

WAUSAUPAPER

July 12, 2011

To All Brokaw Employees:

Over the last ten years there has been a dramatic decline in demand for the Print and Color grades of paper we manufacture at Brokaw. This decline in demand has prevented us from passing on dramatic increases in input costs for raw materials, energy, and wages/benefits. The Brokaw mill has not earned acceptable financial returns since 2002 and is currently operating at a significant financial loss.

Our reaction to the decline in Print and Color demand has been considerable. Over recent years, we closed our Groveton, NH paper mill and the Appleton Converting Center, relocating the equipment and jobs to the Brokaw and Brainerd mills. We invested \$27 million to convert the Brainerd paper machine to be able to produce technical grades instead of Print and Color, returning core grades back to Brokaw. We have reduced the Brokaw operating schedule to five days per week to eliminate some of the tons being produced at a loss. In addition to reducing capacity, we have invested heavily in the Brokaw facility to make it more competitive. We invested \$14 million in modernizing our stock preparation system. We spent \$7 million in consolidating our converting assets back to the mill of manufacture. Yet, all of this has not been enough.

On Friday, July 8, we completed an effort to reduce the size of our salaried workforce, eliminating a total of 33 positions both at the mill and within our Sales and Marketing organization. This amounts to a 23% reduction in our salaried workforce. This action also included a leadership change where I returned to the Brokaw mill to leverage my 19 years of experience in this franchise.

Going forward, we can reduce our financial shortfall by flexing our operating schedule, taking advantage of Saturdays if additional sales opportunities arise, or as a way to satisfy current customers on an incremental or short-term service needs basis. A significant opportunity also exists to improve our viability by increasing operating efficiencies and by reducing workmanship errors, thereby improving the quality of our products. Attention to detail and focusing on properly executing what we can control will be critical.

We must all continue working together, looking for opportunities to increase revenue, improve operations, and reduce our costs. While the Brokaw mill has a proud manufacturing tradition that dates back over 100 years, we are facing an unprecedented perfect storm of rising input costs, declining demand, and ever more aggressive competitors. We have no choice but to think and act differently if we are to survive in this new and more challenging environment.

Sincerely,



Jeff Verdoorn
Vice President, General Manager
Print and Color