

UNITED THERAPEUTICS Corp  
 Form 4/A  
 March 07, 2017

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549**

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 SULLIVAN LOUIS W

2. Issuer Name and Ticker or Trading Symbol  
 UNITED THERAPEUTICS Corp  
 [UTHR]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction  
 (Month/Day/Year)  
 06/21/2016

Director  10% Owner  
 Officer (give title below)  Other (specify below)

C/O UNITED THERAPEUTICS CORPORATION, 1040 SPRING STREET

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)  
 06/23/2016

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

SILVER SPRING, MD 20910

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**



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**You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the remarketing agent is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate as of the date on its respective cover, and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.**

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**About this prospectus supplement**

This document is in two parts. The first part, which is this prospectus supplement, describes the specific terms of this remarketing. The second part, which is the accompanying prospectus, gives more general information, some of which may not apply to this remarketing. If the description of this remarketing that is contained in this prospectus supplement differs from the description contained in the accompanying prospectus, you should rely on the information in this prospectus supplement.

Before purchasing any securities, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the headings **Where You Can Find More Information** and **Incorporation of Certain Documents by Reference** in the accompanying prospectus.

You should rely only on the information we provide or incorporate by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different or additional information. We are remarketing the securities offered by this prospectus supplement, and seeking offers to buy these securities, only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or any sales of the securities.

References to the **Company**, **we**, **our** and **us** and similar terms mean Avery Dennison Corporation and its subsidiaries unless the context otherwise requires.

**Incorporation of certain documents by reference**

The rules of the U.S. Securities and Exchange Commission (the **SEC**) allow us to incorporate by reference information into this prospectus supplement, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede that information. Any statement contained in a previously filed document incorporated by reference shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement modifies or replaces that statement. We incorporate by reference our documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), between the date of this prospectus supplement and the termination of the offering of the securities described in this prospectus supplement. We are not, however, incorporating by reference any documents or portions thereof, whether specifically listed below or filed in the future, that are not deemed filed with the SEC:

our Annual Report on Form 10-K for the fiscal year ended January 2, 2010 (including information specifically incorporated by reference therein from our Proxy Statement on Schedule 14A dated March 19, 2010);

our Quarterly Report on Form 10-Q for the quarter ended April 3, 2010;

our Quarterly Report on Form 10-Q for the quarter ended July 3, 2010;

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- our Current Report on Form 8-K filed with the SEC on March 4, 2010;
- our Current Report on Form 8-K filed with the SEC on April 13, 2010;
- our Current Report on Form 8-K filed with the SEC on April 27, 2010; and
- our Current Report on Form 8-K filed with the SEC on May 28, 2010.

You may request a free copy of any of the documents incorporated by reference in this prospectus supplement (other than exhibits, unless they are specifically incorporated by reference in the documents) by writing or telephoning us at the following address:

Secretary  
Avery Dennison Corporation  
150 North Orange Grove Boulevard  
Pasadena, California 91103  
(626) 304-2000

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this prospectus supplement.

**Forward-looking statements**

This prospectus supplement, the accompanying prospectus and the information incorporated herein and therein by reference may contain certain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These statements, which are not statements of historical fact, may contain estimates, assumptions, projections and/or expectations regarding future events, which may or may not occur. Words such as aim, anticipate, assume, believe, continue, could, estimate, expect, intend, may, might, objective, plan, potential, project, seek, shall, should, target, will, would, and other expressions, which refer to future events and trends, identify forward-looking statements. These forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties, which could cause actual results to differ materially from expected results, performance or achievements of the Company expressed or implied by such forward-looking statements.

Certain risks and uncertainties are discussed in more detail in Part I, Item 1A. Risk Factors and Part II, Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition in our Annual Report on Form 10-K for the fiscal year ended January 2, 2010, Part II, Item 2. Management's Discussion of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2010, and elsewhere in other reports and documents we file with the SEC that are incorporated by reference herein and include, but are not limited to, risks and uncertainties relating to investment in development activities and new production facilities; fluctuations in cost and availability of raw materials; our ability to achieve and sustain targeted cost reductions; our ability to generate sustained productivity improvement; successful integration of acquisitions; successful implementation of new manufacturing technologies and installation of manufacturing equipment; disruptions in information technology systems; successful installation of new or upgraded information

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technology systems; the financial condition and inventory strategies of customers; customer and supplier concentrations; changes in customer order patterns; loss of significant contract(s) or customer(s); timely development and market acceptance of new products; fluctuations in demand affecting sales to customers; collection of receivables from customers; impact of competitive products and pricing; selling prices; business mix shift; volatility of capital and credit markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; our ability to obtain adequate financing arrangements and to maintain access to capital; fluctuations in interest and tax rates; fluctuations in pension, insurance and employee benefit costs; impact of legal proceedings; changes in tax laws and regulations; changes in governmental regulations; changes in political conditions; fluctuations in foreign currency exchange rates and other risks associated with foreign operations; worldwide and local economic conditions; impact of epidemiological events on the economy and our customers and suppliers; acts of war, terrorism and natural disasters; and other factors.

We believe that the most significant risk factors that could affect our financial performance in the near-term include (1) the impact of economic conditions on underlying demand for our products and on the carrying value of our assets; (2) the impact of competitors' actions, including pricing, expansion in key markets, and product offerings; (3) the degree to which higher costs can be offset with productivity measures and/or passed on to customers through selling price increases, without a significant loss of volume; and (4) the impact of changes in tax laws and regulations throughout the world.

The forward-looking statements included in this prospectus supplement and any accompanying prospectus and the reports and documents that we incorporate by reference herein and therein are made only as of their respective dates, and we assume no duty to update the forward-looking statements to reflect new, changed or unanticipated events or circumstances, other than as may be required by law.

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**Summary**

*In this summary, we have highlighted certain information in this prospectus supplement and the accompanying prospectus. This summary may not contain all of the information that is important to you. To understand the terms of the senior notes, as well as the considerations that are important to you in making your investment decision, you should carefully read this entire prospectus supplement and the accompanying prospectus, including the discussion under *Risk Factors* in this prospectus supplement and Part I, Item IA. *Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended January 2, 2010, to determine whether an investment in the senior notes is appropriate for you. You should also read the documents we referred to under *Incorporation of certain documents by reference* in this prospectus supplement and the accompanying prospectus.*

***Avery Dennison Corporation***

We are a recognized industry leader in pressure-sensitive technology and materials, retail branding and information solutions, and organization and identification products for businesses and consumers worldwide. Headquartered in Pasadena, California, we had sales of \$5.95 billion for 2009. As of January 2, 2010, we had approximately 31,000 employees in over 60 countries who develop, manufacture and market a wide range of products for both consumer and industrial markets. Our products include: pressure-sensitive labeling materials; graphics imaging media; retail apparel ticketing and branding systems; radio-frequency identification inlays and tags; office products; specialty tapes; and a variety of specialized labels for automotive, industrial and durable goods applications.

Avery Dennison is a Delaware corporation whose principal executive offices are located at 150 North Orange Grove Boulevard, Pasadena, California 91103. Our main telephone number is (626) 304-2000.

**Table of Contents****Recent developments**

Although unaudited consolidated financial statements are not yet available for the three and nine months ended October 2, 2010, the information below summarizes certain of our preliminary statement of operations data and balance sheet data as of and for the three and nine months ended October 2, 2010 and October 3, 2009.

(in millions)	Three months ended		Nine months ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009 <sup>(1)</sup>
<b>Preliminary statement of operations data:</b>				
Net sales	\$ 1,640.8	\$ 1,549.3	\$ 4,875.6	\$ 4,430.9
Cost of products sold	1,187.8	1,113.3	3,491.4	3,259.5
Gross profit	453.0	436.0	1,384.2	1,171.4
Marketing general and administrative expenses	346.4	323.1	1,025.4	927.4
Goodwill and indefinite-lived intangible asset impairment charges <sup>(2)</sup>				832.0
Interest expense	19.1	19.1	57.7	67.0
Other expense, net <sup>(3)(4)(5)(6)</sup>	10.5	35.5	21.4	162.4
Income (loss) before taxes	77.0	58.3	279.7	(817.4)
Provision for (benefit from) income taxes	12.8	(4.2)	77.0	(20.8)
Net income (loss)	\$ 64.2	\$ 62.5	\$ 202.7	\$ (796.6)
<b>Preliminary balance sheet data (at period end):</b>				
Total assets	\$ 5,213.2	\$ 5,094.6	\$ 5,213.2	\$ 5,094.6
Total short-term debt and current portion of long-term debt	\$ 443.5	\$ 669.4	\$ 443.5	\$ 669.4
Total long-term debt	\$ 1,065.8	\$ 1,115.7	\$ 1,065.8	\$ 1,115.7
Total shareholder s equity	\$ 1,532.0	\$ 1,300.0	\$ 1,532.0	\$ 1,300.0

(1) Results for fiscal nine months ended October 3, 2009 reflect a 40-week period.

(2) Represents non-cash impairment charges for the retail information services reporting unit, of which \$820.0 million is related to goodwill and \$12.0 million is related to indefinite-lived intangible assets.

(3) Other expense, net, for the three months ended October 2, 2010 includes \$8.1 million of restructuring costs, asset impairment and lease cancellation charges, and \$2.4 million of loss from curtailment of a pension obligation.



- (4) Other expense, net, for the three months ended October 3, 2009 includes \$33.5 million of restructuring costs, asset impairment and lease cancellation charges, and \$2.0 million of legal settlements.
- (5) Other expense, net, for the nine months ended October 2, 2010 includes \$15.5 million of restructuring costs, asset impairment and lease cancellation charges, \$4.3 million of loss from curtailment and settlement of pension obligations, \$1.2 million of loss from debt extinguishment, and \$0.9 million of legal settlements, partially offset by \$(0.5) million related to a gain on sale of investment.
- (6) Other expense, net, for the nine months ended October 3, 2009 includes \$102.2 million of restructuring costs, asset impairment and lease cancellation charges, \$39.0 million of legal settlements, and \$21.2 million of loss from debt extinguishment.

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The preliminary statement of operations data and balance sheet data as of and for the three and nine months ended October 2, 2010 is unaudited and is subject to revision based on the completion of the accounting and financial reporting processes necessary to finalize our financial statements as of and for the three and nine months ended October 2, 2010. We cannot assure you that, upon completion of such accounting and financial reporting processes and finalizing the financial statements for the three and nine months ended October 2, 2010, we will not report results materially different than those set forth above. This information should be read in conjunction with the financial statements and the related notes and Management's Discussion and Analysis of Financial Condition and Results Of Operations for prior periods contained in the Company's periodic filings incorporated by reference in this prospectus supplement.

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**The remarketing**

<b>Issuer</b>	Avery Dennison Corporation, a Delaware corporation.
<b>Securities remarketed</b>	\$109,351,000 aggregate principal amount of % senior notes due 2015.
<b>Maturity</b>	Upon the closing of the remarketing on November 15, 2010, the senior notes will mature on November 15, 2015.
<b>Interest</b>	On and after November 15, 2010, the senior notes will bear interest at % per year. Interest on the senior notes will be payable semi-annually in arrears on May 15 and November 15 of each year. The first interest payment on the senior notes will be made on May 15, 2011.
<b>Ranking</b>	<p>The senior notes will:</p> <ul style="list-style-type: none"><li>rank equally in right of payment with all of our other existing and future senior unsecured indebtedness;</li><li>rank senior in right of payment to all of our existing and future subordinated indebtedness;</li><li>be effectively junior to all of our future secured indebtedness to the extent of the value of the assets securing such indebtedness; and</li><li>be structurally junior to all future indebtedness and other liabilities of our subsidiaries.</li></ul> <p>As of July 3, 2010, we had indebtedness of approximately \$1,587.2 million, and we had no outstanding secured indebtedness. All of our outstanding indebtedness ranks equally with the senior notes. As of July 3, 2010, our subsidiaries had approximately \$325.8 million of indebtedness.</p>

**The remarketing**

We issued the senior notes in 2007 in connection with our issuance and sale to the public of our Corporate HiMEDS Units. Each Corporate HiMEDS Unit initially consisted of both a purchase contract obligating the holder to purchase from us shares of our common stock and a 1/20, or 5.0%, undivided beneficial interest in \$1,000 aggregate principal amount of our 5.350% senior notes due November 15, 2020. Pursuant to the terms of the Corporate HiMEDS Units, the remarketing agent will remarket the senior notes on behalf of current holders of Corporate HiMEDS Units in accordance with a remarketing agreement among us, the remarketing agent and The Bank of New York Mellon Trust Company, N.A., as purchase contract agent and as attorney-in-fact for holders of purchase contracts. See Remarketing in this prospectus supplement.

The terms of the remarketing agreement require the remarketing agent to use its reasonable best efforts to remarket the senior notes that are included in Corporate HiMEDS Units at a price per senior note that will result in net cash proceeds equal to 100.25% of the remarketing value. The remarketing value of a senior note is equal



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to the \$1,000 principal amount of the senior note. In the remarketing, J.P. Morgan Securities LLC, as the remarketing agent, may, in consultation with us, reset the interest rate on the senior notes to a rate sufficient to cause the then current market value of each remarketed senior note to be equal to 100.25% of the remarketing value.

**A failed remarketing**

If the remarketing agent fails to remarket the senior notes on or prior to 4:00 p.m., New York City time, on November 9, 2010, any holder of Corporate HiMEDS Units that has not otherwise settled its purchase contracts in cash will be deemed to have directed us to retain the senior notes pledged as collateral in full satisfaction of such holder's obligations under the related purchase contract, and we will exercise our rights as a secured party with respect to such senior notes and may, subject to applicable law, retain and cancel the senior notes or sell them in one or more public or private sales to satisfy in full such holder's obligation to purchase the common stock under the related purchase contracts on November 15, 2010.

**Use of proceeds**

The proceeds from the remarketing of the senior notes are estimated to be approximately \$109.6 million. These proceeds will be used as follows:

a portion equal to 25 basis points (0.25%) of the remarketing value will be deducted and retained by the remarketing agent as a remarketing fee;

proceeds from the remarketing equal to the remarketing value of senior notes that were part of Corporate HiMEDS Units will be remitted to The Bank of New York Mellon Trust Company, N.A., as collateral agent, for the benefit of the Company, and will be paid to us in settlement of the obligations of Corporate HiMEDS Units to purchase our common stock, which we will issue on November 15, 2010; and

the remaining proceeds, if any, will be remitted for payment to the holders of Corporate HiMEDS Units.

**Material U.S. federal income tax consequences**

For a discussion of certain U.S. federal income tax considerations related to the senior notes acquired in the remarketing, see [Material U.S. federal income tax consequences](#).

**No listing**

The senior notes will not be listed on any national securities exchange.

**Trustee**

The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A.

**Risk factors**

You should carefully consider all of the information in this prospectus supplement and the accompanying prospectus. See [Risk Factors](#) in this prospectus supplement, and Part I, Item 1A. [Risk Factors](#) in our Annual Report on Form 10-K for the fiscal year ended January 2, 2010, which is incorporated herein by reference. See also [Forward-Looking Statements](#).

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**Summary selected financial data**

The following table presents our summary selected historical consolidated financial data as of the dates and for the periods indicated. The consolidated balance sheet data as of January 2, 2010 and December 27, 2008 and statement of operations data for each of the three fiscal years ended January 2, 2010 are derived from our audited consolidated financial statements incorporated by reference into this prospectus supplement, which have been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm. The consolidated balance sheet data as of December 29, 2007 are derived from our audited consolidated financial statements not incorporated by reference into this prospectus supplement.

The consolidated balance sheet and statement of income data as of and for the six months ended July 3, 2010 and the six months ended July 4, 2009 are derived from our unaudited consolidated financial statements incorporated by reference into this prospectus supplement and include, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the information for such periods. The results of the six months ended July 3, 2010 are not necessarily indicative of the results to be expected for the full year.

You should read this information in conjunction with the consolidated financial statements and related notes and Management's Discussion and Analysis of Results of Operations and Financial Condition in our Annual Report on Form 10-K for the fiscal year ended January 2, 2010, and our Quarterly Report on Form 10-Q for the quarter ended July 3, 2010, each of which is incorporated by reference into this prospectus supplement. Our historical results of operations are not necessarily indicative of future results of operations.

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(in millions, except ratio data)	Six months ended			Fiscal year ended	
	July 3, 2010	July 4, 2009	2009 <sup>(1)</sup>	2008	2007
<b>Statement of operations data:</b>					
Net sales	\$ 3,234.8	\$ 2,881.6	\$ 5,952.7	\$ 6,710.4	\$ 6,307.8
Cost of products sold	2,303.6	2,146.2	4,366.2	4,983.4	4,585.4
Gross profit	931.2	735.4	1,586.5	1,727.0	1,722.4
Marketing general and administrative expenses	679.0	604.3	1,268.8	1,304.3	1,182.5
Goodwill and indefinite-lived intangible asset impairment charges <sup>(2)</sup>		832.0	832.0		
Interest expense	38.6	47.9	85.3	115.9	105.2
Other expense, net <sup>(3)</sup>	10.9	126.9	191.3	36.2	59.4
Income (loss) before taxes	202.7	(875.7)	(790.9)	270.6	375.3
Provision for (benefit from) income taxes	64.2	(16.6)	(44.2)	4.5	71.8
Net income (loss)	\$ 138.5	\$ (859.1)	\$ (746.7)	\$ 266.1	\$ 303.5
<b>Balance sheet data (at period end):</b>					
Total assets	\$ 5,037.5	\$ 5,043.2	\$ 5,002.8	\$ 6,035.7	\$ 6,244.8
Total short-term debt and current portion of long-term debt	\$ 526.7	\$ 791.6	\$ 535.6	\$ 665.0	\$ 1,110.8
Total long-term debt	\$ 1,060.5	\$ 1,134.9	\$ 1,088.7	\$ 1,544.8	\$ 1,145.0
Total shareholder s equity	\$ 1,409.4	\$ 1,201.3	\$ 1,362.6	\$ 1,750.0	\$ 1,989.4
<b>Other data:</b>					
Ratio of earnings to fixed charges <sup>(4)</sup>	4.4			2.7x	3.6x

(1) Results for fiscal year 2009 reflect a 53-week period.

(2) Represents non-cash impairment charges for the retail information services reporting unit, of which \$820 million is related to goodwill and \$12 million is related to indefinite-lived intangible assets.

(3) Fiscal year 2009 includes pretax charges of \$191.3 million for restructuring costs, asset impairment and lease cancellation charges and other items. 2008 includes net pretax charges of \$36.2 million for restructuring costs, asset impairment and lease cancellation charges and other items. 2007 includes net pretax charges of \$59.4 million for asset impairment charges, restructuring costs, lease cancellation charges and other items.

- (4) The ratio of earnings to fixed charges were calculated by dividing earnings by fixed charges. For this purpose, earnings consist of income before taxes plus fixed charges and amortization of capitalized interest, less capitalized interest. Fixed charges consist of interest expense, capitalized interest and the portion of rent expense (estimated to be 35%) on operating leases deemed representative of interest. For fiscal year 2009, earnings were insufficient to cover fixed charges by \$791.8 million, and for the six months ended July 4, 2009, earnings were insufficient to cover fixed charges by \$875.8 million.

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**Risk factors**

*An investment in the senior notes is subject to risk. Before you decide to invest in the senior notes, you should consider the risk factors below as well as the risk factors discussed in Part I, Item 1A. Risk Factors and Part II, Item 7.*

*Management's Discussion and Analysis of Results of Operations and Financial Condition in our Annual Report on Form 10-K for the fiscal year ended January 2, 2010, as well as well as Part II, Item 2. Management's Discussion of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2010, each of which is incorporated by reference herein.*

**The senior notes will be subject to prior claims of any of our secured creditors, and your right to receive payments on the notes will be structurally subordinated to our subsidiaries existing and future liabilities.**

The senior notes are senior unsecured obligations. Holders of our secured indebtedness will have claims that are prior to your claims as holders of the senior notes, to the extent of the assets securing such indebtedness. The indenture governing the senior notes permits us and our subsidiaries to incur additional secured indebtedness. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, our pledged assets would be available to satisfy obligations of our secured indebtedness before any payment could be made on the senior notes. To the extent that such assets cannot satisfy in full our secured indebtedness, the holders of such indebtedness would have a claim for any shortfall that would rank equally in right of payment with the senior notes. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the senior notes. As a result, holders of the senior notes may receive less, ratably, than holders of our secured indebtedness.

In addition, we currently conduct a substantial portion of our operations through our subsidiaries, and our subsidiaries have significant liabilities. We may, and in some cases have plans to, conduct additional operations through our subsidiaries in the future and, accordingly, the obligations of our subsidiaries may increase. Our cash flow and our ability to service our debt, including the senior notes, therefore partially depends upon the earnings of our subsidiaries, and we depend on the distribution of earnings, loans or other payments by those subsidiaries to us.

Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the senior notes or, subject to existing or future contractual obligations between us and our subsidiaries, to provide us with funds to meet our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions and taxes. Payments to us by our subsidiaries will also be contingent upon our subsidiaries earnings and business considerations.

Our right to receive any assets of any of our subsidiaries upon liquidation or reorganization, and, as a result, the right of the holders of the senior notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors and preferred stockholders, if any. The senior notes do not restrict the ability of our subsidiaries to incur additional liabilities. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to indebtedness held by us.

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As of July 3, 2010, we had indebtedness of approximately \$1,587.2 million, and we had no outstanding secured indebtedness. As of July 3, 2009, our subsidiaries had approximately \$325.8 million of indebtedness.

**The limited covenants applicable to the senior notes may not provide protection against some events or developments that may affect our ability to repay the senior notes or the trading prices for the senior notes.**

706.3

Contingency reserves, excluding current portion

30.7 30.8

Other long-term liabilities

132.2 137.2

Deferred income taxes

170.1 164.3

Redeemable non-controlling interest

20.6 21.1

Stockholders' equity:

Common stock

144.8 139.7

Additional paid-in capital

556.4 562.4

Retained earnings

901.9 902.1

Treasury stock

(279.9) (286.1)

Accumulated comprehensive loss

(62.5) (64.6)

Total stockholders' equity

1,260.7 1,253.5

Total liabilities and stockholders' equity

\$2,527.3 \$2,620.3

The accompanying notes are an integral part of these unaudited financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES**

**(AMOUNTS IN MILLIONS) (UNAUDITED)**

	<b>Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income (loss)	\$ 22.4	\$ (29.5)	\$ (0.3)	\$ (60.2)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation, amortization and cost of timber harvested	22.4	18.9	42.8	38.0
(Gain) loss of unconsolidated affiliates	(0.9)	3.3	(0.2)	5.9
Other operating charges and credits, net	2.8	2.1	2.7	2.8
(Gain) loss on sale or impairment of long-lived assets	(0.1)	(1.0)	1.2	(0.9)
Other than temporary investment impairment		0.8		1.7
Stock based compensation expense related to stock plans	2.2	2.2	5.4	4.0
Exchange (gain) loss on remeasurement	(0.3)	(1.6)	0.2	(7.0)
Cash settlement of contingencies	(1.0)	(4.0)	(3.4)	(9.0)
Other adjustments	1.6	3.9	3.5	2.7
Pension expense (in excess of payments)	1.4	2.2	3.4	3.8
Decrease (increase) in receivables	(14.3)	3.0	(50.7)	(31.3)
Decrease (increase) in income tax receivables	(9.7)	3.9	37.4	74.6
Decrease (increase) in inventories	19.4	37.3	(24.2)	38.5
Decrease (increase) in prepaid expenses	(5.8)	(1.3)	(1.6)	4.6
Increase in accounts payable and accrued liabilities	7.6	15.4	8.6	11.7
Increase (decrease) in deferred income taxes	20.0	(14.9)	10.8	(37.0)
Net cash provided by operating activities	67.7	40.7	35.6	42.9
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Property, plant, and equipment additions	(3.5)	(0.8)	(5.4)	(4.7)
Reimbursements from (investments in and advances) to joint ventures	8.2	2.3	6.1	(1.4)
Proceeds from sale of assets	1.2	5.2	1.2	5.2
Receipt of proceeds from notes receivable	115.1		115.1	
Proceeds from sales of investments		1.9		21.5
Decrease in restricted cash under letters of credit	5.3	10.8	5.2	37.6
Other investing activities, net	(0.4)	(0.6)		
Net cash provided by investing activities	125.9	18.8	122.2	58.2
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Borrowing of long term debt				281.3
Repayment of long term debt	(113.8)	(9.7)	(113.8)	(136.3)
Payment of debt issuance fees		(1.0)		(15.5)
Net cash provided by (used in) financing activities	(113.8)	(10.7)	(113.8)	129.5
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
	(0.1)	(4.0)	(1.0)	(3.6)
Net increase in cash and cash equivalents	79.7	44.8	43.0	227.0
Cash and cash equivalents at beginning of period	357.4	279.9	394.1	97.7
Cash and cash equivalents at end of period	\$ 437.1	\$ 324.7	\$ 437.1	\$ 324.7

The accompanying notes are an integral part of these unaudited financial statements.

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**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**
**LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES****(AMOUNTS IN MILLIONS) (UNAUDITED)**

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Loss	Total Stockholders Equity	Redeemable Non Controlling Interest
	Shares	Amount	Shares	Amount					
Balance, December 31, 2009	139.7	\$ 139.7	13.1	\$ (286.1)	\$ 562.4	\$ 897.3	\$ (64.6)	\$ 1,248.7	\$ 21.1
Correction of beginning balance (see Note 19)						4.8		4.8	
Adjusted balance, December 31, 2009						902.1		1,253.5	
Net loss						(0.2)		(0.2)	(0.1)
Issuance of shares for employee stock plans and other purposes and other transactions			(0.2)	6.2	(6.2)				
Warrants exercised	5.1	5.1			(5.1)				
Compensation expense associated with stock awards					5.3			5.3	
Other comprehensive income (loss)							2.1	2.1	(0.4)
Balance, June 30, 2010	144.8	\$ 144.8	12.9	\$ (279.9)	\$ 556.4	\$ 901.9	\$ (62.5)	\$ 1,260.7	\$ 20.6

The accompanying notes are an integral part of these unaudited financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES****(AMOUNTS IN MILLIONS) (UNAUDITED)**

	<b>Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net income (loss)	\$ 22.4	\$ (29.5)	\$ (0.3)	\$ (60.2)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(2.3)	16.5	(4.7)	19.4
Unrealized gain (loss) on derivative instruments	0.2	0.3	0.1	0.1
Unrealized gain (loss) on marketable securities	(1.3)	8.9	4.8	9.2
Defined benefit pension plans:				
Amortization of prior service cost				
Amortization of net loss	0.9	0.4	1.5	0.9
Other comprehensive income, net of tax	(2.5)	26.1	1.7	29.6
Net loss attributable to noncontrolling interest	(0.1)	0.3	0.1	0.5
Foreign currency translation adjustments attributed to non-controlling interest		(2.6)	0.4	(3.0)
Comprehensive income (loss)	\$ 19.8	\$ (5.7)	\$ 1.9	\$ (33.1)

The accompanying notes are an integral part of these unaudited financial statements.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 BASIS FOR PRESENTATION**

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments, except for other operating credits and charges, net referred to in Note 10) necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of LP and its subsidiaries for the interim periods presented. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. For those consolidated subsidiaries in which LP's ownership interest is less than 100%, the outside shareholders' interests are shown as non-controlling interest. The Company determined that there was an error in the Statement of Other Comprehensive Income in the second quarter and six month periods ended June 30, 2009. The impact of this error was to reduce Other Comprehensive Income by \$2.6 million and \$3.0 million for the quarter and six month periods ended June 30, 2009 and has been corrected in the accompanying financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in LP's Annual Report on Form 10-K for the year ended December 31, 2009.

**NOTE 2 STOCK-BASED COMPENSATION**

For the quarters ended June 30, 2010 and 2009, the total compensation expense related to LP's stock-based compensation plans was \$2.2 million and \$2.2 million. For the six month periods ended June 30, 2010 and 2009, the total compensation expense related to LP's stock-based compensation plans was \$5.4 million and \$4.0 million. At June 30, 2010, 5,837,288 shares were available under the current stock award plans for stock-based awards. For the six month period ended June 30, 2010, the fair value of the options granted was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions: a risk free interest rate of 2.43%; an expected volatility factor for the market price of the Company's common stock of 59.5% (based upon historical volatility over the expected life); a dividend yield of 0.0%; and an expected life of 5.1 years (based upon historical experience). For the six month period ended June 30, 2009, the fair value of the options granted was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions: a risk free interest rate of 1.76%; an expected volatility factor for the market price of the Company's common stock of 49.8% (based upon historical volatility over the expected life); a dividend yield of 0.0%; and an expected life of 5 years (based upon historical experience). The weighted-average fair value of each option or stock settled stock appreciation right (SSARs) granted during the six month period ended June 30, 2010 and June 30, 2009 was \$3.73 and \$1.00.

**NOTE 3 FAIR VALUE MEASUREMENTS**

LP's investments that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 includes fair values estimated using significant non-observable inputs.



## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

<b>Dollar amounts in millions</b>	<b>June 30, 2010</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Available for sale securities	\$ 34.1	\$	\$	\$ 34.1
Trading securities	2.3	2.3		
<b>Total</b>	<b>\$ 36.4</b>	<b>\$ 2.3</b>	<b>\$</b>	<b>\$ 34.1</b>

<b>Dollar amounts in millions</b>	<b>December 31, 2009</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Available for sale securities	\$ 26.3	\$	\$	\$ 26.3
Trading securities	2.3	2.3		
<b>Total</b>	<b>\$ 28.6</b>	<b>\$ 2.3</b>	<b>\$</b>	<b>\$ 26.3</b>

Available for sale securities measured at fair value as of June 30, 2010 and December 31, 2009 are auction rate securities recorded in long-term investments on LP's condensed consolidated balance sheets. Due to the lack of observable market quotations on LP's auction rate securities (ARS) portfolio, LP evaluates the structure of its ARS holdings and current market estimates of fair value, including broker quotations and fair value estimates from issuing banks that rely on Level 3 inputs. These inputs include those that are based on expected cash flow streams and collateral values, including assessments of counterparty credit quality, default risk underlying the security, discount rates and overall capital market liquidity. The valuation of LP's ARS investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact LP's valuation include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity.

Trading securities consist of rabbi trust financial assets which are recorded in other assets in LP's consolidated balance sheets. The rabbi trust holds the assets of the Louisiana-Pacific Corporation 2004 Executive Deferred Compensation Plan (EDC), a non-qualified deferred compensation plan which allows certain management employees to defer receipt of a portion of their compensation and contribute such amounts to one or more investment funds. The assets of the rabbi trust are invested in mutual funds and are reported at fair value based on active market quotations, which represent Level 1 inputs.

The following table summarizes assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the periods ended June 30, 2009 and June 30, 2010.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dollar amounts in millions	Available for sale securities
Balance at December 31, 2008	\$ 12.3
Total realized/unrealized gains (losses)	
Included in other-than-temporary investment impairment	(1.7)
Included in other comprehensive income	14.5
 Balance at June 30, 2009	 \$ 25.1
 The amount of total losses for the period included in net loss attributable to the fair value of changes in assets still held at June 30, 2009	 \$ (1.7)
 Balance at December 31, 2009	 \$ 26.3
Total realized/unrealized gains (losses)	
Included in other comprehensive income	7.8
 Balance at June 30, 2010	 \$ 34.1
 The amount of total losses for the period included in net loss attributable to the fair value of changes in assets still held at June 30, 2010	 \$

Carrying amounts reported on the balance sheet for cash, cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturity of these items.

During the six months ended June 30, 2010, LP recorded an impairment charge of \$1.1 million to reduce the carrying value of the assets held for sale to the estimated selling price less selling cost. The valuation of these assets was determined using level one inputs under the market approach.

**NOTE 4 EARNINGS PER SHARE**

Basic earnings per share are based on the weighted-average number of shares of common stock outstanding. Diluted earnings per share are based upon the weighted-average number of shares of common stock outstanding plus all potentially dilutive securities that were assumed to be converted into common shares at the beginning of the period under the treasury stock method. This method requires that the effect of potentially dilutive common stock equivalents (employee stock options, stock settled stock appreciation rights, incentive shares and warrants) be excluded from the calculation of diluted earnings per share for the periods in which losses from continuing operations are reported because the effect is anti-dilutive. The following table sets forth the computation of basic and diluted earnings per share:

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

<b>Dollar and share amounts in millions, except per share amounts</b>	<b>Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Numerator:</b>				
Income attributed to LP common shares:				
Income (loss) from continuing operations	\$ 23.5	\$ (26.9)	\$ 1.2	\$ (57.0)
Loss from discontinued operations	(1.2)	(2.3)	(1.4)	(2.7)
<b>Net income (loss)</b>	<b>\$ 22.3</b>	<b>\$ (29.2)</b>	<b>\$ (0.2)</b>	<b>\$ (59.7)</b>
<b>Denominator:</b>				
Basic - weighted average common shares outstanding				
	128.5	103.0	127.2	102.8
Dilutive effect of stock warrants				
	9.5		9.3	
Dilutive effect of stock plans				
	1.8		1.7	
<b>Diluted shares outstanding</b>	<b>139.8</b>	<b>103.0</b>	<b>138.2</b>	<b>102.8</b>
<b>Basic earnings per share:</b>				
Income (loss) from continuing operations	\$ 0.18	\$ (0.26)	\$ 0.01	\$ (0.55)
Loss from discontinued operations	(0.01)	(0.02)	(0.01)	(0.03)
<b>Net income (loss) per share</b>	<b>\$ 0.17</b>	<b>\$ (0.28)</b>	<b>\$</b>	<b>\$ (0.58)</b>
<b>Diluted earnings per share:</b>				
Income (loss) from continuing operations	\$ 0.17	\$ (0.26)	\$ 0.01	\$ (0.55)
Loss from discontinued operations	(0.01)	(0.02)	(0.01)	(0.03)
<b>Net income (loss) per share</b>	<b>\$ 0.16</b>	<b>\$ (0.28)</b>	<b>\$</b>	<b>\$ (0.58)</b>

For the quarter and six month period ended June 30, 2010, stock options and SSARs relating to approximately 5.6 million and 5.4 million shares of LP common stock were considered anti-dilutive or not in-the-money for purpose of LP's earnings per share calculation. For the quarter and six month period ended June 30, 2009, stock options, stock warrants and SSARs relating to approximately 25.0 million and 17.6 million shares of LP common stock were considered anti-dilutive for purposes of LP's earnings per share calculation due to LP's loss position from continuing operations.

**NOTE 5 RECEIVABLES**

Receivables consist of the following:

<b>Dollar amounts in millions</b>	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Trade receivables	\$ 86.7	\$ 47.4
Interest receivables	1.1	1.9
Other receivables	22.1	11.8
Allowance of doubtful accounts	(1.3)	(1.2)
<b>Total</b>	<b>\$ 108.6</b>	<b>\$ 59.9</b>

Other receivables at June 30, 2010 and December 31, 2009 primarily consist of short-term notes receivable, settlements, Canadian sales tax receivables, receivables from our joint ventures associated with product purchases and other items.

**NOTE 6 INVENTORIES**

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Inventories are valued at the lower of cost or market. Inventory cost includes materials, labor and operating overhead. The LIFO (last-in, first-out) method is used for certain log inventories with remaining inventories valued

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

at FIFO (first-in, first-out) or average cost. The major types of inventories are as follows (work in process is not material):

<b>Dollar amounts in millions</b>	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Logs	\$ 19.9	\$ 15.3
Other raw materials	22.1	18.6
Finished products	113.1	98.4
Supplies	10.0	9.0
LIFO reserve	(0.9)	(0.9)
Total	\$ 164.2	\$ 140.4

**NOTE 7 ASSETS HELD FOR SALE**

Over the last several years, LP has adopted and implemented plans to sell selected assets in order to improve its operating results. LP is required to classify assets held for sale which are not part of a discontinued business separately on the face of the financial statements outside of Property, plant and equipment. As of June 30, 2010 and December 31, 2009, LP included three OSB mills and various non-operating sites in its held for sale category. The current book values of assets held for sale by category is as follows:

<b>Dollars in millions</b>	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Property, plant and equipment, at cost:		
Land, land improvements and logging roads, net of road amortization	\$ 13.4	\$ 15.9
Buildings	24.5	35.7
Machinery and equipment	210.9	212.1
	248.8	263.7
Accumulated depreciation	(182.6)	(194.6)
Net property, plant and equipment	\$ 66.2	\$ 69.1

During the six months ended June 30, 2010, LP recorded an impairment of \$1.1 million to reduce the carrying value of these assets to estimated selling price less selling cost.

**NOTE 8 LONG TERM DEBT**

LP's long term debt consists of the following:

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dollars in millions	June 30, 2010	December 31, 2009
<i>Debentures:</i>		
Senior notes, maturing 2010	\$ 60.0	\$ 60.0
Senior secured notes, maturing 2017	180.7	178.2
<i>Bank credit facilities:</i>		
Chilean team credit facility, maturing 2019, demominated in UF	36.2	39.0
<i>Limited recourse notes payable:</i>		
Senior notes, payable 2012	7.9	7.9
Senior notes, payable 2010 - 2018	112.0	225.4
<i>Other financing</i>		
Senior private placement	368.7	368.7
Other	0.9	0.8
Total	766.4	880.0
Less: current portion	(60.3)	(173.7)
Net long-term portion	\$ 706.1	\$ 706.3

LP issued \$47.9 million of senior notes in 1997 in a private placement to institutional investors. The \$7.9 million remaining notes are secured by \$10.0 million in notes receivable from Sierra Pacific Industries and mature in 2012. In the event of a default by Sierra Pacific Industries, LP is fully liable for the notes payable.

LP issued \$348.6 million of senior debt in 1998 in a private placement to institutional investors. The remaining \$112.0 million of these notes (\$225.4 million at December 31, 2009) mature in principal amounts of \$90.0 million in 2013 and \$22.0 million in 2018. The remaining notes are secured by \$113.7 million (\$228.7 million at December 31, 2009) of notes receivable from Green Diamond Resource Company (Green Diamond). Pursuant to the terms of the notes payable, in the event of a default by Green Diamond, LP would be liable to pay only 10% of the indebtedness represented by the notes payable.

LP issued \$368.7 million of senior debt in 2003 in a private placement to unrelated third parties. The notes mature in 2018. The notes are supported by a bank letter of credit. LP's reimbursement obligations under the letter of credit are secured by \$410 million in notes receivable from assets sales. In general, the creditors under this arrangement have no recourse to LP's assets, other than the notes receivable. However, under certain circumstances, LP may be liable for certain liabilities (including liabilities associated with the marketing or remarketing of the notes payable and reimbursement obligations, which are fully cash collateralized under the letter of credit supporting the notes payable) in an amount not to exceed 10% of the aggregate principle amount of the notes receivable. LP's maximum exposure in this regard was approximately \$41 million as of June 30, 2010 and December 31, 2009.

LP estimates the senior notes maturing in 2010, included in current portion of long-term debt, to have a fair market value of \$60 million at June 30, 2010 and \$ 62.0 million at December 31, 2009 based upon market quotations as compared to a book value of \$60 million at June 30, 2010 and December 31, 2009. LP estimates the senior secured notes maturing in 2017 to have a fair value of \$262.0 million as of June 30, 2010 and \$263.3 million at December 31, 2009 as compared to a book value of \$180.7 million and \$ 178.2 million at June 30, 2010 and December 31, 2009.

Additional descriptions of LP's indebtedness are included in consolidated financial statements and the notes thereto included in LP's Annual Report on Form 10-K for the year ended December 31, 2009.

**NOTE 9 INCOME TAXES**

Accounting standards require that LP account for income taxes using the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. This method also requires the recognition of future tax benefits, such as net operating loss carry forwards and other tax credits. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those



## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

temporary differences are expected to reverse. Valuation allowances are recorded as necessary to reduce deferred tax assets to the amount thereof that is more likely than not to be realized. The likelihood of realizing deferred tax assets is evaluated by, among other things, estimating future taxable income to which the deferred tax assets may be applied and assessing the impact of tax planning strategies.

For interim periods, accounting standards require that income tax expense be determined by applying the estimated annual effective income tax rate, by income component, to year-to-date income or loss at the end of each quarter, then adding or subtracting the impact of changes in reserve requirements or statutory tax rates, if any. Each quarter the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is adjusted to the current quarter.

For the first six months of 2010, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP's continuing operations relate to state income taxes, the effect of foreign tax rates, the effect of foreign currency translation, and a discrete adjustment for state income taxes. For the second quarter and first six months of 2009, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP's continuing operations relate to the Company's foreign debt structure, state income taxes and the effect of foreign tax rates.

The components and associated estimated effective income tax rates applied to the quarter and six month periods ended June 30, 2010 and 2009 are as follows:

Dollars in millions	Quarter Ended June 30,			
	2010		2009	
	Tax Provision (benefit)	Tax Rate	Tax Benefit	Tax Rate
Continuing operations	\$ 12.7	35%	\$ (16.0)	37%
Discontinued operations	(0.8)	39%	(1.4)	39%
	\$ 11.9	35%	\$ (17.4)	37%

  

	Six Months Ended June 30,			
	2010		2009	
	Tax Provision (benefit)	Tax Rate	Tax Benefit	Tax Rate
Continuing operations	\$ 2.4	69%	\$ (35.3)	38%
Discontinued operations	(0.9)	39%	(1.7)	39%
	\$ 1.5	115%	\$ (37.0)	38%

LP and its domestic subsidiaries are subject to U.S. federal income tax as well as income taxes of multiple state jurisdictions. LP's foreign subsidiaries are subject to income tax in Canada, Chile, Brazil and Peru. Federal income tax examinations for the years through 2006 have been effectively settled. LP remains subject to state and local tax examinations for the tax years 2005 through 2008. LP's Canadian income tax returns have been audited and effectively settled through 2004.

As of June 30, 2010, LP projects that its deferred tax assets associated with state net operating loss carry forwards may not be fully realized, and has included a partial valuation allowance of \$1.3 million in computing its annual effective tax rate estimate used to determine the tax expense for the period ending June 30, 2010.

If LP were to determine that it would not be able to realize a portion of an existing net deferred tax asset for which there is currently no valuation allowance, an adjustment to the net deferred tax asset would be charged to earnings in the period in which such determination was made. Conversely, if it were to make a determination that it is more likely than not that an existing deferred tax asset for which there is currently a valuation allowance would be realized, the related valuation allowance would be reduced and a benefit to earnings would be recorded in the period in which such determination was made.





## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**NOTE 10 OTHER OPERATING CREDITS AND CHARGES, NET**

The major components of Other operating credits and charges, net in the Consolidated Statements of Income for the quarter and six month periods ended June 30, 2010 and 2009 are reflected in the table below and are described in the paragraphs following the table:

Dollar amounts in millions	Quarter Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Severance	\$	\$	\$ 0.1	\$ (0.5)
Additions to environmental contingency reserves		(2.6)		(2.6)
Construction related legal reserves	(0.6)	0.4	(0.6)	0.4
Gain on insurance recovery		4.1		8.4
	\$ (0.6)	\$ 1.9	\$ (0.5)	\$ 5.7

In the first quarter of 2009, LP recorded a net gain of \$4.3 million associated with reimbursements of legal expenses associated with an environmental litigation and a loss \$0.5 million associated with severance costs due to LP's right sizing initiatives.

In the second quarter of 2009, LP recorded a further gain of \$4.1 million associated with reimbursement of legal expenses associated with an environmental litigation matter, a net loss of \$2.6 million associated with environmental reserves on two sites which LP no longer operates and a gain of \$0.4 million associated with a contractor default on a construction project.

In the second quarter of 2010, LP recorded a loss of \$0.6 million associated with an assessment in connection with one of its indefinitely curtailed OSB mills.

**NOTE 11 TRANSACTIONS WITH AFFILIATES**

LP has equity investments in AbitibiBowater-LP (a manufacturer of I-joist) and Canfor-LP (a manufacturer of OSB). LP sells products and raw materials to the AbitibiBowater-LP entity and purchases products for resale from the AbitibiBowater-LP and Canfor-LP entities. LP eliminates profits on these sales and purchases, to the extent the inventory has not been sold through to third parties, on the basis of its 50% interest. For the quarters ended June 30, 2010 and 2009, LP sold \$2.3 million and \$1.8 million of products to AbitibiBowater-LP and purchased \$13.3 million and \$9.3 million of I-joist from AbitibiBowater-LP. LP also purchased \$30.5 million and \$11.5 million of OSB from Canfor-LP during the quarters ended June 30, 2010 and 2009. For the six months ended June 30, 2010 and 2009, LP sold \$4.0 million and \$2.7 million of products to AbitibiBowater-LP and purchased \$24.0 million and \$14.3 million of I-joist from AbitibiBowater-LP. LP also purchased \$54.1 million and \$18.5 million of OSB from Canfor-LP for the six months ended June 30, 2010 and 2009.

**NOTE 12 LEGAL AND ENVIRONMENTAL MATTERS**

Certain environmental matters and legal proceedings are discussed below.

**Environmental Matters**

LP is involved in a number of environmental proceedings and activities, and it may be wholly or partially responsible for known or unknown contamination existing at a number of other sites at which LP has conducted operations or disposed of wastes. Based on the information currently available, management believes that any fines, penalties or other costs or losses resulting from these matters will not have a material adverse effect on the financial position, results of operations, cash flows or liquidity of LP.

**Antitrust Litigation**

On December 1, 2008, LP was named as one of a number of defendants in Bailey Lumber & Supply and 84 Lumber Company v. Georgia-Pacific Corporation et. al. (Civil Action No. 1:08cv1394) filed in the United States District Court for the Southern District of Mississippi Southern Division. The plaintiffs, who opted out of a class action



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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

settlement of substantially identical claims that was implemented in 2008, seek treble damages alleged to have resulted from a conspiracy among the defendants to fix, raise, maintain and stabilize the prices at which OSB and Plywood are sold in the United States during the period of 2002 into 2006, in violation of Section 1 of the Sherman Act, 15 U.S.C. §1, together with costs and attorneys' fees. LP believes these allegations are without merit and intends to vigorously defend this suit.

Although the complaint in this opt-out case does not specify the amount of damages sought, a damages model subsequently filed by the plaintiffs suggests that they may be seeking damages in a range from \$149 million to \$174 million (or \$447 million to \$524 million if trebled). LP has not increased its reserves for this opt-out case as a result of the filing of the damages model. LP believes that the resolution of this matter will not have a material adverse effect on LP's financial position, results of operations or cash flows.

**ARS litigation**

On July 31, 2009, LP filed suit In The United States District Court For The Northern District Of California captioned., Louisiana Pacific Corporation v. Money Market 1 Institutional Investment Dealer; Merrill Lynch & CO., Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; And Deutsche Bank Securities Inc. (Civil Action No.09cv3529). This matter arose out of LP's acquisition of certain ARS structured and underwritten by Merrill Lynch and Deutsche Bank with an approximate par value of \$145.9 million. In the lawsuit, LP alleges that the defendants made misrepresentations and omissions of material facts in connection with the issuance of and the auctions for the ARS which constitute a violation of both state and federal securities laws, as well as common law fraud. LP seeks recovery of compensatory damages, rescission of the purchase of the securities at par value, consequential damages, punitive damages, attorneys' fees and any other damages the court deems appropriate under the circumstances.

**Other Proceedings**

LP is party to other legal proceedings. Based on the information currently available, LP believes that the resolution of such proceedings will not have a material adverse effect on its financial position, results of operations, cash flows or liquidity.

**NOTE 13 SELECTED SEGMENT DATA**

LP operates in three segments: Oriented Strand Board (OSB); Siding; and Engineered Wood Products (EWP). LP's business units have been aggregated into these three segments based upon the similarity of economic characteristics, customers and distribution methods. LP's results of operations are summarized below for each of these segments separately as well as for the other category which comprises other products that are not individually significant. Segment information was prepared in accordance with the same accounting principles as those described in Note 1 of the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2009.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dollar amounts in millions	Quarter Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales:				
OSB	\$ 216.9	\$ 97.7	\$ 333.8	\$ 170.0
Siding	130.3	103.9	219.9	178.5
Engineered Wood Products	55.7	35.9	104.5	65.8
Other	47.6	29.9	88.9	58.6
Less intersegment sales	(3.4)		(3.4)	
	\$ 447.1	\$ 267.4	\$ 743.7	\$ 472.9
Operating profit (loss):				
OSB	\$ 47.9	\$ (18.4)	\$ 43.4	\$ (42.6)
Siding	21.8	6.5	30.3	8.6
Engineered Wood Products	(4.4)	(8.6)	(10.9)	(17.8)
Other	3.7	0.6	3.7	2.2
less intersegment profits	(0.5)		(0.5)	
Other operating credits and charges, net	(0.6)	1.9	(0.5)	5.7
Gain (loss) on sale or impairment of long-lived assets	0.1	1.0	(1.2)	0.9
General corporate and other expenses, net	(18.2)	(18.5)	(37.9)	(37.6)
Foreign currency gains (losses)	(0.1)	6.7	1.4	9.3
Gain on early debt extinguishment				0.6
Other than temporary impairment of investments		(0.8)		(1.7)
Investment income	4.3	8.3	10.2	14.4
Interest expense, net of capitalized interest	(17.7)	(21.9)	(34.5)	(34.8)
Income (loss) from continuing operations before taxes	36.3	(43.2)	3.5	(92.8)
Provision (benefit) for income taxes	12.7	(16.0)	2.4	(35.3)
Income (loss) from continuing operations	\$ 23.6	\$ (27.2)	\$ 1.1	\$ (57.5)

**NOTE 14 POTENTIAL IMPAIRMENTS**

LP continues to review certain operations and investments for potential impairments. LP's management currently believes it has adequate support for the carrying value of each of these operations and investments based upon the anticipated cash flows that result from estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. As of June 30, 2010, the undiscounted cash flows for the facilities indefinitely curtailed support the conclusion that no impairment is necessary for those facilities. However, should demand and pricing for the relevant products be at levels significantly below cycle average demand and pricing, or should LP decide to invest capital in alternative projects, it is possible that impairment charges will be required.

LP also reviews from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, its strategic plan and other relevant circumstances. Because a determination to dispose of particular assets can require management to make assumptions regarding the transaction structure of the disposition and to estimate the net sales proceeds, which may be less than previous estimates of undiscounted future net cash flows, LP may be required to record impairment charges in connection with decisions to dispose of assets.

**NOTE 15 CONTINGENCY RESERVES**

LP is involved in various legal proceedings incidental to LP's business and is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. LP maintains reserves for these various contingencies as follows:

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dollar amounts in millions	June 30, 2010	December 31, 2009
Environmental reserves	\$ 14.6	\$ 14.7
Hardboard siding reserves	21.4	24.2
Other reserves	1.7	1.9
Total contingency reserves	37.7	40.8
Current portion of contingency reserves	(7.0)	(10.0)
Long-term portion of contingency reserves	\$ 30.7	\$ 30.8

Hardboard Siding Reserves

LP has established reserves relating to certain liabilities associated with a settlement agreement resulting from a nationwide class action lawsuit involving hardboard siding manufactured or sold by corporations acquired by LP in 1999 and installed prior to May 15, 2000 which was approved by the applicable courts in 2000. This settlement is discussed in greater detail in the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2009. LP believes that the reserve balance for this settlement at June 30, 2010 will be adequate to cover future payments to claimants and related administrative costs.

The activity in the portion of LP's loss contingency reserves relating to hardboard siding contingencies for the first quarters of 2010 and 2009 are summarized in the following table.

Dollar amounts in millions	June 30, 2010	June 30, 2009
Beginning balance, December 31,	\$ 24.2	\$ 31.2
Payments made for claims	(2.0)	(4.0)
Payments made for administrative costs	(0.8)	(0.7)
Ending balance	\$ 21.4	\$ 26.5

**NOTE 16 DEFINED BENEFIT PENSION PLANS**

The following table sets forth the net periodic pension cost for LP's defined benefit pension plans during the quarter ended June 30, 2010 and 2009. The net periodic pension cost included the following components:

Dollar amounts in millions	Quarter Ended June 30,		Six Months End June 30,	
	2010	2009	2010	2009
Service cost	\$ 0.7	\$ 1.7	\$ 1.7	\$ 3.4
Interest cost	4.4	4.1	9.8	8.2
Expected return on plan assets	(4.7)	(4.4)	(10.7)	(8.8)
Amortization of prior service cost	0.1	0.1	0.2	0.2
Amortization of net loss	1.2	1.0	2.8	2.0
Net periodic pension cost	\$ 1.7	\$ 2.5	\$ 3.8	\$ 5.0

As of January 1, 2010, LP froze future contribution credits to its qualified U.S. defined benefit pension plans. Through June 30, 2010 and 2009, LP recognized \$3.8 million and \$5.0 million of pension expense, respectively, for all of LP's defined benefit plans. LP presently anticipates recognizing an additional \$2.6 million of pension expense in the remainder of 2010 for a total of \$6.4 million.

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Through June 30, 2010, LP made no significant pension contributions for LP's defined benefit plans. LP presently anticipates making approximately \$10 to 12 million additional pension contributions for the plans during the remainder of 2010.

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 17 GUARANTEES AND INDEMNIFICATIONS

LP is a party to contracts in which LP agrees to indemnify third parties for certain liabilities that arise out of or relate to the subject matter of the contract. In some cases, this indemnity extends to liabilities arising out of the negligence of the indemnified parties, but usually excludes any liabilities caused by gross negligence or willful misconduct of the indemnified parties. LP cannot estimate the potential amount of future payments under these agreements until events arise that would trigger the liability. See Note 23 of the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2009 for further discussion of LP's guarantees and indemnifications.

Additionally, LP provides warranties on the sale of most of its products and records an accrual for estimated future claims. Such accruals are based upon historical experience and management's estimate of the level of future claims. The activity in warranty reserves for the second quarter and first six months of 2010 and 2009 are summarized in the following table:

Dollar amounts in millions	Quarter Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Beginning balance	\$ 31.9	\$ 32.5	\$ 32.9	\$ 33.7
Accrued to expense	2.0	3.6	3.1	4.6
Payments made	(3.3)	(1.6)	(5.4)	(3.8)
Total warranty reserves	30.6	34.5	30.6	34.5
Current portion of warranty reserves	(10.0)	(7.0)	(10.0)	(7.0)
Long-term portion of warranty reserves	\$ 20.6	\$ 27.5	\$ 20.6	\$ 27.5

The current portion of the warranty reserve is included in the caption "Accounts payable and accrued liabilities" and the long-term portion is included in the caption "Other long-term liabilities" on LP's Condensed Consolidated Balance Sheets.

## NOTE 18 RECENT AND PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued guidance now codified under ASC Topic 860, "Transfers and Servicing" (ASC 860) and ASC Topic 810 "Consolidation". Under ASC 860, the concept of a qualifying special-purpose entity (QSPE) is no longer relevant for accounting purposes, and formerly qualifying special purpose entities need to be evaluated for consolidation. ASC 810 requires an enterprise to perform an analysis to determine whether the enterprise's variable interest gives it a controlling financial interest. As of January 1, 2010, LP adopted ASC 860 and 810 and consolidated the former QSPE established in connection with the sale of southern timber and timberlands in 2003. The consolidation of the former QSPE results in adjustments to LP's consolidated financial statements to increase LP's assets by \$368.1 million, to increase LP's liabilities by \$368.9 million and to reduce LP's net equity by \$0.8 million. Specifically, "Notes receivable from asset sales" increased by \$410 million;

"Advances to and investments in affiliates" declined by \$44.5 million; "Restricted cash" increased \$1.6 million; "Deferred debt cost" increased by \$0.9 million; "Accounts payable and accrued liabilities" increased by \$0.2 million; "Long-term debt" increased by \$368.7 million and "Retained earnings" declined of \$0.8 million. The retroactive application of ASC 860 and 810 resulted in the recognition of additional net loss for the six months ended June 30, 2009 of \$0.2 million.

## NOTE 19 IMMATERIAL RESTATEMENT

During the third quarter of 2009, the Company determined that there was an error in the Statement of Other Comprehensive Income in the second quarter and six month periods ended June 30, 2009. The impact of this error was to reduce Other Comprehensive Income by \$2.6 million and \$3.0 million for the quarter and six month periods ended June 30, 2009 and has been corrected in the accompanying financial statements.

During the second quarter of 2010, LP identified an error in the calculation of the Equity in income (losses) of affiliates relating to the foreign currency translation of income and losses of LP's foreign joint ventures. This error was related to foreign currency rates applied to depreciation expense which is included as a component of "Equity in income and losses of unconsolidated affiliates". As "Equity in income (losses) of unconsolidated affiliates" is a noncash item, this error did not impact net cash provided by (used in) operations in any period. This error resulted in the understatement of "Equity in (income) losses in unconsolidated affiliates" in the amount of \$0.6 million, \$1.4 million and \$1.9 million for



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the years ended December 31, 2009, December 31, 2008 and December 31, 2007 and the remaining in previous years with an accumulated understatement of the Investment in and advances to affiliates in the amounts of \$4.8 million and \$4.2 million as of December 31, 2009 and December 31, 2008. Since

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

this adjustment is related to the foreign currency process, there is no impact on LP's tax provision or related tax accounts.

LP believes the correction of the error is not material to its previously issued historical financial statements. However, given LP's financial results through the second quarter of 2010, the error would be material to LP's current results and therefore LP made the decision to correct the error through an immaterial restatement of the previously issued financial statements. The impact on the second quarter and first six months of 2009 is insignificant. The effects of this restatement on the audited Consolidated Balance sheet as previously presented in LP's Form 10-K as of December 31, 2009 is as follows:

	<b>2009</b>	
	<b>As reported</b>	<b>Adjusted</b>
Investments in and advances to affiliates	\$ 133.7	\$ 138.5
Total assets	\$ 2,615.5	\$ 2,620.3
Retained earnings	\$ 897.3	\$ 902.1
Total stockholders' equity	\$ 1,248.7	\$ 1,253.5
Total liabilities and stockholders' equity	\$ 2,615.5	\$ 2,620.3

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

Our products are used primarily in new home construction, repair and remodeling, and manufactured housing. We also market and sell our products in light industrial and commercial construction and we have a modest export business. Our manufacturing facilities are primarily located in the U.S. and Canada, but we also operate two facilities in Chile and have a 75% ownership interest in a Brazilian facility.

To serve our markets, we operate in three segments: Oriented Strand Board (OSB), Siding, and Engineered Wood Products (EWP).

Demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicity. For the six months of 2010, the U.S. Department of Census reported that actual single and multi-family housing starts were about 14% higher than for the same period of 2009. We believe the improved level of building, while significantly below normal levels, is related to the slightly improving U.S. economy and certain housing initiatives by the U.S. government. Our increase in sales is higher than the increase in housing starts due to significant inventory reductions taken by our customers during 2009 in response to the global recession and a subsequent attempt to build inventory in the first two quarters of 2010 due to anticipated seasonal building activity. During the second quarter, OSB prices were much stronger than in previous periods. Building activity is unlikely to improve to normal levels until the number of homes available for sale is reduced, foreclosure activity subsides, employment improves and housing prices stabilize further.

OSB is sold as a commodity for which sales prices fluctuate daily based on market factors over which we have little or no control. We cannot predict whether the prices of our products will remain at current levels or increase or decrease in the future.

For additional factors affecting our results, refer to the Management Discussion and Analysis overview contained in our Annual Report on Form 10-K for the year ended December 31, 2009 and to About Forward-Looking Statements and Risk Factors in this report.

**CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES**

Presented in Note 1 of the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2009 is a discussion of our significant accounting policies and significant accounting estimates and judgments. Throughout the preparation of the financial statements, we employ significant judgments in the application of accounting principles and methods. These judgments are primarily related to the assumptions used to arrive at various estimates. For the first six months of 2010, these significant accounting estimates and judgments include:

*Auction Rate Securities:* Our auction-rate securities represent interests in collateralized debt obligations, a portion of which are supported by pools of residential and commercial mortgages, credit-linked notes, bank trust preferred notes and other securities. Historically, liquidity for these auction-rate securities was typically provided by an auction process that reset the applicable interest rate at pre-determined intervals, usually every 7, 28, 35 or 90 days. As of June 30, 2010, auction-rate securities that we hold had experienced multiple failed auctions as the amount of securities for sale exceeded the amount of purchase orders. Consequently, we have classified \$34.1 million (\$96.8 million, par value) of auction-rate securities as long-term available-for-sale securities.

Our estimates of the valuation of our current holdings of auction rate securities are based upon our evaluation of the structure of our auction rate securities and current market estimates of fair value, including fair value estimates from the issuing banks and indicative pricing from other parties. We review several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects of the issuer, and (iv) our intent and ability to hold the security for a period of time sufficient to allow for any

anticipated recovery in fair value. Due to the numerous variables associated with these judgments, both the precision and reliability of the resulting estimates of the related valuation allowance are subject to substantial uncertainties. We regularly monitor our estimated exposure to these investments and, as additional information becomes known, may change our estimates significantly.

*Legal Contingencies.* Our estimates of loss contingencies for legal proceedings are based on various judgments and assumptions regarding the potential resolution or disposition of the underlying claims and associated costs. In making judgments and assumptions regarding legal contingencies for ongoing class action settlements, we consider, among other things, discernible trends in the rate of claims asserted and related damage estimates and information obtained through consultation with statisticians and economists, including statistical analyses of potential outcomes based on experience to date and the experience of third parties who have been subject to product-related claims judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, both the precision and reliability of the resulting estimates of the related loss contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to these contingencies and, as additional information becomes known, may change our estimates significantly.

*Environmental Contingencies.* Our estimates of loss contingencies for environmental matters are based on various judgments and assumptions. These estimates typically reflect judgments and assumptions relating to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect judgments and assumptions relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities, including third parties who purchased assets from us subject to environmental liabilities. We consider the ability of third parties to pay their apportioned cost when developing our estimates. In making these judgments and assumptions related to the development of our loss contingencies, we consider, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and our historical experience at other sites that are judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to environmental loss contingencies and, as additional information becomes known, may change our estimates significantly. At June 30, 2010, we excluded from our estimates approximately \$1.0 million of potential environmental liabilities that we estimate will be allocated to third parties pursuant to existing and anticipated future cost sharing arrangements.

*Impairment of Long-Lived Assets.* We review the long-lived assets held and used by us (primarily property, plant and equipment and timber and timberlands) for impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. We consider the necessity of undertaking such a review at least quarterly, and also when certain events or changes in circumstances occur. Events and changes in circumstances that may necessitate such a review may include, but are not limited to: a significant decrease in the market price of a long-lived asset or group of long-lived assets; a significant adverse change in the extent or manner in which a long-lived asset or group of long-lived assets is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or group of long-lived assets, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or group of long-lived assets; current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or group of long-lived assets; and a current expectation that, more likely than not, a long-lived asset or group of long-lived assets will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Identifying these events and changes in circumstances, and assessing their impact on the appropriate valuation of the affected assets under accounting principles generally accepted in the U.S., requires us to make judgments, assumptions and estimates.

In general, for assets held and used in our operations, impairments are recognized when the carrying amount of the long-lived asset or groups of long-lived assets is not recoverable and exceeds the fair value of the asset or groups of assets. The carrying amount of a long-lived asset or groups of long-lived assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets or group of assets. The key assumptions in estimating these cash flows relate to future production volumes, pricing of

commodity or specialty products and future estimates of expenses to be incurred as reflected in our long-range internal planning models. Our assumptions regarding pricing are based upon the average pricing over the commodity cycle (generally five years) due to the inherent volatility of commodity product pricing, and reflect our assessment of information gathered from industry research firms, research reports published by investment analysts and other published forecasts. Our assumptions regarding expenses reflect our expectation that we will continue to reduce production costs to offset inflationary impacts.

When impairment is indicated for assets held and used in our operations, the book values of the affected assets are written down to their estimated fair value, which is generally based upon discounted future cash flows associated with the affected assets. When impairment is indicated for assets to be disposed of, the book values of the affected assets are written down to their estimated fair value, less estimated selling costs. Consequently, a determination to dispose of particular assets can require us to estimate the net sales proceeds expected to be realized upon such disposition, which may be less than the estimated undiscounted future net cash flows associated with such assets prior to such determination, and thus require an impairment charge. In situations where we have experience in selling assets of a similar nature, we may estimate net sales proceeds on the basis of that experience. In other situations, we hire independent appraisers to estimate net sales proceeds.

Due to the numerous variables associated with our judgments and assumptions relating to the valuation of assets in these circumstances, and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates of the related impairment charges are subject to substantial uncertainties and, as additional information becomes known, we may change our estimates significantly.

*Income Taxes.* The determination of the provision for income taxes, and the resulting current and deferred tax assets and liabilities, involves significant management judgment, and is based upon information and estimates available to management at the time of such determination. The final income tax liability to any taxing jurisdiction with respect to any calendar year will ultimately be determined long after our financial statements have been published for that year. We maintain reserves for known estimated tax exposures in federal, state and international jurisdictions; however, actual results may differ materially from our estimates.

Judgment is also applied in determining whether deferred tax assets will be realized in full or in part. When we consider it to be more likely than not that all or some portion of a deferred tax asset will not be realized, a valuation allowance is established for the amount of the deferred tax asset that is estimated not to be realizable. As of June 30, 2010, we had established valuation allowances against certain deferred tax assets, primarily related to state and foreign carryovers of net operating losses, credits and capital losses. We have not established valuation allowances against other deferred tax assets based upon tax strategies planned to mitigate the risk of impairment of these assets. Accordingly, changes in facts or circumstances affecting the likelihood of realizing a deferred tax asset could result in the need to record additional valuation allowances.

*Pension Plans.* Most of our U.S. employees and many of our Canadian employees participate in defined benefit pension plans sponsored by LP. We account for the consequences of our sponsorship of these plans in accordance with accounting principles generally accepted in the U.S., which require us to make actuarial assumptions that are used to calculate the related assets, liabilities and expenses recorded in our financial statements. While we believe we have a reasonable basis for these assumptions, which include assumptions regarding long-term rates of return on plan assets, life expectancies, rates of increase in salary levels, rates at which future values should be discounted to determine present values and other matters, the amounts of our pension related assets, liabilities and expenses recorded in our financial statements would differ if we used other assumptions.

*Workers Compensation.* We are self insured for most of our U.S. employees workers compensation claims. We account for these plans in accordance with accounting principles generally accepted in the U.S., which require us to make actuarial assumptions that are used to calculate the related assets, liabilities and expenses recorded in our financial statements. While we believe we have a reasonable basis for these assumptions, which include assumptions regarding rates at which future values should be discounted to determine present values, expected future health care costs and other matters. The amounts of our liabilities and related expenses recorded in our financial statements would differ if we used other assumptions.

## NON-GAAP FINANCIAL MEASURES

In evaluating our business, we utilize several non-GAAP financial measures. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so excluded or included under applicable GAAP guidance. In this report on Form 10-Q, we disclose earnings from continuing operations before interest expense, taxes, depreciation and amortization ( EBITDA from continuing operations ) which is a non-GAAP financial measure. Additionally, we disclose Adjusted EBITDA from continuing operations which further adjusts EBITDA from continuing operations to exclude stock based compensation expense, (gain) loss on sales or impairment of long lived assets, other operating charges and credits, other than temporary investment impairment, early debt extinguishment and investment income. Neither EBITDA from continuing operations nor adjusted EBITDA from continuing operations are a substitute for the GAAP measures of net income or operating cash flows or for any other GAAP measures of operating performance or liquidity.

We have included EBITDA from continuing operations and adjusted EBITDA from continuing operations in this report on Form 10-Q because we use them as important supplemental measures of our performance and believe that they are frequently used by securities analysts, investors and other interested persons in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We use EBITDA from continuing operations and adjusted EBITDA from continuing operations to evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates. It should be noted that companies calculate EBITDA and adjusted EBITDA differently and, therefore, our EBITDA and adjusted EBITDA measures may not be comparable to EBITDA and adjusted EBITDA reported by other companies. Our EBITDA and adjusted EBITDA measures have material limitations as performance measures because they exclude interest expense, income tax (benefit) expense and depreciation and amortization which are necessary to operate our business or which we otherwise incurred or experienced in connection with the operation of our business.

The following table represents significant items by operating segment and reconciles income (loss) from continuing operations to adjusted EBITDA from continuing operations:

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(Dollar amounts in millions)	OSB	Siding	EWP	Other	Corporate	Total
<b>Three Months Ended June 30, 2010</b>						
Sales	\$ 216.9	\$ 130.3	\$ 55.7	\$ 47.6	\$ (3.4)	\$ 447.1
Depreciation and amortization	9.9	5.4	3.7	2.8	0.6	22.4
Cost of sales and selling and administrative	161.9	103.1	56.3	39.3	14.7	375.3
(Gain) loss on sale or impairment of long lived assets					(0.1)	(0.1)
Other operating credits and charges, net					0.6	0.6
Total operating costs	171.8	108.5	60.0	42.1	15.8	398.2
Income (loss) from operations	45.1	21.8	(4.3)	5.5	(19.2)	48.9
Total non-operating income (expense)					(13.5)	(13.5)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	45.1	21.8	(4.3)	5.5	(32.7)	35.4
Provision (benefit) for income taxes					12.7	12.7
Equity in (income) loss of unconsolidated affiliates	(2.8)		0.1	1.8		(0.9)
<b>Income (loss) from continuing operations</b>	<b>47.9</b>	<b>21.8</b>	<b>(4.4)</b>	<b>3.7</b>	<b>(45.4)</b>	<b>23.6</b>
Reconciliation of income (loss) from continuing operations to adjusted EBITDA from continuing operations						
Income (loss) from continuing operations	47.9	21.8	(4.4)	3.7	(45.4)	23.6
Income tax provision (benefit)					12.7	12.7
Interest expense, net of capitalized interest					17.7	17.7
Depreciation and amortization	9.9	5.4	3.7	2.8	0.6	22.4
EBITDA from continuing operations	57.8	27.2	(0.7)	6.5	(14.4)	76.4
Stock based compensation expense	0.2	0.2	0.1		1.6	2.1
(Gain) loss on sale or impairment of long lived assets					(0.1)	(0.1)
Investment income					(4.3)	(4.3)
Other operating credits and charges, net					0.6	0.6
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ 58.0</b>	<b>\$ 27.4</b>	<b>\$ (0.6)</b>	<b>\$ 6.5</b>	<b>\$ (16.6)</b>	<b>\$ 74.7</b>
<b>Three Months Ended June 30, 2009</b>						
Sales	\$ 97.7	\$ 103.9	\$ 35.9	\$ 29.9	\$	\$ 267.4
Depreciation and amortization	8.9	4.3	2.9	2.0	0.8	18.9
Cost of sales and selling and administrative	105.2	93.1	41.4	26.2	17.7	283.6
(Gain) loss on sale or impairment of long lived assets					(1.0)	(1.0)
Other operating credits and charges, net					(1.9)	(1.9)
Total operating costs	114.1	97.4	44.3	28.2	15.6	299.6
Income (loss) from operations	(16.4)	6.5	(8.4)	1.7	(15.6)	(32.2)
Total non-operating income (expense)					(7.7)	(7.7)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	(16.4)	6.5	(8.4)	1.7	(23.3)	(39.9)
Provision (benefit) for income taxes					(16.0)	(16.0)
Equity in (income) loss of unconsolidated affiliates	2.0		0.2	1.1		3.3
<b>Income (loss) from continuing operations</b>	<b>(18.4)</b>	<b>6.5</b>	<b>(8.6)</b>	<b>0.6</b>	<b>(7.3)</b>	<b>(27.2)</b>

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Reconciliation of income (loss) from continuing operations to adjusted

EBITDA from continuing operations

Income (loss) from continuing operations	(18.4)	6.5	(8.6)	0.6	(7.3)	(27.2)
Income tax benefit					(16.0)	(16.0)
Interest expense, net of capitalized interest					21.9	21.9
Depreciation and amortization	8.9	4.3	2.9	2.0	0.8	18.9
<b>EBITDA from continuing operations</b>	<b>(9.5)</b>	<b>10.8</b>	<b>(5.7)</b>	<b>2.6</b>	<b>(0.6)</b>	<b>(2.4)</b>
Stock based compensation expense	0.2	0.2	0.1		1.6	2.1
(Gain) loss on sale or impairment of long lived assets					(1.0)	(1.0)
Investment income					(8.3)	(8.3)
Other operating credits and charges, net					(1.9)	(1.9)
Other than temporary asset impairment					0.8	0.8
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ (9.3)</b>	<b>\$ 11.0</b>	<b>\$ (5.6)</b>	<b>\$ 2.6</b>	<b>\$ (9.4)</b>	<b>\$ (10.7)</b>



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(Dollar amounts in millions)	OSB	Siding	EWP	Other	Corporate	Total
<b>Six Months Ended June 30, 2010</b>						
Sales	\$ 333.8	\$ 219.9	\$ 104.5	\$ 88.9	\$ (3.4)	\$ 743.7
Depreciation and amortization	18.5	10.5	7.1	5.5	1.2	42.8
Cost of sales and selling and administrative	275.1	179.1	108.0	77.0	33.8	673.0
(Gain) loss on sale or impairment of long lived assets					1.2	1.2
Other operating credits and charges, net					0.5	0.5
<b>Total operating costs</b>	<b>293.6</b>	<b>189.6</b>	<b>115.1</b>	<b>82.5</b>	<b>36.7</b>	<b>717.5</b>
Income (loss) from operations	40.2	30.3	(10.6)	6.4	(40.1)	26.2
Total non-operating income (expense)					(22.9)	(22.9)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	40.2	30.3	(10.6)	6.4	(63.0)	3.3
Provision (benefit) for income taxes					2.4	2.4
Equity in (income) loss of unconsolidated affiliates	(3.2)		0.3	2.7		(0.2)
<b>Income (loss) from continuing operations</b>	<b>43.4</b>	<b>30.3</b>	<b>(10.9)</b>	<b>3.7</b>	<b>(65.4)</b>	<b>1.1</b>
Reconciliation of income (loss) from continuing operations to adjusted EBITDA from continuing operations						
Income (loss) from continuing operations	43.4	30.3	(10.9)	3.7	(65.4)	1.1
Provision (benefit) for income taxes					2.4	2.4
Interest expense, net of capitalized interest					34.5	34.5
Depreciation and amortization	18.5	10.5	7.1	5.5	1.2	42.8
<b>EBITDA from continuing operations</b>	<b>61.9</b>	<b>40.8</b>	<b>(3.8)</b>	<b>9.2</b>	<b>(27.3)</b>	<b>80.8</b>
Stock based compensation expense	0.5	0.3	0.3		4.2	5.3
(Gain) loss on sale or impairment of long lived assets					1.2	1.2
Investment income					(10.2)	(10.2)
Other operating credits and charges, net					0.5	0.5
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ 62.4</b>	<b>\$ 41.1</b>	<b>\$ (3.5)</b>	<b>\$ 9.2</b>	<b>\$ (31.6)</b>	<b>\$ 77.6</b>
<b>Six Months Ended June 30, 2009</b>						
Sales	\$ 170.0	\$ 178.5	\$ 65.8	\$ 58.6	\$	472.9
Depreciation and amortization	16.0	9.0	5.9	5.1	2.0	38.0
Cost of sales and selling and administrative	192.1	160.9	77.3	50.3	35.6	516.2
(Gain) loss on sale or impairment of long lived assets					(0.9)	(0.9)
Other operating credits and charges, net					(5.7)	(5.7)
<b>Total operating costs</b>	<b>208.1</b>	<b>169.9</b>	<b>83.2</b>	<b>55.4</b>	<b>31.0</b>	<b>547.6</b>
Income (loss) from operations	(38.1)	8.6	(17.4)	3.2	(31.0)	(74.7)
Total non-operating income (expense)					(12.2)	(12.2)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	(38.1)	8.6	(17.4)	3.2	(43.2)	(86.9)
Provision (benefit) for income taxes					(35.3)	(35.3)
Equity in (income) loss of unconsolidated affiliates	4.5		0.4	1.0		5.9
<b>Income (loss) from continuing operations</b>	<b>(42.6)</b>	<b>8.6</b>	<b>(17.8)</b>	<b>2.2</b>	<b>(7.9)</b>	<b>(57.5)</b>

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Reconciliation of income (loss) from continuing operations to adjusted

EBITDA from continuing operations

Income (loss) from continuing operations	(42.6)	8.6	(17.8)	2.2	(7.9)	(57.5)
Provision (benefit) for income taxes					(35.3)	(35.3)
Interest expense, net of capitalized interest					34.8	34.8
Depreciation and amortization	16.0	9.0	5.9	5.1	2.0	38.0
<b>EBITDA from continuing operations</b>	<b>(26.6)</b>	<b>17.6</b>	<b>(11.9)</b>	<b>7.3</b>	<b>(6.4)</b>	<b>(20.0)</b>
Stock based compensation expense	0.4	0.3	0.3		3.0	4.0
(Gain) loss on sale or impairment of long lived assets					(0.9)	(0.9)
(Gain) on early debt extinguishment					(0.6)	(0.6)
Investment income					(14.4)	(14.4)
Other operating credits and charges, net					(5.7)	(5.7)
Other than temporary asset impairment					1.7	1.7
<b>Adjusted EBITDA from continuing operations</b>	<b>\$ (26.2)</b>	<b>\$ 17.9</b>	<b>\$ (11.6)</b>	<b>\$ 7.3</b>	<b>\$ (23.3)</b>	<b>\$ (35.9)</b>

**RESULTS OF OPERATIONS****(Dollar amounts in millions, except per share amounts)**

Our net income attributable to LP for the second quarter of 2010 was \$22.3 million, or \$0.16 per diluted share, on sales of \$447.1 million, compared to a net loss attributable to LP for the second quarter of 2009 of \$29.2 million, or \$0.28 per diluted share, on sales of \$267.4 million. For the second quarter of 2010, income from continuing operations was \$23.6 million, or \$0.17 per diluted share, compared to a loss from continuing operations of \$27.2 million, or \$0.26 per diluted share, for the second quarter of 2009.

Our net loss attributable to LP for the first six months of 2010 was \$0.2 million, or \$0.00 per diluted share, on sales of \$743.7 million, compared to a net loss attributable to LP for the same period of 2009 of \$59.7 million, or \$0.58 per diluted share, on sales of \$472.9 million. For the first six months of 2010, income from continuing operations was \$1.1 million, or \$0.01 per diluted share, compared to a loss from continuing operations of \$57.5 million, or \$0.55 per diluted share, for the first six months of 2009.

Our results of operations for each of our segments are discussed below as well as for the other category, which comprises products that are not individually significant.

**OSB**

Our OSB segment manufactures and distributes commodity and value-added OSB structural panels.

Segment sales, operating income (losses), and adjusted EBITDA from continuing operations for this segment are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Net sales	\$ 216.9	\$ 97.7	122%	\$ 333.8	\$ 170.0	96%
Operating income (losses)	47.9	(18.4)	360%	43.4	(42.6)	202%
Adjusted EBITDA from continuing operations	58.0	(9.3)	724%	62.4	(26.2)	338%

Percent changes in average sales prices and unit shipments for the quarter and six months ended June 30, 2010 compared to the quarter and six months ended June 30, 2009 are as follows:

	Quarter Ended June 30, 2010 versus 2009		Six Months Ended June 30, 2010 versus 2009	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
Commodity OSB	78%	24%	54%	28%

For both the quarter and the six month period ended June 30, 2010, OSB prices increased compared to the corresponding periods of 2009. The increase in OSB prices was likely due to tightening of the gap between supply and demand based upon currently operating facilities across the industry as well as raw material shortages due to weather related issues. The increase in selling price favorably impacted net sales and operating losses by approximately \$72 million for the quarter and \$87 million for the six month period as compared to the corresponding periods of 2009. As compared to the corresponding periods of 2009, the increase in sales volume was primarily due to increased demand as well as inventory restocking by our customers after dramatic declines in 2009. To balance supply and demand, we continue to have two of our ten OSB mills curtailed.

Compared to the second quarter and first six months of 2009, the primary factor that led to improved operating results was the increase in commodity OSB sales prices. This increase was offset by an increase in our Canadian dollar denominated manufacturing costs and certain raw materials. The Canadian dollar has strengthened significantly from the corresponding periods of 2009, which causes our Canadian production costs stated in U.S. dollars to increase.

**SIDING**

Our siding segment produces and markets wood-based siding and related accessories, together with commodity OSB products from one mill.

Segment sales, operating profits and adjusted EBITDA from continuing operations for this segment are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Net sales	\$ 130.3	\$ 103.9	25%	\$ 219.9	\$ 178.5	23%
Operating profits	21.8	6.5	235%	30.3	8.6	252%
Adjusted EBITDA from continuing operations	27.4	11.0	149%	41.1	17.9	130%

Sales in this segment by product line are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
SmartSide Siding	\$ 100.4	\$ 82.8	21%	\$ 166.7	\$ 134.7	24%
Commodity OSB	13.7	7.1	93%	21.8	14.2	54%
Canoxel siding and other hardboard related products	16.2	14.0	16%	31.4	29.6	6%
Total	\$ 130.3	\$ 103.9	25%	\$ 219.9	\$ 178.5	23%

Percent changes in average sales prices and unit shipments for the quarter and six months ended June 30, 2010 compared to the quarter and six months ended June 30, 2009 are as follows:

	Quarter Ended June 30, 2010 versus 2009		Six Months Ended June 30, 2010 versus 2009	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
SmartSide Siding	2%	19%	2%	23%
Commodity OSB	87%	2%	55%	(1%)
Canoxel siding and other hardboard related products	23%	(3%)	22%	(12%)

For the second quarter and first six months of 2010 compared to the corresponding periods in 2009, sales volumes increased significantly in our SmartSide siding line due to improvement in both retail sales and housing starts as well as an inventory build in the sales channels. In our Canoxel siding lines, sales volumes declined due to the curtailment of certain production lines. Sales prices in our SmartSide siding product line for the quarter and six month period ended June 30, 2010 as compared to the corresponding periods of 2009 changed slightly due to product mix with specific product prices remaining generally constant. In our Canoxel product line, sales prices increased in the second quarter and first six months as compared to the corresponding period of 2009 due to the impact of the strengthening Canadian dollar as a majority of these sales are made in Canada. Sales prices increased in our commodity OSB products as discussed in the OSB segment above.

Overall, the improvement in operating results for our siding segment for the second quarter and first six months of 2010 compared to the same periods of 2009 was primarily due to increased sales volumes and improvements in OSB pricing.

### ENGINEERED WOOD PRODUCTS

Our engineered wood products (EWP) segment manufactures and distributes laminated veneer lumber (LVL), I-Joists, laminated strand lumber (LSL) and other related products. This segment also includes the sale of I-Joist and LVL products produced by the AbitibiBowater-LP or under an exclusive sales arrangement.

Segment sales, operating losses and adjusted EBITDA from continuing operations for this segment are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Net sales	\$ 55.7	\$ 35.9	55%	\$ 104.5	\$ 65.8	59%
Operating losses	(4.4)	(8.6)	49%	(10.9)	(17.8)	39%
Adjusted EBITDA from continuing operations	(0.6)	(5.6)	89%	(3.5)	(11.6)	70%

Sales in this segment by product line are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
LVL/LSL	\$ 27.5	\$ 17.3	59%	\$ 49.5	\$ 27.4	81%
I-Joist	22.1	15.7	41%	40.7	25.4	60%
Related products	6.1	2.9	110%	14.3	13.0	10%
Total	\$ 55.7	\$ 35.9	55%	\$ 104.5	\$ 65.8	59%

Percent changes in average sales prices and unit shipments for the quarter and six months ended June 30, 2010 compared to the quarter and six months ended June 30, 2009 are as follows:

	Quarter Ended June 30, 2010 versus 2009		Six Months Ended June 30, 2010 versus 2009	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
LVL/LSL	7%	46%	6%	46%
I-Joist	7%	29%	4%	52%

During the second quarter and first six months of 2010 compared to the corresponding periods of 2009, we saw increases in sales volumes in both LVL/LSL and I-Joist due to increased housing demand as well as customer inventory increases. Net average selling prices increased in I-Joist due to price adjustments implemented in the early part of the second quarter of 2010 and increases in LVL/LSL due to changes in product mix. Our focus in the EWP segment continues to be on reductions in conversion costs, better geographic manufacturing and distribution, and maintaining key customer relationships. Included in this segment is a plywood operation, which primarily produces plywood as a by-product from the LVL production process.

For the second quarter and first six months of 2010 compared to the corresponding periods of 2009, the results of operations for EWP improved due to higher sales volume and prices and improvements in our LSL facility, which were partially offset by higher raw material costs.

### OTHER PRODUCTS

Our other products category includes a moulding business, Chilean and Brazilian operations, export sales and a joint venture that produces and sells cellulose insulation. This category also includes remaining timber and timberlands and other minor products, services and operations closed prior to January 1, 2002.



Segment sales, operating profits and adjusted EBITDA from continuing operations for this category are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Net sales	\$ 47.6	\$ 29.9	59%	\$ 88.9	\$ 58.6	52%
Operating profits	3.7	0.6	517%	3.7	2.2	68%
Adjusted EBITDA from continuing operations	6.5	2.6	150%	9.2	7.3	26%

Sales in this segment by product line are as follows:

	Quarter Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Moulding	\$ 7.6	\$ 7.3	4%	\$ 16.8	\$ 15.2	11%
Chilean operations	25.8	12.1	113%	44.0	23.7	86%
Brazilian operations	11.0	8.0	38%	21.9	14.7	49%
Other	3.2	2.5	28%	6.2	5.0	24%
<b>Total</b>	<b>\$ 47.6</b>	<b>\$ 29.9</b>	<b>59%</b>	<b>\$ 88.9</b>	<b>\$ 58.6</b>	<b>52%</b>

For the second quarter and first six months of 2010 compared to the corresponding periods of 2009, sales in our moulding operation were higher due to increased retail demand and sales in Chilean and Brazilian operations increased as we continued to penetrate local markets, in response to the rebuilding efforts resulting from the Chilean earthquake.

Overall, operating results associated with these activities were positively impacted by improvements in our Chilean and Brazilian operations and the performance of our U.S. Greenfiber joint venture.

#### **GENERAL CORPORATE AND OTHER EXPENSE, NET**

For the second quarter of 2010 compared to the corresponding period of 2009, general corporate expenses and overall selling and administrative have remained relatively flat. For the first six months of 2010 compared to the corresponding period of 2009, general corporate expenses were flat and overall selling and administrative expenses increased by 4 percent. General corporate and other expenses primarily consist of corporate overhead such as wages and benefits for corporate and sales personnel, professional fees, insurance and other expenses. Overall selling and administrative expenses increased in the first six months of 2010 as compared to the first six months of 2009 due to several one-time benefits received in the first quarter of 2009 which did not occur in the first quarter of 2010 as well as increases in marketing and sales based upon the increased demand across product lines.

#### **INTEREST EXPENSE AND INVESTMENT INCOME**

Investment income in the second quarter and first six months of 2010 was lower compared to the corresponding periods of 2009 due to lower returns on investments, including both interest and market valuations. Interest expense was lower in the second quarter of 2010 due to our repurchase in the third quarter of 2009 of some of our debt that was issued in the first quarter of 2009. Interest expense for the six month period ended June 30, 2010 compared to the same period of 2009 was relatively flat.

#### **INCOME TAXES**

Accounting standards require that we account for income taxes using the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. This method also requires the recognition of future tax benefits, such as net operating loss carry forwards and other tax credits. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are recorded as necessary to reduce deferred tax assets to the amount thereof that is more likely than not to be realized. The likelihood of realizing deferred tax assets is evaluated by, among other things, estimating future taxable income to which the deferred tax assets may be applied and assessing the impact of tax planning strategies.





For interim periods, accounting standards require that income tax expense be determined by applying the estimated annual effective income tax rate, by income component, to year-to-date income or loss at the end of each quarter, then adding or subtracting the impact of changes in reserve requirements or statutory tax rates, if any. Each quarter the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is adjusted to the current quarter.

For the first six months of 2010, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to our continuing operations relate to state income taxes, the effect of foreign tax rates, the effect of foreign currency translation, and a discrete adjustment for state income taxes. For the second quarter and first six months of 2009, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to our continuing operations relate to the Company's foreign debt structure, state income taxes and the effect of foreign tax rates.

The components and associated estimated effective income tax rates applied to the quarter and six month period ended June 30, 2010 and 2009 are as follows:

Dollars in millions	Quarter Ended June 30,			
	2010	2010	2009	2009
	Tax Provision	Tax Rate	Tax Benefit	Tax Rate
Continuing operations	\$ 12.7	35%	\$ (16.0)	37%
Discontinued operations	(0.8)	39%	(1.4)	39%
	\$ 11.9	35%	\$ (17.4)	37%

	Six Months Ended June 30,			
	2010	2010	2009	2009
	Tax Provision	Tax Rate	Tax Benefit	Tax Rate
Continuing operations	\$ 2.4	69%	\$ (35.3)	38%
Discontinued operations	(0.9)	39%	(1.7)	39%
	\$ 1.5	115%	\$ (37.0)	38%

We and our domestic subsidiaries are subject to U.S. federal income tax as well as income taxes of multiple state jurisdictions. Our foreign subsidiaries are subject to income tax in Canada, Chile, Brazil and Peru. Federal income tax examinations for the years through 2006 have been effectively settled. LP remains subject to state and local tax examinations for the tax years 2005 through 2008. Our Canadian returns have been audited and effectively settled through 2004.

If we were to determine that we would not be able to realize a portion of an existing net deferred tax asset for which there is currently no valuation allowance, an adjustment to the net deferred tax asset would be charged to earnings in the period in which such determination was made. Conversely, if we were to make a determination that it is more likely than not that an existing deferred tax asset for which there is currently a valuation allowance would be realized, the related valuation allowance would be reduced and a benefit to earnings would be recorded in the period in which such determination was made.

#### **DEFINED BENEFIT PENSION PLANS**

We maintain several qualified and non-qualified defined benefit pension plans in the U.S. and Canada that cover a substantial portion of our employees. See Note 15 of the Notes to financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 for further information on our plans. We estimate that our net periodic pension cost for 2010 will be approximately \$6.4 million. If a curtailment or settlement occurs in 2010, this estimate may change significantly. We estimate that we will contribute approximately \$10 to \$12 million to our defined benefit pension plans in 2010. At December 31, 2009, we had \$104.2 million of net actuarial loss and \$1.4 million of prior service cost included in accumulated other comprehensive loss. Of these amounts, we expect to recognize a net actuarial loss of \$4.5 million as a component of net periodic pension cost in 2010, which will account for approximately 71% of our estimated 2010 net periodic pension cost.

**LEGAL AND ENVIRONMENTAL MATTERS**

For a discussion of legal and environmental matters involving us and the potential impact thereof on our financial position, results of operations and cash flows, see Items 3, 7 and 8 in our Annual Report on Form 10-K for the year ended December 31, 2009, and Note 20 to the Notes to the financial statements contained therein.

***HARDBOARD SIDING LITIGATION UPDATE***

The following update should be read in conjunction with the discussion of our hardboard siding litigation set forth in Note 20 of the Notes to financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Cumulative statistics under hardboard settlements are as follows:

	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>
Completed claims received	84,300	82,700	80,900
Completed claims pending	500	1,100	2,100
Claims dismissed	13,600	13,300	12,900
Claims settled	70,200	68,300	65,900

The average payment amount for settled claims as of June 30, 2010, March 31, 2010 and December 31, 2009 was \$1,000, \$1,000 and \$1,100. Dismissal of claims is typically the result of claims for product not produced by LP or predecessor companies or claims that lack sufficient information or documentation after repeated efforts to correct those deficiencies.

**LIQUIDITY AND CAPITAL RESOURCES*****OVERVIEW***

Our principal sources of liquidity are existing cash and investment balances, cash generated by our operations and our ability to borrow under credit facilities. We may also from time to time issue and sell equity, debt or hybrid securities or engage in other capital market transactions.

Our principal uses of liquidity are paying the costs and expenses associated with our operations, servicing outstanding indebtedness and making capital expenditures. We may also from time to time prepay or repurchase outstanding indebtedness, repurchase shares of our common stock and acquire assets or businesses that are complementary to our operations. Any such repurchases may be commenced, suspended, discontinued or resumed, and the method or methods of effecting any such repurchases may be changed, at any time or from time to time without prior notice.

We expect to be able to meet the future cash requirements of our existing businesses through cash expected to be generated from operations, existing cash and investment balances, existing credit facilities and other capital resources. The following discussion provides further details of our liquidity and capital resources.

***OPERATING ACTIVITIES***

During the first six months of 2010, we generated \$35.6 million of cash from operating activities compared to \$42.9 million in the first six months of 2009. The decline in cash provided from operating activities in the first six months of 2010 resulted primarily from reduced operating losses which were more than offset by lower income tax refunds and an increase in working capital.

During the first six months of 2010, our accounts receivable increased significantly due to higher sales volume across all product lines and increased sales prices related to commodity OSB. No substantial change in credit terms or number of days outstanding occurred. Inventory increased based upon expected future demand. Accounts payable remained relatively constant between periods.

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**INVESTING ACTIVITIES**

During the first six months of 2010, we generated approximately \$122.2 million of cash from investing activities. Capital expenditures in the first six months of 2010 were \$5.4 million. Additionally, we received reimbursement of \$6.1 million previously contributed to our joint ventures for working capital requirements and received \$1.2 million in the sale of assets. We received \$115.1 million in principal payments on our notes receivable from asset sales. Restricted cash was reduced by \$5.2 million. Included in Accounts payable is \$1.5 million related to capital expenditures that had not yet been paid as of June 30, 2010.

During the first six months of 2009, we generated approximately \$58.2 million from investing activities. Capital expenditures in the first six months of 2009 were \$4.7 million. Additionally, we contributed \$1.4 million to our joint ventures for working capital requirements and received \$5.2 million on the sale of assets. We also received \$21.5 million in proceeds on the sale of investments with maturities in excess of 90 days. Restricted cash was reduced by \$37.6 million during the first six months of 2009. Included in Accounts payable is \$0.5 million related to capital expenditures that had not yet been paid as of June 30, 2009.

Capital expenditures for existing facilities and investments in existing joint ventures for 2010 are expected to total about \$20 to \$25 million.

**FINANCING ACTIVITIES**

During the first six months of 2010, we repaid \$113.4 million of our limited recourse notes payable.

In the first quarter of 2009, we issued and sold 375,000 Units consisting of (1) \$375,000,000 principal amount at maturity of 13% Senior Secured Notes due 2017 and (2) warrants to purchase 18,395,963 shares of our common stock at an exercise price of \$1.39 per share, subject to adjustment in certain circumstances and to mandatory cashless exercise provisions. The issuance and sale of the Units generated gross proceeds of \$281.3 million, reflecting original issue discounts of \$93.7 million, of which \$126.6 million was used to retire \$126.0 million aggregate principal amount of our 8.875% Senior Notes due 2010 and \$14.5 million which was used to pay related transaction costs. An additional \$1.0 million of debt issuance costs were paid in the second quarter of 2009.

**CREDIT AGREEMENTS**

We have a credit facility which provides for a committed asset-based borrowing capacity of up to \$100 million, with a \$60 million sublimit for U.S. letters of credit and a \$10 million sublimit for Canadian letters of credit. The credit facility will end in September of 2012, so long as we maintain on deposit with the agent for the credit facility at all times until our 8.875% Senior Notes due August 15, 2010 have been paid in full an amount of cash or cash equivalents sufficient to pay all principal of and interest on such Notes when due and satisfy certain other conditions (with any failure to do so being an event of default under the credit facility). As of June 30, 2010, the principal amount outstanding under such Notes was \$60 million.

The availability of credit under the credit facility is subject to a borrowing base, which is calculated based on certain percentages of accounts receivable and inventory and at any given time may limit the amount of borrowings and letters of credit otherwise available under the facility. In addition, the credit facility contains a covenant requiring us to maintain a fixed charge coverage ratio of at least 1.1 to 1.0 at any time that our unused borrowing base capacity after adjustment to exclude certain past due trade payables falls below \$50 million. At June 30, 2010, we had \$76.0 million of unused borrowing base capacity under the credit facility, resulting from a borrowing base of \$90.6 million less \$14.6 million of outstanding non-cash collateralized letters of credit. However, because our fixed charge coverage ratio at June 30, 2010 was less than 1.1 to 1.0 we were effectively precluded from utilizing \$50 million of this capacity (other than cash-collateralized letters of credit, as described below, subject to the applicable letter of credit sublimits). The credit facility allows LP to pledge, as security for its reimbursement obligations in respect of letters of credit issued under the facility, cash collateral in an amount not less than 105% of the of the stated amount of such letters of credit. The above-described preclusion to our utilization of \$50 million of the capacity otherwise available under the facility does not apply to such cash collateralized letters of credit. At June 30, 2010, we had no borrowings outstanding under the facility. In addition to the \$14.6 million of non-cash collateralized letters of credit mentioned above, there were outstanding under the facility at June 30, 2010, \$12.6 million letters of credit which were collateralized by \$13.2 million of cash. Based upon our available cash balances, we do not currently anticipate

using this facility except to obtain and maintain letters of credit. Additionally, we expect our fixed charge coverage ratio to be less than 1.1 to 1.0 at June 30, 2010 and throughout 2010, and, accordingly to remain subject to the limitation on our ability to fully utilize our adjusted borrowing base capacity as described above. As a result, our ability to obtain and maintain non-cash collateralized letters of credit under this facility will continue to be constrained to an amount that does not exceed the excess of our adjusted borrowing base over \$50 million.

Subject to certain exceptions, obligations under the credit facility are secured by, among other things, a first-priority lien on our present and future receivables, inventory and certain general intangibles, and by a second-priority lien on substantially all of our domestic property, plant and equipment, and are guaranteed by certain of our subsidiaries.

The credit facility contains customary covenants applicable to us and our subsidiaries, other than certain unrestricted subsidiaries, including certain financial covenants as well as restrictions on, among other things, our ability to: incur debt; incur liens; declare or make distributions to our stockholders; make loans and investments; repay debt; enter into mergers, acquisitions and other business combinations; form or acquire subsidiaries; amend or modify our governing documents; enter into hedging arrangements; engage in other businesses other than our business as currently conducted; and enter into transactions with affiliates. The credit facility also contains customary events of default, the occurrence of which could result in the acceleration of our obligation to repay the indebtedness outstanding thereunder.

Obligations under the indenture governing our Senior Secured Notes due 2017 are, in general, secured by a first-priority lien on the collateral that secures obligations under the credit facility on a second-priority basis, and by a second-priority lien on the collateral that secures obligations under the credit facility on a first-priority basis, subject to the terms of an intercreditor agreement, and are guaranteed by the subsidiaries that guarantee obligations under the credit facility.

The indenture contains customary covenants applicable to us and our subsidiaries, other than certain unrestricted subsidiaries, including restrictions on actions and activities that are restricted under the credit facility. The indenture also contains customary events of defaults, the occurrence of which could result in acceleration of our obligations to repay the indebtedness outstanding thereunder.

#### ***OTHER LIQUIDITY MATTERS***

As of June 30, 2010, we had \$34.1 million (\$96.8 million, par value) of principal invested in auction rate securities (ARS). The ARS held by us are securities with long-term nominal maturities for which the interest rates were historically reset through a Dutch auction each month.

We review our marketable securities routinely for other-than-temporary impairment. The primary factors LP uses to determine if an impairment charge must be recorded because a decline in value of the security is other than temporary include (i) whether the fair value of the investment is significantly below its cost basis, (ii) the financial condition of the issuer of the security (including its credit rating), (iii) the length of time that the cost of the security has exceeded its fair value and (iv) LP's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

If uncertainties in the credit and capital markets continue, these markets deteriorate further or we experience any ratings downgrades on any investments in our portfolio (including on ARS), we may incur additional impairments to our investment portfolio, which could negatively affect our financial condition, results of operations and cash flow.

#### **POTENTIAL IMPAIRMENTS**

We continue to review several mills and investments for potential impairments. Management currently believes we have adequate support for the carrying value of each of these assets based upon the anticipated cash flows that result from our estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. As of June 30, 2010, the undiscounted cash flows for the facilities indefinitely curtailed support the conclusion that no impairment is necessary for those facilities. However, should the markets for our products continue to remain at levels significantly below cycle average pricing or should we decide to invest capital in alternative projects, it is possible that we will be required to record further impairment charges.

We also review from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, our strategic plan and other relevant factors. Because a determination to dispose of particular assets can require management to make assumptions regarding the transaction structure of the disposition and to estimate the net sales proceeds, which may be less than previous estimates of undiscounted future net cash flows, we may be required to record impairment charges in connection with decisions to dispose of assets.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of our debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Offsetting the variable rate debt are variable rate notes receivable from asset sales. Based upon the balances in the variable rate notes receivable from asset sales and the variable rate debt at June 30, 2010, a 100 basis point interest change would impact pre-tax net income and cash flows by \$0.4 million annually.

Our international operations have exposure to foreign currency rate risks, primarily due to fluctuations in the Canadian dollar, Brazilian real and the Chilean peso. Although we have in the past entered into foreign exchange contracts associated with certain of our indebtedness and may continue to enter into foreign exchange contracts associated with major equipment purchases to manage a portion of the foreign currency rate risk, we historically have not entered into material currency rate hedges with respect to our exposure from operations, although we may do so in the future.

Some of our products are sold as commodities and therefore sales prices fluctuate daily based on market factors over which we have little or no control. The most significant commodity product we sell is OSB. Based upon an assumed annual production capacity (including our joint venture operation) of 4.9 billion square feet ( $\frac{3}{8}$  basis) or 4.2 billion square feet ( $\frac{7}{16}$  basis), a \$1 change in the annual average price of  $\frac{7}{16}$  basis would change annual pre-tax profits by approximately \$4.2 million. Because of the decline in the housing market and related indefinitely curtailed facilities in our OSB business, expected volumes will be significantly below our capacity.

We historically have not entered into material commodity futures and swaps, although we may do so in the future.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Our Chief Executive Officer and Chief Financial Officer have carried out, as of June 30, 2010, with the participation of LP's management, an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act (the Act). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that LP's disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES**
**SUMMARY OF PRODUCTION VOLUMES <sup>(1)</sup>**

The following table sets forth production volumes for the quarter and six months ended June 30, 2010 and 2009.

	Quarter Ended June 30, 2010	2009	Six Months Ended June 30, 2010	2009
Oriented strand board, million square feet 3/8 basis <sup>(1)</sup>	846	660	1,510	1,081
Oriented strand board, million square feet 3/8 basis (produced by wood-based siding mills)	54	54	102	100
Wood-based siding, million square feet 3/8 basis	226	159	429	346
Engineered I-Joist, million lineal feet <sup>(1)</sup>	21	16	43	26
Laminated veneer lumber (LVL), thousand cubic feet <sup>(1)</sup> and Laminated strand lumber (LSL), thousand cubic feet	1,885	1,157	3,389	2,114

<sup>(1)</sup> Includes volumes produced by joint venture operations and sold to LP or through exclusive sales arrangements.

**INDUSTRY PRODUCT TRENDS**

The following table sets forth the average wholesale price of OSB in the United States for the periods specified in dollars per 1,000 square feet.

	OSB N. Central 7/16 Basis
Annual Average	
1998	205
1999	260
2000	206
2001	159
2002	160
2003	293
2004	370
2005	320
2006	210
2007	146
2008	172
2009	163
2009 1 <sup>st</sup> Qtr. Avg.	154
2009 2 <sup>nd</sup> Qtr. Avg.	146
2010 1 <sup>st</sup> Qtr. Avg.	214
2010 2 <sup>nd</sup> Qtr. Avg.	295

Source: *Random Lengths*

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**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

The description of certain legal and environmental matters involving LP set forth in Part I of this report under Note 15 Contingency Reserves is incorporated herein by reference.

**Item 1A. Risk Factors.**

You should be aware that the occurrence of any of the events described in this Risk Factors section and elsewhere in this report or in any other of our filings with the SEC could have a material adverse effect on our business, financial position, results of operations and cash flows. In evaluating us, you should consider carefully, among other things, the risks described below and the matters described in About Forward-Looking Statements.

*Cyclical industry conditions and commodity pricing have and may continue to adversely affect our financial condition and results of operations.*

Our operating results reflect the general cyclical pattern of the building products industry. Demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicity. This cyclicity is influenced by a number of factors, including the supply of new and existing homes on the market, of which existing homes are currently at above average levels, the level of unemployment, which has been increasing in recent periods, longer-term interest rates, which in recent years have been at relatively low levels, the availability of mortgage financing, which has recently declined, and mortgage foreclosure rates, which are higher than normal. A significant increase in longer-term interest rates, a prolonged decline in the availability of mortgage financing, or the occurrence of other events that reduce levels of residential construction activity could have a material adverse effect on our financial condition, results of operations and cash flows. Our primary product, OSB, and a significant portion of our raw materials are globally traded commodity products. In addition, our products are subject to competition from manufacturers worldwide. Historical prices for our products have been volatile, and we, like other participants in the building products industry, have limited influence over the timing and extent of price changes for our products. Product pricing is significantly affected by the relationship between supply and demand in the building products industry. Product supply is influenced primarily by fluctuations in available manufacturing capacity. Demand is affected by the state of the economy in general and a variety of other factors. The level of new residential construction activity and home repair and remodeling activity primarily affects the demand for our building products. Demand is also subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions and other factors. We are not able to predict with certainty market conditions and selling prices for our products. In this competitive environment with so many variables for which we do not control, we cannot assure you that prices for our products will not decline from current levels. A prolonged and severe weakness in the markets for one or more of our principal products, particularly OSB, could seriously harm our financial condition and results of operations and our ability to satisfy our cash requirements, including the payment of interest and principal on our debt.

*We have a high degree of product concentration.* OSB accounted for about 53% of our North American sales in the first six months of 2010 and 42% of our North American sales in the first six months of 2009 and we expect OSB sales to continue to account for a substantial portion of our revenues and profits in the future. Concentration of our business in the OSB market further increases our sensitivity to commodity pricing and price volatility. In this competitive environment with so many variables for which we do not control, we cannot assure you that pricing for OSB or our other products will not decline from current levels.

*Intense competition in the building products industry could prevent us from increasing or sustaining our net sales and profitability.* The markets for our products are highly competitive. Our competitors range from very large, fully integrated forest and building products firms to smaller firms that may manufacture only one or a few types of products. We also compete less directly with firms that manufacture substitutes for wood building products. Many of our competitors have greater financial and other resources than we do, and certain of the mills operated by our competitors may be lower-cost producers than the mills operated by us.

*Our results of operations may be harmed by potential shortages of raw materials and increases in raw material costs.* The most significant raw material used in our operations is wood fiber. We currently obtain about 79% of our

wood fiber requirements in the open market. Wood fiber is subject to commodity pricing, which fluctuates on the basis of market factors over which we have no control. In addition, the cost of various types of wood fiber that we purchase in the market has at times fluctuated greatly because of governmental, economic or industry conditions, and may be affected by increased demand resulting from initiatives to increase the use of biomass materials in the production of heat, power, biobased products and biofuels. In addition to wood fiber, we also use a significant quantity of various resins in our manufacturing processes. Resin product costs are influenced by changes in the prices or availability of raw materials used to produce resins, primarily petroleum products, as well as demand for and availability of resin products. Selling prices of our products have not always increased in response to raw material cost increases. We are unable to determine to what extent, if any, we will be able to pass any future raw material cost increases through to our customers through product price increases. Our inability to pass increased costs through to our customers could have a material adverse effect on our financial condition, results of operations and cash flows.

Many of the Canadian forestlands also are subject to the constitutionally protected treaty or common-law rights of the aboriginal peoples of Canada. Most of British Columbia is not covered by treaties and, as a result, the claims of British Columbia's aboriginal peoples relating to forest resources are largely unresolved, although many aboriginal groups are actively engaged in treaty discussions with the governments of British Columbia and Canada. Final or interim resolution of claims brought by aboriginal groups are expected to result in additional restrictions on the sale or harvest of timber and may increase operating costs and affect timber supply and prices in Canada. It is possible that, over the long term, such claims could have an adverse effect on our business, financial condition and results of operations.

*Our operations require substantial capital.* Capital expenditures for expansion or replacement of existing facilities or equipment or to comply with future changes in environmental laws and regulations may be substantial. Although we maintain our production equipment with regular periodic and scheduled maintenance, we cannot assure you that key pieces of equipment in our various production processes will not need to be repaired or replaced or that we will not incur significant additional costs associated with environmental compliance. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could have a material adverse effect on our financial condition, results of operations and cash flow. If for any reason we are unable to provide for our operating needs, capital expenditures and other cash requirements on economic terms, we could experience a material adverse effect on our business, financial condition, results of operations and cash flows.

*We are subject to significant environmental regulation and environmental compliance expenditures and liabilities.* Our businesses are subject to many environmental laws and regulations, particularly with respect to discharges of pollutants and other emissions on or into land, water and air, and the disposal and remediation of hazardous substances or other contaminants and the restoration and reforestation of timberlands. Compliance with these laws and regulations is a significant factor in our business. We have incurred and expect to continue to incur significant expenditures to comply with applicable environmental laws and regulations. Moreover, some or all of the environmental laws and regulations to which we are subject could become more stringent in the future. Our failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial actions.

Some environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. In addition, we occasionally evaluate various alternatives with respect to our facilities, including possible dispositions or closures. Investigations undertaken in connection with these activities may lead to discoveries of contamination that must be remediated, and closures of facilities may trigger compliance requirements that are not applicable to operating facilities. Consequently, we cannot assure you that existing or future circumstances or developments with respect to contamination will not require significant expenditures by us.

*We are involved in various environmental matters, product liability and other legal proceedings. The outcome of these matters and proceedings and the magnitude of related costs and liabilities are subject to uncertainties.* The conduct of our business involves the use of hazardous substances and the generation of contaminants and pollutants. In addition, the end-users of many of our products are members of the general public. We currently are and from time to time in the future will be involved in a number of environmental matters and legal proceedings, including legal proceedings involving anti-trust, warranty or non-warranty product liability claims, negligence and other



claims, including claims for wrongful death, personal injury and property damage alleged to have arisen out of the use by others of our or our predecessors' products or the release by us or our predecessors of hazardous substances. Environmental matters and legal matters and proceedings, including class action settlements relating to certain of our products, have in the past caused and in the future may cause us to incur substantial costs. We have established contingency reserves in our consolidated financial statements with respect to the estimated costs of existing environmental matters and legal proceedings to the extent that our management has determined that such costs are both probable and reasonably estimable as to amount. However, such reserves are based upon various estimates and assumptions relating to future events and circumstances, all of which are subject to inherent uncertainties. We regularly monitor our estimated exposure to environmental and litigation loss contingencies and, as additional information becomes known, may change our estimates significantly. However, no estimate of the range of any such change can be made at this time. We may incur costs in respect of existing and future environmental matters and legal proceedings as to which no contingency reserves have been established. We cannot assure you that we will have sufficient resources available to satisfy the related costs and expenses associated with these matters and proceedings.

*The valuation of our investment in auction-rate securities (ARS) is subject to uncertainties that are difficult to predict.* With the liquidity issues experienced in global credit and capital markets, the ARS held by us have experienced multiple failed auctions as the amount of securities submitted for sale has exceeded the amount of purchase orders. Given the failed auctions, the values of our ARS have been adversely affected. Factors that may further impact the valuation of our ARS include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity. If uncertainties in the credit and capital markets continue, these markets deteriorate further or we experience additional ratings downgrades on any investments in our portfolio (including our ARS), we may incur additional impairments to our investment portfolio, which could negatively affect our financial condition, results of operations and cash flows.

*Settlements of tax exposures may exceed the amounts we have established for known estimated tax exposures.* We maintain reserves for known estimated tax exposures in federal, state and international jurisdictions and uncertain tax positions. Significant income tax exposures may include potential challenges to intercompany pricing, the treatment of financing, acquisition and disposition transactions, the use of hybrid entities and other matters. These exposures are settled primarily through the closure of audits with the taxing jurisdictions and, on occasion, through the judicial process, either of which may produce a result inconsistent with past estimates. We believe that we have established appropriate reserves for estimated exposures; however, if actual results differ materially from our estimates we could experience a material adverse effect on our financial condition, results of operations and cash flows.

*Fluctuations in foreign currency exchange rates could result in currency exchange losses.* A significant portion of our operations are conducted through foreign subsidiaries. The functional currency for our Canadian subsidiary is the U.S. dollar. The financial statements of this foreign subsidiary are remeasured into U.S. dollars using the historical exchange rate for property, plant and equipment, timber and timberlands, goodwill, equity and certain other non-monetary assets and liabilities and related depreciation and amortization on these assets and liabilities. These transaction gains or losses are recorded in foreign exchange gains (losses) in the income statement. The functional currency of our Chilean subsidiary is the Chilean *peso* and the functional currency in our Brazil subsidiary is the Brazilian *real*. Translation adjustments, which are based upon the exchange rate at the balance sheet date for assets and liabilities and the weighted average rate for the income statement, are recorded in the Accumulated Comprehensive Income (Loss) section of Stockholders' Equity. Therefore, a strengthening of the Canadian dollar, the Chilean *peso* or the Brazilian *real* relative to the U.S. dollar may have a material adverse effect on our financial condition and results of operations.

*Our ability to service our indebtedness, to refinance our indebtedness or to fund our other liquidity needs is subject to various risks.* Our ability to make scheduled payments on and to refinance our indebtedness depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors, including the availability of financing in the banking and capital markets as well as the other risks described herein. In particular, demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicality. According to the U.S. Census Bureau, single-family and multi-family housing starts for

the first six months of 2010 were approximately 14% higher than the same period in 2009. However, housing starts remained below normal levels. This reduced level of building was caused, in part, by an increase in the inventory of homes for sale, a more restrictive mortgage market and a slowing economy. Although home building activity has improved in recent months, there can be no assurance that such improvement will continue at recent rates or at all. We have experienced significant losses from operations and significant net cash used in operating activities in recent periods, and any further improvement in our operating performance is subject to continuing improvement in the factors referred to above. Accordingly, we cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our debt, to refinance our debt or to fund our other liquidity needs. If we are unable to service our debt obligations or to fund our other liquidity needs, we could be forced to curtail our operations, reorganize our capital structure or liquidate some or all of our assets in a manner that could cause the holders of our securities to experience a partial or total loss of their investment in us.

*We have not independently verified the results of third-party research or confirmed assumptions or judgments upon which it may be based, and the forecasted and other forward-looking information contained therein is subject to inherent uncertainties.* We refer in this report and other documents that we file with the SEC to historical, forecasted and other forward-looking information published by sources such as *RISI*, *Random Lengths* and the U.S. Census Bureau that we believe to be reliable. However, we have not independently verified this information and, with respect to the forecasted and forward-looking information, have not independently confirmed the assumptions and judgments upon which it is based. Forecasted and other forward looking information is necessarily based on assumptions regarding future occurrences, events, conditions and circumstances and subjective judgments relating to various matters, and is subject to inherent uncertainties. Actual results may differ materially from the results expressed or implied by, or based upon, such forecasted and forward-looking information.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).

31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).

32.1 Certifications pursuant to § 906 of the Sarbanes-Oxley Act of 2002.

LP hereby agrees to furnish supplementally to the SEC upon its request any schedules and similar documents omitted pursuant to Item 601(b)(2) of Regulation S-K and any instruments omitted pursuant to Item 601 (b)(4)(iii) of Regulation S-K.

**SIGNATURES**

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

LOUISIANA-PACIFIC CORPORATION

Date: July 30, 2010

BY: /s/ RICHARD W. FROST  
**Richard W. Frost**  
**Chief Executive Officer**

Date: July 30, 2010

BY: /s/ CURTIS M. STEVENS  
**Curtis M. Stevens**  
**Executive Vice President Administration and Chief Financial Officer**  
**(Principal Financial Officer)**