

WAUSAU MOSINEE PAPER CORP

Form 11-K

June 30, 2003

FORM 11-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-13923

WAUSAU-MOSINEE PAPER CORPORATION
SAVINGS AND INVESTMENT PLAN
(Full title of the plan and the address of the plan, if different from the
issuer named below)

WAUSAU-MOSINEE PAPER CORPORATION
1244 KRONENWETTER DRIVE
MOSINEE, WI 54455-9099
(Name of issuer of the securities held pursuant to the plan
and the address of its principal executive office)

WAUSAU-MOSINEE PAPER CORPORATION
SAVINGS AND INVESTMENT PLAN

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SUPPLEMENTAL SCHEDULE -

Form 5500, Schedule H, Part IV, Line 4i - Schedule of Assets Held for
Investment Purposes, December 31, 2002

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Schedules not filed herewith are omitted because of the
absence of conditions under which they are required.

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INDEPENDENT AUDITORS' REPORT

To the Wausau-Mosinee Paper Corporation
Savings and Investment Plan
Mosinee, Wisconsin:

We have audited the accompanying statements of net assets available for benefits of Wausau-Mosinee Paper Corporation Savings and Investment Plan (the "Plan") as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2002 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

May 23, 2003

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WAUSAU-MOSINEE PAPER CORPORATION
SAVINGS AND INVESTMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2002 AND 2001

| | 2002 | 2001 |
|-----------------------------------|---------------|---------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ 70,669 | \$21,562 |
| Investments | 134,876,939 | 152,911,445 |
| | | |
| Contributions receivable: | | |
| Employer | 79,779 | 50,876 |
| Participants | 113,458 | 159,250 |
| Total contributions receivable | 193,237 | 210,126 |
| | | |
| Accrued income | 159,963 | 133,453 |
| Other receivables | - | 58,057 |
| Total assets | 135,300,808 | 153,334,643 |
| | | |
| LIABILITIES: | | |
| Other liabilities | 145,328 | - |
| Total liabilities | 145,328 | - |
| NET ASSETS AVAILABLE FOR BENEFITS | \$135,155,480 | \$153,334,643 |

See notes to financial statements.

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WAUSAU-MOSINEE PAPER CORPORATION
SAVINGS AND INVESTMENT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2002 AND 2001

| | 2002 | 2001 |
|---|-------------|-------------|
| ADDITIONS: | | |
| Contributions: | | |
| Employer | \$2,548,188 | \$2,212,729 |
| Participants | 9,912,228 | 9,808,914 |
| Participant rollovers | 299,393 | 62,994 |
| Total contributions | 12,759,809 | 12,084,637 |
| | | |
| Interest income | 1,755,068 | 1,592,638 |
| Dividend income | 366,843 | 534,325 |
| Total additions | 14,881,720 | 14,211,600 |
| | | |
| DEDUCTIONS: | | |
| Net depreciation in fair value of investments | 24,675,452 | 17,887,052 |
| Distributions to participants | 8,269,827 | 7,238,199 |

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| | | |
|---|---------------|---------------|
| Administrative expenses | 115,604 | 158,257 |
| Total deductions | 33,060,883 | 25,283,508 |
| NET DECREASE | (18,179,163) | (11,071,908) |
| NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR | 153,334,643 | 164,406,551 |
| NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR | \$135,155,480 | \$153,334,643 |

See notes to financial statements.

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WAUSAU-MOSINEE PAPER CORPORATION
SAVINGS AND INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

1. PLAN DESCRIPTION

The following brief description of the Wausau-Mosinee Paper Corporation Savings and Investment Plan (the "Plan") is provided for general information purposes only. The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") and Section 401 of the Internal Revenue Code ("IRC"). Participants should refer to the Plan document for more complete information.

An employee initially becomes eligible to participate at times varying from one day of service to 120 days of service, depending upon the employee's classification and his or her employment date.

General - The Plan was established on January 1, 1988. It is a defined contribution plan that covers all full-time salaried and non-union hourly, and all collectively bargained common law employees of Wausau-Mosinee Paper Corporation and its subsidiaries (the "Company").

Contributions - Participants are allowed to contribute up to 16% of their gross annual compensation, as defined in the Plan document. Contributions are subject to certain limitations.

The Plan allows participants to rollover distributions from another employer's retirement plan or an annuity contract as contributions, subject to certain restrictions. Participants may deposit any portion of a distribution that has not been taxed, provided the deposit is eligible for rollover under the IRC. These deposits are not subject to the contribution limitations under the IRC. The Company does not match these contributions.

Non-Bargained Employees - The Company currently matches non-bargained participant contributions at a rate of \$0.50 for every \$1.00 contributed on the first 3% and \$.35 for every \$1.00 contributed on the second 3%, up to 6% of a participant's annual compensation as defined in the Plan.

The Plan allows the Board of Directors to determine a discretionary matching contribution to be made for participants employed on the last day of the year or who terminated employment during the year due to death, retirement on or after attainment of age 55, or disability. There were no discretionary matching contributions for the years ended December 31, 2002

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and 2001.

Bargained Employees - The Company matching contribution differs by collective bargaining unit. Bargained employees of certain collective bargaining units do not receive a matching contribution while other employees receive a matching contribution. The maximum matching contribution of any collective bargaining unit was \$2.01 per \$1.00 contributed up to 3% of a participant's annual gross compensation.

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Investment Options - The Plan allows participants to direct the investment of all contributions and related earnings among various mutual funds, pooled equity and fixed income funds, and a Company common stock fund consisting of common stock of the Company and short-term, interest bearing instruments.

Allocation of Investment Income (Loss) - Each participant's account is allocated investment income (loss) based upon the specific investment options chosen and in the proportion that an individual participant's account balance bears in relation to total account balances under the Plan.

Vesting - Participants are fully vested in their salary deferral and rollover contributions plus earnings/losses thereon. Vesting in the Company's matching contributions, plus actual earnings/losses thereon is based on years of service and the participant's employment status as either non-bargained or bargained.

Non-bargained participants are fully vested in the Company's contributions after three years of vesting service, or at the rate of 33 1/3% per year of service. Bargained participants vest in the Company's matching contributions according to varying vesting schedules depending on the terms of the applicable collective bargaining agreement. A year of vesting service consists of a calendar year in which an employee works a minimum of 1,000 hours for the Company.

Participant contributions and earnings thereon, rollover contributions, and vested Company contributions and earnings thereon may be withdrawn for any reason after a participant reaches age 59 1/2 or at any age if a participant demonstrates financial hardship. Financial hardship withdrawals are subject to government regulation and may be subject to a 10% penalty.

Benefits - On termination of service due to death, disability, or retirement, the vested portion of a participant's account is payable to the participant, or a named beneficiary, based on the participant's elected payment method. The payment options available are lump-sum or periodic payments. A nontransferable annuity optional form of benefit was available prior to October 1, 2002.

Forfeitures - Plan forfeitures arise as a result of participants who terminate service with the Company before becoming fully vested in the Company's contribution. These forfeitures are used to reduce future Company contributions. Certain forfeitures relating to the Mosinee Thrift Plan prior to January 1, 1999 are allocated to certain participant accounts in accordance with the Plan document. The amount of forfeitures available at December 31, 2002 and 2001 was \$368,131 and \$388,691, respectively.

Participant Loans - Participants may borrow from their accounts. Loan transactions are treated as a segregated investment of the participant's account. Loan terms range from one to five years or longer if for the purchase of a primary residence. Loans may not exceed the lesser of 50% of the participant's account balance or \$50,000, and are secured by the balance in the participant's account. The loans bear interest at a rate

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commensurate with local prevailing rates as determined from time to time by the Company's employee benefits committee. Interest rates on existing loans range from 4.25% to 10.50%. Principal and interest are paid ratably through payroll deductions. Upon termination of employment, outstanding balances become due and

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payable to the Plan, unless the borrower elects to continue making repayments in accordance with the promissory note evidencing the loan.

Plan Expenses - Administrative expenses charged by the third party administrator and all other expenses incurred in conjunction with the Plan are paid by the Company. Investment advisory and management fees are allocated proportionately to Plan participants based on their respective account balances. Loan fees are charged directly to the participant's account against the investment option for which the loan was originally charged.

Plan Termination - Although it has not expressed any intent to do so, Wausau-Mosinee Paper Corporation has the right under the Plan to terminate the Plan subject to the provisions of ERISA. Upon termination of the Plan, all account balances of the participants become fully vested. The account

will be held under the Plan and continue to accrue investment earnings until all vested benefits have been distributed according to the terms of the Plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Benefits - Benefits are recorded when paid. All benefit payments requested in 2002 and 2001 were distributed in 2002 and 2001, respectively.

Investments - The Plan's various mutual fund and company stock investments are carried at fair value which represents the quoted market values of the underlying investments on the last business day of the plan year including current income and investment expenses. Investments in the M&I Stable Principal Fund are stated at contract value which approximates fair value.

Loans are stated at estimated fair value and are deemed collectible. Securities transactions are accounted for on the trade-date basis (the date the order to buy or sell is executed).

Gains or losses on security transactions are recorded as the difference between proceeds received and the carrying value of the investments. Interest income is recognized on the accrual method, and dividend income is recorded on the ex-dividend date.

Net depreciation in fair value of investments on the statements of changes in net assets available for benefits includes both unrealized appreciation or depreciation and realized gains and losses. Interest and dividends are identified separately.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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Investment securities are exposed to various risks including but not limited to, interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it

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is reasonably possible that changes in the value of investment securities will occur in the near term.

3. INVESTMENTS

The following represents a summary of the fair value of investments at December 31, 2002 and 2001. Investments that individually represent 5% or more of the Plan's net assets available for benefits are separately identified.

| | ASSET FAIR VALUE | |
|---|----------------------|----------------------|
| | 2002 | 2001 |
| INVESTMENTS AT FAIR VALUE AS DETERMINED BY QUOTED MARKET PRICE | | |
| Common/collective trusts: | | |
| Northern Capital Management Fund | \$26,592,928 | \$39,089,063 |
| Wausau-Mosinee Common Stock Fund | 6,994,381 | 8,125,314 |
| Total common/collective trusts | 33,587,309 | 47,214,377 |
| Pooled separate accounts | 4,621,599 | 4,169,853 |
| Registered investment companies: | | |
| ABN AMRO/Chicago Capital Growth Fund | 10,900,025 | - |
| Brandywine Blue Chip Fund | 8,799,471 | 11,496,117 |
| Dreyfus S&P 500 Index Fund | - | 8,511,992 |
| Fidelity Magellan Fund | - | 9,996,403 |
| Janus Twenty Fund | - | 13,240,257 |
| Thompson Plumb Growth Fund | 8,384,066 | - |
| Other | 26,009,557 | 27,360,271 |
| Total registered investment companies | 54,093,119 | 70,605,040 |
| INVESTMENTS AT ESTIMATED VALUE | | |
| Participant loans | 2,348,625 | 1,881,257 |
| INVESTMENTS AT CONTRACT VALUE | | |
| Investment contracts between financial institutions - | | |
| M&I Stable Principal Fund | 40,226,287 | 29,040,918 |
| TOTAL INVESTMENTS | \$134,876,939 | \$152,911,445 |

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During 2002 and 2001, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in value as follows:

NET CHANGE IN
FAIR VALUE

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| | 2002 | 2001 |
|--|-----------------|-----------------|
| INVESTMENTS AT FAIR VALUE DETERMINED | | |
| BY QUOTED MARKET PRICE: | | |
| Common/collective trusts | \$ (9,023,058) | \$2,736,228 |
| Pooled separate accounts/investment contract | (644,032) | (156,889) |
| Registered investment companies | (15,008,362) | (20,466,391) |
| | \$ (24,675,452) | \$ (17,887,052) |

4. INVESTMENT CONTRACT

In 2002 and 2001, the Plan maintained an investment contract with Marshall & Ilsley Trust Company ("M&I"). Contributions are maintained in a pooled account. The account is credited with earnings on the underlying investments and charged for Plan withdrawals and administrative expenses charged by M&I. The contract is included in the financial statements at contract value, which approximates fair value, as reported to the Plan by M&I. Contract value represents contributions made under the contract plus earnings, less plan withdrawals and administrative expenses. The average yield and crediting interest rates on the contract were 4.93% and 5.23%, respectively, for the year ended December 31, 2002 and 5.55% for the year ended December 31, 2001. The basis and frequency of determining the crediting interest rate is done on a daily basis. There were no guarantees or limitations on the contract at December 31, 2002 and 2001.

5. TAX-EXEMPT STATUS OF THE PLAN

The Internal Revenue Service has determined and informed the Company by a letter dated August 23, 1995, that the Plan is qualified and the trust established under the Plan is tax-exempt, under the appropriate sections of the IRC. The Plan has been amended since receiving the determination letter. On February 28, 2002, the Company applied for a new determination letter concerning the qualification of the Plan. However, the Plan administrator and Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, they believe that the Plan was qualified and the related trust was tax exempt as of the financial statement date.

* * * * *

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WAUSAU-MOSINEE PAPER CORPORATION
SAVINGS & INVESTMENT PLAN

FORM 5500, SCHEDULE H, PART IV, LINE 4I - SCHEDULE OF ASSETS
HELD FOR INVESTMENTS PURPOSES
DECEMBER 31, 2002

| IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY | DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR OR MATURITY VALUE | NUMBER OF SHARES/ PAR VALUE | FA VA |
|---|---|-----------------------------------|----------|
| Marshall & Ilsley Trust Company* | Common/collective trust - Northern Capital Management Fund | 2,995,358 | 26,592, |
| Marshall & Ilsley Trust Company* | Common/collective trust - Wausau-Mosinee Common Stock Fund | 619,086 | 6,994, |
| Marshall & Ilsley Trust Company* | Pooled separate account - M&I Aggressive | 42,518 | 808, |

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| | | | |
|---|--|------------|------------|
| Marshall & Ilsley Trust Company* | Balanced Portfolio Fund Pooled separate account - M&I Moderate Balanced Portfolio Fund | 128,905 | 2,326, |
| Marshall & Ilsley Trust Company* | Pooled separate account - M&I Diversified Stock Portfolio Fund | 75,816 | 1,486, |
| Marshall & Ilsley Trust Company* | Pooled separate account - M&I Stable Principal Fund | 40,226,287 | 40,226, |
| AIM Small Cap Growth Fund | Registered investment company - AIM Small Cap Growth Fund | 23,577 | 435, |
| Artisan International Fund | Registered investment company - Artisan International Fund | 378,815 | 5,602, |
| Brandywine Blue Chip Fund | Registered investment company - Bradywine Blue Chip Fund | 477,972 | 8,799, |
| ABN AMRO/Chicago Capital Growth Fund | Registered investment company - ABN AMRO/Chicago Capital Growth Fund | 603,211 | 10,900, |
| Fidelity Advisor Equity Income Fund | Registered investment company - Fidelity Advisor Equity Income Fund | 151,614 | 3,079, |
| MFS Mid Cap Growth Fund | Registered investment company - MFS Mid Cap Growth Fund | 735,710 | 4,164, |
| Marshall Mid Cap Value Fund | Registered investment company - Marshall Mid Cap Value Fund | 111,897 | 1,177, |
| Royce Opportunity Fund | Registered investment company - Royce Opportunity Fund | 155,050 | 1,136, |
| Thompson Plumb Balanced Fund | Registered investment company - Thompson Plumb Balanced Fund | 247,651 | 3,831, |
| Thompson Plumb Growth Fund | Registered investment company - Thompson Plumb Growth Fund | 240,162 | 8,384, |
| Vanguard 500 Index Fund | Registered investment company - Vanguard 500 Index Fund | 81,121 | 6,582, |
| Participant Loans* | Rate during year 4.25% - 10.50% | 2,348,625 | \$2,348, |
| Total assets held for investment purposes | | | \$134,876, |