercial paper outstanding under an existing unrated commercial paper placement agreement with a bank. The agreement requires unused credit availability under our revolving-credit agreement equal to the amount of outstanding commercial paper. At September 30, 2012, the amount of commercial paper outstanding has been classified as long-term on our Condensed Consolidated Balance Sheets as we have the ability and intent to refinance the obligations under our revolving-credit agreement.

During the second quarter of 2011, we settled our obligations related to the $35 million unsecured private placement notes scheduled to expire in August 2011. The settlement of these obligations resulted in the recognition of a loss on early extinguishment of debt of $0.7 million in the nine months ended September 30, 2011, which reflects the premiums paid to retire the unsecured private placement notes, net of unamortized premiums and issuance costs.

We are subject to certain financial and other covenants under the revolving-credit agreement and the note purchase and private-shelf agreement. At September 30, 2012, we were in compliance with all required covenants and expect to remain in full compliance throughout the remainder of 2012.

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Note 9. Pension and Other Post-retirement Benefit Plans

Inclusive of discontinued operations, the components of net periodic benefit cost recognized in the Condensed Consolidated Statements of Comprehensive Income for the three months ended September 30, 2012 and 2011 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2012	**2011**	**2012**	**2011**
Service cost	**$ 576**	$ 717	**$ 508**	$ 377
Interest cost	**2,653**	2,952	**1,039**	1,093
Expected return on plan assets	**(3,566)**	(3,697)		
Amortization of:				
Prior service cost (benefit)	**273**	408	**(770)**	(860)
Actuarial loss	**1,380**	808	**788**	545
Settlements	**12,077**			
Net periodic benefit cost	**$ 13,393**	$ 1,188	**$ 1,565**	$ 1,155

Inclusive of discontinued operations, the components of net periodic benefit cost recognized in the Condensed Consolidated Statements of Comprehensive Income for the nine months ended September 30, 2012 and 2011 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2012	**2011**	**2012**	**2011**
Service cost	**$ 1,866**	$ 2,224	**$ 1,524**	$ 1,130
Interest cost	**8,163**	9,284	**3,117**	3,280
Expected return on plan assets	**(10,895)**	(11,295)		
Amortization of:				
Prior service cost (benefit)	**822**	1,330	**(2,310)**	(2,579)
Actuarial loss	**3,933**	2,726	**2,364**	1,635
Curtailment			**(634)**	
Settlements	**14,317**			
Net periodic benefit cost	**$ 18,206**	$ 4,269	**$ 4,061**	$ 3,466

The settlements recognized during the three and nine months ended September 30, 2012, relate to charges associated with the settlement of pension liabilities with respect to various defined benefit pension plans. Approximately $7.7 million of the settlements during the three and nine months ended September 30, 2012, related to the final termination of a defined benefit pension plan included in our Paper segment. The other post-retirement benefits curtailment recognized in the nine months ended

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September 30, 2012, relates to the closure of the Paper segment s Brokaw, Wisconsin mill.

We previously disclosed in our consolidated financial statements for the year ended December 31, 2011 that we anticipate making contributions of approximately $23 million directly to our pension and retirement plans as a result of minimum funding requirements and elective contributions in 2012. As of September 30, 2012, we have made contributions of approximately $23.5 million to our pension and retirement plans in 2012. We now expect to contribute approximately $24.0 million to our pension and retirement plans. In addition, as previously reported, we expected to contribute approximately $4 million, net of subsidy reimbursements, directly to other post-retirement plans in 2012. As of September 30, 2012, we have contributed approximately $2.5 million to our other post-retirement plans. We now expect to contribute approximately $3.3 million to our other post-retirement plans in 2012.

Note 10. Share-Based Compensation

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

Stock Options, Restricted Stock Awards, and Performance Units

As a result of share-based compensation related to non-qualified option grants, restricted stock awards, and performance unit awards, during the three and nine months ended September 30, 2012, we recognized a credit of less than $0.1 million and expense of approximately $1.5 million respectively. During the three and nine months ended September 30, 2011, share-based compensation expense related to non-qualified option grants, restricted stock awards, and performance unit awards was approximately $0.2 million and $2.3 million, respectively. We recognize compensation expense on grants of stock options, restricted stock, and performance unit share-based compensation awards on a straight-line basis over the requisite service period of each award. Forfeiture rates are estimated based upon our historical experience for each grant type. As of September 30, 2012, total unrecognized compensation cost, net of estimated forfeitures, related to share-based compensation awards was approximately $1.8 million, which we expect to recognize over a weighted average period of approximately 1.0 years.

During the nine months ended September 30, 2012, as part of compensation for our directors and certain employees of Wausau Paper, we granted awards of performance units. Of the awards granted, 46,787 performance units were granted to directors. The grants to certain employees were comprised of three types of awards. The first type of award included 74,435 performance units with vesting based upon the completion of a requisite period of service. The second type of award included 288,387 performance units with vesting of the award subject to achievement of a targeted shareholder return on our common stock over a three-year period. The third type of award was comprised of 531,985 performance units with vesting contingent on (1) achieving certain operating profit levels and (2) completion of a service requirement. We have recognized compensation expense related to performance-based awards during the nine months ended September 30, 2012, as it is probable a portion of the awards will vest as performance criteria are met.

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Stock Appreciation Rights and Dividend Equivalents

Share-based compensation provisions or credits related to stock appreciation rights and dividend equivalents are determined based upon a remeasurement to their fair value at each interim reporting period in accordance with the provisions of FASB ASC Subtopic 718-10. During the three and nine months ended September 30, 2012, we recognized a credit of less than $0.1 million and expense of less than $0.1 million, respectively, in share-based compensation related to stock appreciation rights and dividend equivalents. During the three and nine months ended September 30, 2011, we recognized credits of less than $0.1 million and approximately $0.1 million, respectively, in share-based compensation related to stock appreciation rights and dividend equivalents.

Note 11. Interim Segment Information

Factors Used to Identify Reportable Segments

We have evaluated our disclosures of our business segments in accordance with ASC Subtopic 280-10, and as a result we have classified our operations into two principal reportable segments: Tissue and Paper, each providing different products. Separate management of each segment is required because each business unit is subject to different marketing, production, and technology strategies.

Products from which Revenue is Derived

The Tissue segment produces a complete line of towel and tissue products that are marketed along with soap and dispensing systems for the away-from-home market. Tissue operates a paper mill in Middletown, Ohio, and a converting facility in Harrodsburg, Kentucky.

The Paper segment produces specialty papers within three core markets Food, Tape & Industrial, and Coated & Liner. These products are produced at manufacturing facilities located in Brainerd, Minnesota, and in Rhinelander and Mosinee, Wisconsin. In 2011 and into 2012, the Paper segment produced fine printing and writing papers at a manufacturing facility in Brokaw, Wisconsin. Papermaking operations at the Brokaw facility permanently ceased on February 10, 2012. In accordance with authoritative literature, we have reported the Brokaw facility as a discontinued operation. See Note 3 for additional information on discontinued operations.

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Reconciliations

The following are reconciliations to corresponding totals in the accompanying condensed consolidated financial statements. The sales and operating profit (loss) information excludes discontinued operations in all periods presented. The assets and liabilities of discontinued operations were not retroactively reclassified in the December 31, 2011 Condensed Consolidated Balance Sheet, and as a result, the asset information for the Paper segment includes assets of discontinued operations at December 31, 2011.

(all dollar amounts in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net sales external customers:				
Tissue	**$ 86,632**	$ 86,381	**$ 256,701**	$ 249,301
Paper	**115,617**	126,107	**374,602**	370,754
	$ 202,249	$ 212,488	**$ 631,303**	$ 620,055
Operating profit (loss):				
Tissue	**$ 7,506**	$ 7,008	**$ 25,766**	$ 21,976
Paper	**(7,884)**	5,885	**(5,571)**	11,352
Corporate & eliminations	**(8,264)**	(2,583)	**(21,308)**	(11,391)
	$ (8,642)	$ 10,310	**$ (1,113)**	$ 21,937

	September 30, 2012	December 31, 2011
Segment assets:		
Tissue	**$ 354,841**	$ 224,949
Paper	**281,073**	367,249
Discontinued operations	**444**	
Corporate & unallocated*	**60,071**	86,632
	$ 696,429	$ 678,830

* Segment assets do not include intersegment accounts receivable, cash, deferred tax assets, and certain other assets, which are not identifiable with segments.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Management s discussion and analysis of financial condition and results of operations is provided as a supplement to our condensed consolidated financial statements and accompanying notes to help provide an understanding of our financial condition, the changes in our financial condition, and our results of operations. The following discussion of the financial condition and results of operations of Wausau Paper Corp. should be read together with the condensed consolidated financial statements for the three and nine months ended September 30, 2012 and 2011, including the notes thereto, included elsewhere in this report, and the audited consolidated annual financial statements as of and for the year ended December 31, 2011 and notes thereto included in the Company s Annual Report on Form 10-K.

Operations Review

In December 2011, our Board of Directors approved the sale of our premium Print & Color brands and the closure of our Brokaw, Wisconsin paper mill. The Print & Color portion of the Paper segment competed in the declining uncoated freesheet market, and was faced with continuing margin compression and volume pressures. During the first quarter of 2012, we completed the sale of the premium Print & Color brands, inventory, and select equipment, and in February ceased papermaking operations at the Brokaw, Wisconsin paper mill. Consequently, the impact of this site and its related closure activities are reported as discontinued operations, and all results discussed below exclude the results of discontinued operations unless otherwise indicated. For additional information on discontinued operations, please refer to Note 3 Discontinued Operations and Other in the Notes to Condensed Consolidated Financial Statements.

Our exit from the Print & Color business aligns the Paper segment with the growth-oriented technical markets in which it has historically competed: Food, Tape & Industrial, and Coated & Liner. The Tissue segment continues to focus on production and marketing of a broad line of paper towel and tissue products, which are marketed, along with soap and dispensing system products, for the industrial and commercial away-from-home market.

Overview

Consolidated (all dollar amounts in thousands, except per share data)	**Three Months Ended September 30, 2012**	**2011**	**Nine Months Ended September 30, 2012**	**2011**
(Loss) earnings from continuing operations	**$ (9,297)**	$ 8,665	**$ (3,518)**	$ 15,799
(Loss) earnings from continuing operations per share basic and diluted	**$ (0.10)**	$ 0.11	**$ (0.03)**	$ 0.20

In the third quarter of 2012, we reported a net loss from continuing operations of $9.3 million, or $0.10 per share, compared to prior-year net earnings from continuing operations of $8.7 million, or $0.11 per share. Net earnings from continuing operations for the third quarter of 2012 included after-tax expenses of $7.6 million, or $0.15 per share, related to settlement charges on

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certain defined benefit pension plans and $1.2 million, or $0.02 per share, in capital-related expenses associated with an expansion project in our Tissue segment. Net earnings from continuing operations for the third quarter of 2011 included after-tax capital-related expenses of $0.4 million, or $0.01 per share, due to the Tissue expansion project.

For the nine months ended September 30, 2012, we reported a net loss from continuing operations of $3.5 million, or $0.03 per share, compared to net earnings from continuing operations of $15.8 million, or $0.20 per share, in the first nine months of 2011. Net earnings from continuing operations during the first nine months of 2012 included after-tax expenses of $9.0 million, or $0.18 per share, related to settlement charges associated with certain defined benefit pension plans and after-tax capital-related expenses of $3.4 million, or $0.07 per share, due to an expansion in our Tissue segment. In addition, the nine months ended September 30, 2012, included after-tax expenses of $2.1 million, or $0.04 per share, related to a natural gas transportation contract for our former Groveton, New Hampshire paper mill. Net earnings from continuing operations during the first three quarters of 2011 included after-tax capital-related expenses of $3.4 million, or $0.07 per share, due to the paper machine rebuild within our Paper segment and an expansion in our Tissue segment, and after-tax gains on sales of timberlands of $0.3 million, or less than $0.01 per share.

Net Sales and Gross Profit on Sales   Continuing Operations

Consolidated **(all dollar amounts in thousands)**	**Three Months Ended September 30,** **2012**	**2011**	**Nine Months Ended September 30,** **2012**	**2011**
Net sales	**$ 202,249**	$ 212,488	**$ 631,303**	$ 620,055
Tons sold	**124,162**	128,037	**392,003**	376,884
Gross profit on sales	**$ 21,543**	$ 25,007	**$ 73,724**	$ 71,982
Gross profit margin	**11%**	12%	**12%**	12%

Consolidated net sales and shipments decreased by 5% and 3%, respectively, during the three months ended September 30, 2012, as compared to the same period in 2011. During the same comparative periods, average net selling price decreased approximately 2%, or approximately $6 million, with a slight improvement in product mix being more than offset by declines in actual selling price.

Comparing the nine months ended September 30, 2012 and 2011, consolidated net sales increased by approximately 2% year-over-year, while shipments increased approximately 4% over the same comparative period. During the first nine months of 2012, average net selling price decreased by approximately 2%, or more than $13 million, as compared to the first nine months of 2011. Actual selling price decreases contributed to more than three-quarters of the decrease, while product mix changes contributed to the remaining decrease.

Gross profit for the three months ended September 30, 2012, was $21.5 million compared to $25.0 million for the three months ended September 30, 2011. Gross profit in the third quarter of 2012 included capital-related charges of $1.7 million related to the expansion in our Tissue segment, while gross profit in the third quarter of 2011 included capital-related charges of $0.2

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million related to the aforementioned Tissue expansion project. Comparing the three months ended September 30, 2012 with the same period in 2011, on a consolidated basis, declines in average selling price combined with increased material consumption, labor, and other manufacturing costs more than offset decreases in fiber and energy costs of approximately $8 million and more than $1 million, respectively.

Year-to-date, gross profit increased to $73.7 million in 2012, from $72.0 million reported in 2011. Gross profit in the nine months ended September 30, 2012 included capital-related charges of $3.8 million related to our Tissue expansion project. Gross profit in the nine months ended September 30, 2011 included capital-related charges of $4.4 million, mostly due to a paper machine rebuild within our Paper segment and $0.4 million of gains on sales of timberlands. Comparing the first nine months of 2012 to the same period in 2011, on a consolidated basis, gross profit was positively impacted by a decrease in fiber and energy costs of more than $20 million, however, increased labor, material consumption, maintenance, and other manufacturing costs more than offset the positive impact of changes in fiber and energy prices.

Consolidated Order Backlogs Continuing Operations	September 30, 2012	September 30, 2011
Order backlogs in tons:		
Tissue	**3,800**	2,400
Paper	**25,300**	28,500
	29,100	30,900

Backlog tons at September 30, 2012 represent $48.4 million in sales compared to $49.7 million in sales at September 30, 2011. The entire backlog at September 30, 2012 is expected to be shipped during the remainder of 2012.

Tissue

(all dollar amounts in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net sales	**$ 86,632**	$ 86,381	**$ 256,701**	$ 249,301
Tons sold	**44,773**	44,125	**132,256**	129,396
Gross profit on sales	**$ 15,367**	$ 12,767	**$ 48,913**	$ 39,348
Gross profit margin	**18%**	15%	**19%**	16%

In April 2011, the Company s Board of Directors approved plans to expand the Tissue segment s production capabilities in response to growing demand for its environmentally-friendly, premium products. The expansion will include a new paper machine, located at our Harrodsburg, Kentucky converting facility, which will be capable of producing premium towel and tissue products from 100 percent recycled fiber. The expansion project is progressing on schedule, with systems testing, machine startup, and conventional commercialization expected in the fourth quarter of 2012. We anticipate the new paper machine to begin producing premium towel and tissue products in the first quarter of 2013.

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Tissue net sales modestly improved during the quarter ended September 30, 2012, as compared to the same period in 2011, while shipments, as measured in tons, increased more than 1% during the same comparative period. As a result of our product reconfiguration efforts, comparing the third quarter of 2012 with the same period in 2011, cases shipped increased by approximately 3%. Average net selling price decreased by more than 1% in the third quarter of 2012 compared to the third quarter of 2011, with declines in actual selling price more than offsetting enhancements in overall product mix.

Net sales increased 3% and shipments, as measured in tons, increased 2% in the first nine months of 2012, as compared to the same period in 2011. Product shipments, as measured in cases, increased 3% during the nine months ended September 30, 2012, as compared with the nine months ended September 30, 2011. Average net selling price remained relatively stable during the same comparative periods, with actual selling price decreases offsetting product mix improvements.

Gross profit margins for Tissue were 18% in the third quarter of 2012 compared to 15% in the third quarter of 2011. Gross profit for the three months ended September 30, 2012 and 2011 included $1.7 million and $0.2 million, respectively, of capital-related expenses due to the expansion to our facility in Harrodsburg, Kentucky. Comparing the third quarter of 2012 to the same period in 2011, a combined decrease in wastepaper, purchased parent rolls, and energy costs of approximately $5 million positively impacted gross profit margin.

The gross profit margins for Tissue were 19% and 16% for the nine months ended September 30, 2012 and 2011, respectively. Gross profit for the nine months ended September 30, 2012 and 2011 included $3.8 million and $0.4 million, respectively, of capital-related expenses due to the aforementioned expansion in Harrodsburg, Kentucky. Comparing the first three quarters of 2012 to the same period in 2011, a combined decrease in wastepaper, purchased parent rolls, pulp, and energy costs of approximately $11 million positively impacted gross profit margin.

Paper

In December 2011, we announced that our Board of Directors had approved the sale of our premium Print & Color brands, and the closure of our Paper segment s Brokaw, Wisconsin paper mill. The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment to Neenah Paper, Inc. finalized on January 31, 2012. We permanently ceased papermaking operations at the mill on February 10, 2012. During the third quarter of 2012, we completed the sale and disposal of the remaining long-lived assets of the Brokaw mill, generating proceeds of $4.8 million and a pre-tax gain of approximately $0.2 million. At March 31, 2012, we determined that the Brokaw mill was a component of the entity and is presented as discontinued operations in accordance with Financial Accounting Standards Board Accounting Standards Codification Subtopic 205-20, Discontinued Operations. For additional information on discontinued operations, please refer to Note 3 Discontinued Operations and Other in the Notes to Condensed Consolidated Financial Statements.

The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment generated a pre-tax gain of $12.5 million, which is recorded in earnings from

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discontinued operations in the Condensed Consolidated Statements of Comprehensive Income. With the sale of the premium Print & Color brands and closure of the Brokaw mill, we have eliminated our material participation in the Print & Color markets in which we have historically competed. The following information and discussion of the Paper segment exclude discontinued operations for all periods presented.

(all dollar amounts in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net sales	**$ 115,617**	$ 126,107	**$ 374,602**	$ 370,754
Tons sold	**79,389**	83,912	**259,747**	247,488
Gross profit on sales	**$ 6,127**	$ 11,988	**$ 24,585**	$ 31,778
Gross profit margin	**5%**	10%	**7%**	9%

The Paper segment s net sales for the third quarter of 2012 decreased 8% compared to the same period in 2011, while shipments declined more than 5%. Average net selling price decreased 3%, or more than $4 million, in the third quarter of 2012 compared with the third quarter of 2011. While the average net selling price related to technical markets remained relatively flat during the third quarter of 2012 as compared with the third quarter of 2011, there was a decrease in Paper segment s average net selling price due to the support of the transition of the Print & Color business as result of the sale to Neenah Paper.

Paper recorded a gross profit margin of 5% in the third quarter of 2012 compared to a gross profit margin of 10% in the third quarter of 2011. Comparing the third quarter of 2012 to the same period in 2011, declines in fiber costs of more than $3 million and energy costs of nearly $1 million were more than offset by a decline in the average net selling price, planned transition costs associated with the exit from the Print & Color business, and increases in other costs of manufacturing.

For the first three quarters of 2012, the Paper segment s net sales and shipments increased 1% and 5%, respectively, compared to the same period in 2011. The increase in net shipments was primarily due to growth within our technical paper markets of approximately 6%. Average net selling price decreased approximately 4%, or more than $13 million, during the nine months ended September 30, 2012, as compared to the same period in 2011. During these comparative periods, approximately $11 million of the decline is due to support of the transition of the Print & Color business as a result of the sale to Neenah Paper. The remaining decrease of approximately $2 million is related to our technical product categories, with more than half of the decline due to actual price decreases and the remaining amount a result of product mix composition.

Paper s gross profit margin decreased to 7% during the first nine months of 2012, from a gross profit margin of 9% during the first nine months of 2011. Gross profit in the first nine months of 2011 included capital-related expenses of $4.0 million due to the rebuild of a paper machine in our Brainerd, Minnesota paper mill. In the year-over-year nine month comparison, a decrease in fiber-related costs of approximately $8 million combined with a decrease in energy costs of less

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than $2 million to positively impact gross profit margin. However, these favorable impacts were more than offset by a decline in the average net selling price, planned transition costs associated with the exit from the Print & Color business, and increases in other costs of manufacturing.

Selling and Administrative Expense Continuing Operations

(all dollar amounts in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Selling and administrative expense	**$ 30,185**	$ 14,697	**$ 74,837**	$ 50,045
As a percent of net sales	**15%**	7%	**12%**	8%

Selling and administrative expenses in the third quarter of 2012 were $30.2 million compared to $14.7 million in the same period of 2011. During the three months ended September 30, 2012, we incurred pre-tax expenses within our Paper and Corporate segments of $7.7 million and $4.4 million, respectively, related to settlement charges associated with certain defined benefit pension plans. The remaining increase in selling and administrative expense is primarily due to increases in wages and benefits, as well as consulting and other professional services.

Selling and administrative expenses for the nine months ended September 30, 2012 were $74.8 million compared to $50.0 million in the same period of 2011. Stock-based incentive compensation programs resulted in expense of $1.7 million for the first nine months of 2012, compared to an expense of $1.9 million for the first nine months of 2011. During the first three quarters of 2012, we incurred a pre-tax charge of $3.3 million to the value of a terminated natural gas transportation contract for our Paper segment s former Groveton, New Hampshire paper mill, and pre-tax expenses within our Paper and Corporate segments of $7.7 million and $6.6 million, respectively, related to settlement charges associated with certain defined benefit pension plans. The remaining increase in selling and administrative expense for the first nine months of 2012 as compared to the same period in 2011 is primarily due to increases in wages, benefits, consulting, and other professional services.

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Other Income and Expense

(all dollar amounts in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Interest expense	**$ 648**	$ 1,640	**$ 2,388**	$ 5,457
Loss on early extinguishment of debt				666

Interest expense in the third quarter of 2012 was $0.6 million, compared to interest expense of $1.6 million in the third quarter of 2011. For the first nine months of 2012, interest expense declined to $2.4 million from $5.5 million of interest expense recorded during the same period in 2011. The decrease in both the quarter-over-quarter and year-over-year comparisons is primarily due to the impact of capitalized interest on projects with a construction period exceeding one year of $1.4 million and $0.2 million during the three months ended September 30, 2012 and 2011, respectively, and $3.5 million and $0.4 million during the nine months ended September 30, 2012 and 2011, respectively. Total debt was $165.0 million and $162.8 million at September 30, 2012 and 2011, respectively. Total debt at December 31, 2011 was $127.7 million.

During the second quarter of 2011, we settled our obligations related to the $35.0 million unsecured private placement notes scheduled to expire in August 2011. The settlement of these obligations resulted in a loss on early extinguishment of debt of $0.7 million in the nine months ended September 30, 2011, which reflects the premiums paid to retire the unsecured private placement notes, net of unamortized premiums and issuance costs.

Income Taxes Continuing Operations

(all dollar amounts in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
(Credit) provision for income taxes	**$ (4,144)**	$ 3,312	**$ (2,006)**	$ 5,809
Effective tax rate	**(45)%**	38%	**(57)%**	37%

The effective tax rate for the three and nine months ended September 30, 2012, was impacted by an additional credit for income taxes primarily related to the settlement of income tax related items. The effective tax rate for the remainder of 2012 is expected to be in the range of 37% - 40%.

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Liquidity and Capital Resources

Cash Flows and Capital Expenditures

(all dollar amounts in thousands)	Nine Months Ended September 30, 2012	2011
Cash provided by operating activities	**$ 31,344**	$ 32,208
Capital expenditures	**110,346**	63,071

Net cash provided by operating activities was $31.3 million for the nine months ended September 30, 2012, compared to $32.2 million during the same period in 2011. In the year-over-year comparisons of cash provided by operating activities, the nine months ended September 30, 2012, were positively impacted by working capital improvements, primarily reductions in inventories due to our exit from the Print & Color business. However, these improvements in working capital were offset by the impact of significant contributions made to certain pension and other retirement plans during the first three quarters of 2012. During the nine months ended September 30, 2012, we made contributions of approximately $23.5 million to our pension and retirement plans in 2012, compared to contributions of approximately $3.1 million during the same period in 2011.

In April 2011, our Board of Directors approved a $220 million project, $207 million of which is capital-related, that will expand the Tissue segment s production capabilities in response to growing demand for its environmentally-friendly products. The expansion will include a new paper machine capable of producing premium towel and tissue products from 100 percent recycled fiber. Capital spending related to this project was $100.7 million in the first nine months of 2012, with anticipated full-year capital spending on this project to be approximately $141 million in 2012, and $21 million in 2013. We expect to fund the project primarily from future operational cash flows and available credit from our established $325 million borrowing base. Construction related to the new paper machine, which will be located at our converting facility in Harrodsburg, Kentucky, is progressing on schedule, with systems testing, machine startup, and conventional commercialization expected in the fourth quarter of 2012. We anticipate the new paper machine to begin producing premium towel and tissue products in the first quarter of 2013.

Capital spending for the first nine months of 2012 was $110.3 million compared to $63.1 million during the first nine months of 2011. The increase in capital expenditures in the first three quarters of 2012 as compared to the same period in 2011 is primarily due to the Tissue expansion project as described above. Total capital spending for the full year of 2012 is expected to be approximately $160 million, including capital spending related to the Tissue expansion project.

We currently expect that our cash and cash equivalents, cash provided by operations, and the available credit under our credit agreements will provide sufficient liquidity to meet our cash flow needs for capital spending, working capital requirements, pension and retirement plan contributions, and other liquidity needs during the remainder of 2012.

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Debt and Equity

(all dollar amounts in thousands)	September 30, 2012	December 31, 2011
Total debt	$ **165,000**	$ 127,650
Stockholders equity	**204,857**	196,244
Total capitalization	**369,857**	323,894
Long-term debt/capitalization ratio	**45%**	39%

As of September 30, 2012, total debt increased $37.3 million from the $127.7 million borrowed at December 31, 2011. The increase in debt is due primarily to the increase in capital expenditures related to the new towel and tissue machine in our Tissue segment. The significant increase in year-to-date capital expenditures has been partially offset by cash generated from the sales of our premium Print & Color brands and from working capital improvements, primarily a reduction in inventories.

On March 31, 2010, we entered into a note purchase and private-shelf agreement. This agreement provided for the April 9, 2010, issuance of $50 million of unsecured senior notes having an interest rate of 5.69% with a maturity date of April 19, 2017, and also established a three-year private shelf facility under which up to $125 million of additional promissory notes may be issued at terms agreed upon by the parties at the time of issuance. On April 4, 2011, we issued an additional aggregate principal amount of $50 million of our senior notes under the terms of this note purchase and private-shelf agreement. The notes bear interest at 4.68% and mature on April 4, 2018. On August 22, 2011, the private-shelf agreement was amended to expand the total amount available under the private-shelf agreement to $150 million. On April 9, 2012, we issued an additional aggregate principal amount of $50 million of our senior notes under this note purchase and private-shelf agreement. The notes bear interest at 4.00% and mature on June 30, 2016. At September 30, 2012, $150 million was currently outstanding under the note purchase and private-shelf agreement.

During the second quarter of 2012, we paid our obligations related to the $19 million of industrial development bonds. There were no prepayment penalties or additional costs associated with the retirement of these obligations.

On June 23, 2010, we entered into a $125 million revolving-credit agreement with five financial institutions that will expire on June 23, 2014. At September 30, 2012, there were no outstanding borrowings under the revolving-credit agreement.

In addition, at September 30, 2012, we had $15.0 million of commercial paper outstanding under an existing unrated commercial paper placement agreement with a bank. The agreement requires unused credit availability under our revolving-credit agreement equal to the amount of outstanding commercial paper. At September 30, 2012, the amount of commercial paper outstanding has been classified as long-term on our Condensed Consolidated Balance Sheets as we have the ability and intent to refinance the obligations under our revolving-credit agreement.

During the second quarter of 2011, we paid our obligations related to the $35 million unsecured private placement notes scheduled to expire in August 2011. The payment of these obligations

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resulted in the recognition of a loss on early extinguishment of debt of $0.7 million in the nine months ended September 30, 2011, which reflects the premiums paid to retire the unsecured private placement notes, net of unamortized premiums and issuance costs.

We are subject to certain financial and other covenants under the revolving-credit agreement and the note purchase and private-shelf agreement. At September 30, 2012, we were in compliance with all required covenants and expect to remain in full compliance throughout the remainder of 2012.

At December 31, 2011, there were approximately 2.0 million shares available for repurchase through an authorization approved by our Board of Directors in 2008. There were no repurchases during the first nine months of 2012 or 2011. Repurchases may be made from time to time in the open market or through privately negotiated transactions. We do not intend to repurchase shares in the near future.

Dividends

On December 15, 2011, the Board of Directors declared a quarterly cash dividend of $0.03 per common share. The dividend was paid on February 15, 2012, to shareholders of record on February 1, 2012. On April 19, 2012, the Board of Directors declared a quarterly cash dividend of $0.03 per common share. The dividend was paid on May 15, 2012 to shareholders of record on May 1, 2012. On June 18, 2012, the Board of Directors declared a quarterly cash dividend of $0.03 per common share. The dividend was paid August 15, 2012 to shareholders of record on August 1, 2012. On October 18, 2012, the Board of Directors declared a quarterly cash dividend of $0.03 per common share. The dividend will be paid on November 15, 2012 to shareholders of record on November 1, 2012.

Critical Accounting Policies and Estimates

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Please refer to the notes to the financial statements, which appear in the Annual Report on Form 10-K for the year ended December 31, 2011, for our accounting policies and other disclosures which are pertinent to these statements.

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Information Concerning Forward-Looking Statements

The foregoing discussion and analysis of our financial condition and results of operations contains forward-looking statements that involve risks, uncertainties, and assumptions. Forward-looking statements are not guarantees of performance. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Wausau Paper Corp. and our consolidated subsidiaries may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. Forward-looking statements may be identified by, among other things, beliefs or expectations that certain events may occur or are anticipated and projections or statements of expectations with respect to various aspects of our business, our plans or intentions, our stock performance, the industry within which we operate, the markets in which we compete, the economy, and any other expressions of similar import or covering other matters relating to our business and operations. Risks, uncertainties, and assumptions relating to our forward-looking statements include the level of competition for our products, downturns in our target markets, changes in the paper industry, changes in the price or availability of raw materials and energy, the failure to develop new products that meet customer needs, adverse changes in our relationships with large customers and our labor unions, the failure to recruit and retain key personnel, costs of compliance with environmental regulations, our ability to fund our operations, unforeseen operating problems, changes in strategic plans or our ability to execute such plans, maintenance of adequate internal controls, changes in financial accounting standards, increasing costs of certain employee and retiree benefits, unforeseen liabilities arising from current or prospective claims, attempts by shareholders to effect changes at or acquire control over the Company, and the effect of certain organizational anti-takeover provisions. These and other risks, uncertainties, and assumptions are described under the caption Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011, and from time to time in our other filings with the Securities and Exchange Commission after the date of such annual report. We assume no obligation, and do not intend, to update these forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the information provided in response to Item 7A of our Form 10-K for the year ended December 31, 2011.

Item 4. Controls and Procedures

As of the end of the period covered by this report, management, under the supervision, and with the participation, of our President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e)) under the Securities and Exchange Act of 1934, as amended (the Exchange Act) pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of such evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective. There were no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1A. Risk Factors

In addition to the other information set forth in this report, this report should be considered in light of the risk factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect our business, financial condition, or future results of operations. The risks described in our Annual Report on Form 10-K are not the only risks facing Wausau Paper. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

Item 6. Exhibits

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

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

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

101.INS XBRL Instance Document*

101.SCH XBRL Taxonomy Extension Schema*

101.CAL XBRL Taxonomy Extension Calculation Linkbase*

101.LAB XBRL Taxonomy Extension Label Linkbase*

101.PRE XBRL Extension Presentation Linkbase*

101.DEF XBRL Taxonomy Definition Linkbase*

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* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this quarterly report on Form 10-Q shall be deemed furnished and not filed.

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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 thereunto duly authorized.

WAUSAU PAPER CORP.

November 9, 2012

SHERRI L. LEMMER
Sherri L. Lemmer
Senior Vice President and Chief Financial Officer,
Principal Accounting Officer

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

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EXHIBIT INDEX

to

FORM 10-Q

of

WAUSAU PAPER CORP.

for the quarterly period ended September 30, 2012

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

(17 C.F.R. Section 232.102(d))

The following exhibits are filed as part of this report:

31.1	Certification of CEO pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1	Certification of CEO and CFO pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Extension Presentation Linkbase*
101.DEF	XBRL Taxonomy Definition Linkbase*

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* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this quarterly report on Form 10-Q shall be deemed furnished and not filed.