

LOUISIANA-PACIFIC CORP
Form 10-Q
May 05, 2015

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

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934
For Quarterly Period Ended March 31, 2015
Commission File Number 1-7107

LOUISIANA-PACIFIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)
414 Union Street, Nashville, TN 37219
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (615) 986-5600

93-0609074
(IRS Employer
Identification No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filers" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 142,451,115 shares of Common Stock, \$1 par value, outstanding as of May 5, 2015.

Except as otherwise specified and unless the context otherwise requires, references to "LP", the "Company", "we", "us", and "our" refer to Louisiana-Pacific Corporation and its subsidiaries.

ABOUT FORWARD-LOOKING STATEMENTS

Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 provide a “safe harbor” for forward-looking statements to encourage companies to provide prospective information about their businesses and other matters as long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statements. This report contains, and other reports and documents filed by us with the Securities and Exchange Commission may contain, forward-looking statements. These statements are or will be based upon the beliefs and assumptions of, and on information available to, our management.

The following statements are or may constitute forward-looking statements: (1) statements preceded by, followed by or that include words like “may,” “will,” “could,” “should,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “po,” “continue” or “future” or the negative or other variations thereof and (2) other statements regarding matters that are not historical facts, including without limitation, plans for product development, forecasts of future costs and expenditures, possible outcomes of legal proceedings, capacity expansion and other growth initiatives and the adequacy of reserves for loss contingencies.

Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to the following:

- changes in governmental fiscal and monetary policies and levels of employment;
- changes in general economic conditions;
- changes in the cost and availability of capital;
- changes in the level of home construction activity;
- changes in competitive conditions and prices for our products;
- changes in the relationship between supply of and demand for building products;
- changes in the relationship between supply of and demand for raw materials, including wood fiber and resins, used in manufacturing our products;
- changes in the cost of and availability of energy, primarily natural gas, electricity and diesel fuel;
- changes in the cost of and availability of transportation;
- changes in other significant operating expenses;
- changes in exchange rates between the U.S. dollar and other currencies, particularly the Canadian dollar, Australian dollar, Euro, Brazilian real and the Chilean peso;
- changes in general and industry specific environmental laws and regulations;
- changes in tax laws, and interpretations thereof;
- changes in circumstances giving rise to environmental liabilities or expenditures;
- the resolution of existing and future product related litigation and other legal proceedings;
- governmental gridlock and curtailment of government services and spending; and
- acts of public authorities, war, civil unrest, natural disasters, fire, floods, earthquakes, inclement weather and other matters beyond our control.

In addition to the foregoing and any risks and uncertainties specifically identified in the text surrounding forward-looking statements, any statements in the reports and other documents filed by us with the Commission that warn of risks or uncertainties associated with future results, events or circumstances identify important factors that could cause actual results, events and circumstances to differ materially from those reflected in the forward-looking statements.

ABOUT THIRD-PARTY INFORMATION

In this report, we rely on and refer to information regarding industry data obtained from market research, publicly available information, industry publications, U.S. government sources and other third parties. Although we believe

the information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

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Item 1. Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
 LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
 (AMOUNTS IN MILLIONS EXCEPT PER SHARE AMOUNTS)
 (UNAUDITED)

	Quarter Ended March	
	31,	
	2015	2014
Net sales	\$471.7	\$444.7
Operating costs and expenses:		
Cost of sales	427.8	388.4
Depreciation and amortization	26.7	25.6
Selling and administrative	38.7	40.9
(Gain) loss on sale or impairment of long-lived assets, net	0.1	—
Other operating charges and credits, net	11.6	—
Total operating costs and expenses	504.9	454.9
Loss from operations	(33.2)	(10.2)
Non-operating income (expense):		
Interest expense, net of capitalized interest	(7.5)	(7.7)
Interest income	1.4	1.8
Other non-operating items	(2.2)	(4.3)
Total non-operating income (expense)	(8.3)	(10.2)
Loss from operations before taxes and equity in income of unconsolidated affiliates	(41.5)	(20.4)
Benefit for income taxes	(6.3)	(5.6)
Equity in income of unconsolidated affiliates	(0.7)	(0.6)
Net loss	\$(34.5)	\$(14.2)
Loss per share of common stock (basic and diluted):		
Net loss per share	\$(0.24)	\$(0.10)
Average shares of stock outstanding - basic and diluted	142.0	140.8

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)

	Quarter Ended March	
	31,	
	2015	2014
Net loss	\$(34.5)	\$(14.2)
Other comprehensive loss		
Foreign currency translation adjustments	(7.8)	(1.8)
Unrealized gain on marketable securities	—	0.1
Defined benefit pension plans	1.6	1.3
Other	0.1	—
Other comprehensive loss, net of tax	(6.1)	(0.4)
Comprehensive loss	\$(40.6)	\$(14.6)

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

CONDENSED CONSOLIDATED BALANCE SHEETS
 LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
 (AMOUNTS IN MILLIONS) (UNAUDITED)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$468.3	\$532.7
Receivables, net of allowance for doubtful accounts of \$1.0 million at March 31, 2015 and December 31, 2014	137.2	108.4
Inventories	262.1	229.8
Prepaid expenses and other current assets	22.8	25.0
Deferred income taxes	29.1	45.1
Assets held for sale	9.3	9.3
Total current assets	928.8	950.3
Timber and timberlands	54.1	67.1
Property, plant and equipment, at cost	2,313.3	2,315.1
Accumulated depreciation	(1,483.0	) (1,464.4
Net property, plant and equipment	830.3	850.7
Goodwill	9.7	9.7
Notes receivable from asset sales	432.2	432.2
Investments in and advances to affiliates	5.7	5.0
Deferred debt costs	5.3	5.6
Long-term investments	4.6	4.6
Restricted cash	10.4	10.4
Other assets	17.3	17.3
Long-term deferred tax asset	0.6	0.6
Total assets	\$2,299.0	\$2,353.5
LIABILITIES AND EQUITY		
Current portion of long-term debt	\$2.2	\$2.4
Accounts payable and accrued liabilities	182.4	168.3
Current portion of contingency reserves	2.0	2.0
Total current liabilities	186.6	172.7
Long-term debt, excluding current portion	757.9	759.5
Deferred income taxes	119.2	139.5
Contingency reserves, excluding current portion	12.6	12.2
Other long-term liabilities	147.6	153.8
Stockholders' equity:		
Common stock	152.8	152.8
Additional paid-in capital	501.5	507.0
Retained earnings	777.8	812.3
Treasury stock	(219.6	) (225.0
Accumulated comprehensive loss	(137.4	) (131.3
Total stockholders' equity	1,075.1	1,115.8
Total liabilities and stockholders' equity	\$2,299.0	\$2,353.5

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
 LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
 (AMOUNTS IN MILLIONS) (UNAUDITED)

	Quarter Ended March	
	31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(34.5)	\$(14.2)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	26.7	25.6
Income from unconsolidated affiliates	(0.7)	(0.6)
(Gain) loss on sale or impairment of long-lived assets, net	0.1	—
Other operating charges and credits, net	11.6	—
Stock-based compensation related to stock plans	2.4	2.1
Exchange loss on remeasurement	3.6	5.2
Cash settlement of contingencies, net of accruals	0.5	(0.5)
Cash settlements of warranties, net of accruals	(3.0)	(2.7)
Pension expense, net of contributions	2.0	0.6
Non-cash interest expense, net	(0.1)	0.5
Other adjustments, net	0.3	(0.2)
Changes in assets and liabilities:		
Increase in receivables	(30.9)	(64.4)
Increase in inventories	(34.2)	(51.3)
Decrease in prepaid expenses and other current assets	2.0	2.5
Increase in accounts payable and accrued liabilities	17.2	32.4
Decrease in deferred income taxes	(7.0)	(8.0)
Net cash used in operating activities	(44.0)	(73.0)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, plant and equipment additions	(14.9)	(24.0)
Proceeds from sales of assets	0.4	0.1
Increase in restricted cash under letters of credit/credit facility	—	(0.2)
Net cash used in investing activities	(14.5)	(24.1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(1.4)	(1.1)
Sale of common stock under equity plans	0.1	—
Taxes paid related to net share settlement of equity awards	(2.4)	(1.4)
Net cash used in financing activities	(3.7)	(2.5)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		
Net decrease in cash and cash equivalents	(64.4)	(105.1)
Cash and cash equivalents at beginning of period	\$532.7	656.8
Cash and cash equivalents at end of period	\$468.3	\$551.7
The accompanying notes are an integral part of these unaudited financial statements.		

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

	Common Stock		Treasury Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in	Earnings	Comprehensive	Stockholders'
					Capital		Loss	Equity
Balance, December 31, 2014	152.8	\$ 152.8	10.6	\$(225.0)	\$ 507.0	\$ 812.3	\$ (131.3)	\$ 1,115.8
Net loss	—	—	—	—	—	(34.5)	—	(34.5)
Issuance of shares for employee stock plans and stock-based compensation	—	—	(0.4)	8.1	(7.8)	—	—	0.3
Taxes paid related to net share settlement of equity awards	—	—	0.2	(2.7)	—	—	—	(2.7)
Compensation expense associated with stock awards	—	—	—	—	2.3	—	—	2.3
Other comprehensive loss	—	—	—	—	—	—	(6.1)	(6.1)
Balance, March 31, 2015	152.8	\$ 152.8	10.4	\$(219.6)	\$ 501.5	\$ 777.8	\$ (137.4)	\$ 1,075.1

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

NOTES TO UNAUDITED 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) 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. These 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, 2014.

NOTE 2 – STOCK-BASED COMPENSATION

At March 31, 2015, LP had stock-based employee compensation plans as described below. The total compensation expense related to all of LP's stock-based compensation plans was \$2.4 million for the three months ended March 31, 2015 and \$2.1 million for the three months ended March 31, 2014.

Stock Compensation Plans

LP grants options to purchase LP common stock and stock settled stock appreciation rights (SSARs) to key employees and directors. On exercise, LP generally issues shares from treasury to settle these awards. The options and SSARs are granted at market price at the date of grant. SSARs become exercisable ratably over a three year period and expire ten years after the date of grant. At March 31, 2015, 3.9 million shares were available under the current stock award plans for stock-based awards.

The following table sets out the weighted average assumptions used to estimate the fair value of the options and SSARs granted using the Black-Scholes option-pricing model in the first three months of the respective years noted:

	2015	2014
Expected stock price volatility	54.4%	57.5%
Expected dividend yield	—%	—%
Risk-free interest rate	1.5%	1.5%
Expected life of options (in years)	6 years	5 years
Weighted average fair value of options and SSARs granted	\$8.80	\$9.03

The following table summarizes stock options and SSARs outstanding as of March 31, 2015, as well as activity during the three month period then ended.

Share amounts in thousands	Options and SSARs	Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Options and SSARs outstanding at January 1, 2015	7,004	\$ 14.19		
Options and SSARs granted	379	17.04		
Options and SSARs exercised	(107)	) 11.37		
Options and SSARs canceled	(267)	) 26.50		
Options and SSARs outstanding at March 31, 2015	7,009	13.91	4.7	\$31.8
Vested and expected to vest at March 31, 2015 ⁽¹⁾	6,658	—	—	\$30.2
Options and SSARs exercisable at March 31, 2015	6,204	\$ 13.44	4.1	\$31.6

⁽¹⁾ Options and SSARS expected to vest based upon historical forfeiture rate

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between LP's closing stock price on the last trading day of the first three months of 2015 and the exercise price, multiplied by the number of in-the-money options and SSARs) that would have been received by the holders had all holders exercised their awards on March 31, 2015. This amount changes based on the market value of LP's stock as reported by the New York Stock Exchange.

As of March 31, 2015, there was \$6.7 million of total unrecognized compensation costs related to stock options and SSARs. These costs are expected to be recognized over a weighted-average period of 1.9 years. LP recorded compensation expense related to these awards in the first three months of 2015 of \$0.9 million.

Incentive Share Awards

LP has granted incentive share stock awards (restricted stock units) to certain key employees and directors. The employee awards vest three years from date of grant and awards to directors vest one year from date of grant. The awards entitle the participant to receive a specified number of shares of LP common stock at no cost to the participant. The market value at the time of grant approximates the fair value. LP recorded compensation expense related to these awards in the first three months of 2015 of \$0.8 million. As of March 31, 2015, there was \$6.5 million of total unrecognized compensation cost related to unvested incentive share awards. This expense will be recognized over a weighted-average period of 1.8 years.

The following table summarizes incentive share awards outstanding as of March 31, 2015 as well as activity during the three months then ended.

	Shares	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Incentive share awards outstanding at January 1, 2015	593,613		
Incentive share awards granted	217,110		
Incentive share awards vested	(231,700))	
Incentive share awards canceled	(5,315))	
Incentive shares outstanding at March 31, 2015	573,708	1.8	\$9.5
Vested and expected to vest at March 31, 2015 ⁽¹⁾	545,023	—	\$9.0

⁽¹⁾ Incentive shares expected to vest based upon historical forfeiture rate

Restricted Stock

LP grants restricted stock to certain senior executive employees. The shares vest three years from the date of grant. During the vesting period, the participants have voting rights and receive dividends, but the shares may not be sold, assigned, transferred, pledged or otherwise encumbered. Additionally, granted but unvested shares are forfeited upon termination of employment. The fair value of the restricted shares on the date of the grant is amortized ratably over the vesting period which is generally three years. As of March 31, 2015, there was \$3.1 million of total unrecognized compensation costs related to restricted stock. This expense will be recognized over the next 1.5 years.

The following table summarizes the restricted stock outstanding as of March 31, 2015 as well as activity during the three months then ended.

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock awards outstanding at January 1, 2015	453,146	\$ 13.93
Restricted stock awards granted	69,744	17.04
Restrictions lapsing	(170,064	) 8.83
Restricted stock canceled	(14,544	) 19.29
Restricted stock awards at March 31, 2015	338,282	16.90

Compensation expense related to these awards recognized in the first three months of 2015 was \$0.5 million.

Performance share awards

In connection with Mr. Stevens' appointment to Chief Executive Officer on May 4, 2012, he was awarded 300,000 performance shares. LP recorded compensation expense related to these awards of \$0.1 million in the first three months of 2015. As of March 31, 2015, there was \$0.4 million of total unrecognized compensation costs related to this award. This expense will be recognized over the next 1.1 years.

In 2015, LP awarded performance shares to certain key employees. These performance shares are earned based upon LP attaining specified revenue growth rates associated with its SmartSide products as compared to the prior year and LP's overall revenue growth as compared to a predetermined peer group, in each case for 2015. The performance period is measured over 2015 with a subsequent two year vesting period. LP recorded compensation expense related to these awards of \$0.2 million in the first three months of 2015. As of March 31, 2015, there was \$1.6 million of total unrecognized compensation costs related to this award. This expense will be recognized over the next 2.75 years

Phantom stock
During 2011 and 2012, LP made annual grants of phantom stock units to its directors. Subsequent to the approval of the 2013 Omnibus Plan, phantom stock units are no longer granted to directors. Holders of phantom stock units do not receive rights of a shareholder, nor is any stock transferred. The units will be paid out in cash at the end of the five year vesting period. The value of one unit is based on the market value of one share of common stock on the vesting date. The expense associated with these grants is recognized over the vesting period and is included in stock-based compensation expense. Since these awards are settled in cash, such awards are required to be remeasured based upon the changes in LP's stock price. As of March 31, 2015, LP had 66,339 shares outstanding under this program.

NOTE 3 – FAIR VALUE MEASUREMENTS

LP's investments that are measured at fair value on a recurring basis are categorized below using the fair value hierarchy. LP also measures the contingent consideration associated with the business combination 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.

The following table summarizes assets and liabilities measured on a recurring basis for each of the three hierarchy levels presented below.

Dollar amounts in millions	March 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	\$4.6	\$—	\$—	\$4.6
Trading securities	2.4	2.4	—	—
Contingent consideration	0.2	—	—	0.2

Dollar amounts in millions	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	\$4.6	\$—	\$—	\$4.6
Trading securities	2.3	2.3	—	—
Contingent consideration	0.2	—	—	0.2

Due to the lack of observable market quotations on a portion of LP's auction rate securities (ARS) portfolio, LP evaluates the structure of its ARS holdings and current market estimates of fair value, including fair value estimates from issuing banks that rely exclusively 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.

The following table summarizes changes in assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2014. During the three months ended March 31, 2015, no adjustment was recognized associated with the fair value of these assets and liabilities.

Dollar amounts in millions	Available for sale securities	Contingent consideration
Balance at December 31, 2013	3.7	3.8
Total unrealized gains included in other comprehensive income	0.1	—
Foreign currency gain	—	(0.2)
Balance at March 31, 2014	\$3.8	\$3.6

LP estimated the Senior Notes maturing in 2020 to have a fair value of \$376.3 million at March 31, 2015 and \$371.0 million at December 31, 2014 based upon market quotations.

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.

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 (stock options, stock settled stock appreciation rights, performance shares, incentive shares and warrants) be excluded from the calculation of diluted earnings per share for the periods in which LP recognizes losses from continuing operations or at such time that the exercise prices of such awards are in excess of the weighted average market price of LP's common stock during these periods because the effect is anti-dilutive.

For the three months ended March 31, 2015 and March 31, 2014, stock options, warrants and SSARs relating to approximately 5.2 million and 3.6 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.

At March 31, 2015, outstanding warrants were exercisable to purchase approximately 573,521 shares.

NOTE 5 – RECEIVABLES

Receivables consist of the following:

Dollar amounts in millions	March 31, 2015	December 31, 2014
Trade receivables	\$ 126.4	\$96.1
Interest receivables	0.6	0.2
Income tax receivable	1.6	1.4
Other receivables	9.6	11.7
Allowance for doubtful accounts	(1.0	) (1.0
Total	\$ 137.2	\$ 108.4

Other receivables at March 31, 2015 and December 31, 2014 primarily consist of sales and other value-added tax receivables, vendor rebates, receivable from former partner and other miscellaneous receivables.

NOTE 6 – INVENTORIES

Inventories are valued at the lower of cost or market. Inventory cost includes materials, labor and operating overhead. The major types of inventories are as follows (work in process is not material):

Dollar amounts in millions	March 31, 2015	December 31, 2014
Logs	\$70.8	\$39.6
Other raw materials	19.2	21.3
Semi finished inventory	20.5	19.3
Finished products	151.6	149.6
Total	\$262.1	\$229.8

NOTE 7 – INCOME TAXES

Accounting standards state that companies 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 basis of assets and liabilities. This method also requires the recognition of future tax benefits, such as net operating loss carryforwards 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, considering the future reversal of existing deferred tax liabilities 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 to year-to-date results unless this method does not result in a reliable estimate of year-to-date income tax expense. An exception is provided for situations in which an enterprise anticipates a loss in a separate jurisdiction for which no tax benefit can be recognized. For the first quarter of 2015, LP's overall estimated annual effective tax rate is computed by excluding anticipated losses in Canada for which no deferred tax asset is expected to be recognizable due to the need for Valuation Allowances. Tax benefit for the quarter is then computed using the rate so derived applied to year-to-date pre-tax losses excluding those from Canada, and no additional Canadian tax benefit is added.

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. Changes in the profitability estimates in various jurisdictions will impact our quarterly effective income tax rates.

For the first three months of 2015, the primary differences between the U.S. statutory rate of 35% and the effective rate of 15% relates to state income taxes, Canadian valuation allowances and a reduction in the reserve for uncertain tax positions. For the first three months of 2014, the primary differences between the U.S. statutory rate of 35% and the effective rate of 28% relates to the effect of foreign tax rates and adjustments to reserves for uncertain tax positions.

LP periodically reviews the need for valuation allowances against deferred tax assets and recognizes these deferred tax assets to the extent that the realization is more likely than not. As part of our review, we consider all positive and negative evidence, including earnings history, the future reversal of deferred tax liabilities, and the relevant expirations of carry forwards. LP believes that the valuation allowances provided are appropriate. If future years' earnings differ from the estimates used to establish these valuation allowances or other objective positive or negative evidence arises, LP may be required to record an adjustment resulting in an impact on tax expense (benefit) for that period.

As a result of certain recognition requirements of ASC 718 Compensation -- Stock Compensation, certain deferred tax assets as of March 31, 2015 are not recognized in relation to amounts of tax deductions for equity compensation that are greater than the compensation expense recognized for financial reporting. Equity will be increased by \$13.9 million if and when such deferred tax assets are ultimately realized. LP uses the "with and without" method for determining when excess tax benefits have been realized.

LP and its domestic subsidiaries are subject to U.S. federal income tax as well as income taxes of multiple state jurisdictions. Its foreign subsidiaries are subject to income tax in Canada, Chile, Peru and Brazil. During 2011, the U.S. Internal Revenue Service initiated an audit of tax years 2007 through 2009. LP protested certain proposed adjustments and requested review by the IRS Appeals Office. In the fourth quarter of 2014, the IRS Appeals conferences were completed and a tentative agreement was reached resolving all issues. The agreed upon changes are subject to approval by U.S. Joint Committee on Taxation which is expected to occur in 2015. During 2013, LP deposited \$17.1 million with the IRS to suspend the accrual of interest pending the resolution of this matter. The deposit is included within Prepaid and other current assets on the Condensed Consolidated Balance Sheet at March 31, 2015.

LP remains subject to U.S. federal examinations of tax years 2011 through 2013, as well as state and local tax examinations for the tax years 2007- 2013. Canadian federal income tax years are closed through 2009 and no

examinations are currently in progress. Quebec provincial audits have been effectively settled through 2012. Chilean returns for years 2010 - 2012 tax years are under review by the Chilean Tax Office. Brazilian returns for years 2009 - 2013 are subject to audit, but no examinations are currently in progress.

NOTE 8 – TRANSACTIONS WITH AFFILIATES

LP has an equity investment in Abitibi-LP, a manufacturer of I-joists with Resolute Forest Products. LP sells products and raw materials to Abitibi-LP and purchases products for resale from Abitibi-LP. 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 three months ended March 31, 2015 and 2014, LP sold \$1.7 million and \$2.5 million of products to Abitibi-LP and purchased \$10.4 million and \$12.2 million of I-joists from Abitibi-LP. Included in LP's Consolidated Balance Sheets at March 31, 2015 and December 31, 2014 are \$0.9 million and \$0.7 million in accounts receivable and \$0.4 million in accounts payable for both periods associated with Abitibi-LP.

NOTE 9 - OTHER OPERATING CHARGES AND CREDITS

During the first quarter of 2015, LP was notified by the Ministry of Forestry in Quebec that LP's forest license associated with an indefinitely curtailed OSB mill in Quebec has been terminated. Based upon this notification, LP was required to write off the remaining unamortized value associated with this intangible forest license of \$11.6 million.

NOTE 10 – LEGAL AND ENVIRONMENTAL MATTERS

Certain environmental matters and legal proceedings are discussed below.

Environmental Matters

LP maintains a reserve for undiscounted estimated environmental loss contingencies. This reserve is primarily for estimated future costs of remediation of hazardous or toxic substances at numerous sites currently or previously owned by the Company. LP's estimates of its environmental loss contingencies are based on various assumptions and judgments, the specific nature of which varies in light of the particular facts and circumstances surrounding each environmental loss contingency. These estimates typically reflect assumptions and judgments as 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 assumptions and judgments as to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities. Due to the numerous uncertainties and variables associated with these assumptions and judgments, 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. LP regularly monitors its estimated exposure to environmental loss contingencies and, as additional information becomes known, may change its estimates significantly. However, no estimate of the range of any such change can be made at this time.

Other Proceedings

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

NOTE 11 – SELECTED SEGMENT DATA

LP operates in four segments: Oriented Strand Board (OSB), Siding, Engineered Wood Products (EWP) and South America. LP's business units have been aggregated into these four 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, 2014.

Dollar amounts in millions	Three Months Ended March	
	2015	2014
Net sales:		
OSB	\$190.2	\$194.9
Siding	173.5	143.5
Engineered Wood Products	64.8	62.2
South America	35.9	36.6
Other	7.3	7.9
Intersegment Sales	—	(0.4)
	\$471.7	\$444.7
Operating profit (loss):		
OSB	\$(28.4)	\$(1.9)
Siding	32.9	19.2
Engineered Wood Products	(4.1)	(3.1)
South America	2.4	4.2
Other	(0.9)	(0.7)
Other operating charges and credits, net	(11.6)	—
Gain (loss) on sale or impairment of long-lived assets	(0.1)	—
General corporate and other expenses, net	(22.7)	(27.3)
Other non-operating income (expense)	(2.2)	(4.3)
Interest income	1.4	1.8
Interest expense, net of capitalized interest	(7.5)	(7.7)
Loss from operations before taxes	(40.8)	(19.8)
Benefit for income taxes	(6.3)	(5.6)
Net loss	\$(34.5)	\$(14.2)

NOTE 12 – 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 March 31, 2015, there was an indication of impairment associated with the company's indefinitely curtailed OSB facility in Quebec, Canada. See Note 9 for discussion of the write off of the timber license associated with this facility. LP is currently evaluating various options associated with this mill. Based upon the weighted probability of the future cash flows associated with various options for this facility, no impairment was required. If the weighting of the probabilities changes or the projected cash flow changes from those included in the calculation, LP may be required to record impairments in the future. As of March 31, 2015, the fair value of facilities that have not been indefinitely curtailed are substantially in excess of its carrying value and supports the conclusion that no impairment is necessary for those facilities.

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 13 – DEFINED BENEFIT PENSION PLANS

The following table sets forth the net periodic pension cost for LP's defined benefit pension plans during the three months ended March 31, 2015 and 2014. The net periodic pension cost included the following components:

Dollar amounts in millions	Three Months Ended March 31,		
	2015	2014	
Service cost	\$1.0	\$0.9	
Interest cost	3.4	3.7	
Expected return on plan assets	(3.8) (4.2)
Amortization of prior service cost	0.1	—	
Amortization of net loss	1.8	1.4	
Net periodic pension cost	\$2.5	\$1.8	

During the three months ended March 31, 2015 and 2014, LP recognized \$2.5 million and \$1.8 million of pension expense for all of LP's defined benefit pension plans.

During the three months ended March 31, 2015, LP made \$1.0 million in pension contributions to its defined benefit pension plans. LP expects to contribute between \$2.0 million and \$5.0 million to its defined benefit pension plans in 2015.

NOTE 14 – 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 20 of the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2014 for further discussion of LP's guarantees and indemnifications.

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 three months of 2015 and 2014 are summarized in the following table:

Dollar amounts in millions	Three Months Ended March 31,		
	2015	2014	
Beginning balance	\$31.4	\$29.3	
Accrued to expense	0.1	0.2	
Foreign currency translation	(1.3) (0.4)
Payments made	(3.1) (2.9)
Total warranty reserves	27.1	26.2	
Current portion of warranty reserves	(12.0) (12.0)
Long-term portion of warranty reserves	\$15.1	\$14.2	

LP continues to monitor warranty and other claims associated with these products and believes as of March 31, 2015 that the reserves associated with these matters are adequate. However, it is possible that additional charges may be required in the future.

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 Consolidated Balance Sheets.

NOTE 15 - OTHER COMPREHENSIVE INCOME

Other comprehensive income activity, net of tax, is provided in the following table for the three months ended March 31, 2015:

Dollar amounts in millions	Foreign currency translation adjustments	Pension adjustments	Unrealized gain (loss) on investments	Other	Total
Balance at December 31, 2014	\$(33.7)	\$(99.0)	\$2.6	\$(1.2)	\$(131.3)
Other comprehensive income before reclassifications	(7.8)	0.5	—	0.1	(7.2)
Amounts reclassified from accumulated comprehensive income	—	1.1	—	—	1.1
Net current-period other comprehensive income	(7.8)	1.6	—	0.1	(6.1)
Balance at March 31, 2015	\$(41.5)	\$(97.4)	\$2.6	\$(1.1)	\$(137.4)

Other comprehensive income activity, net of tax, is provided in the following table for the three months ended March 31, 2014:

Dollar amounts in millions	Foreign currency translation adjustments	Pension adjustments	Unrealized gain (loss) on investments	Other	Total
Balance at December 31, 2013	\$(19.2)	\$(70.3)	\$2.0	\$(1.7)	\$(89.2)
Other comprehensive income (loss) before reclassifications	(1.8)	2.6	0.1	—	0.9
Amounts reclassified from accumulated comprehensive income	—	(1.3)	—	—	(1.3)
Net current-period other comprehensive income (loss)	(1.8)	1.3	0.1	—	(0.4)
Balance at March 31, 2014	\$(21.0)	\$(69.0)	\$2.1	\$(1.7)	\$(89.6)

Reclassifications from accumulated other comprehensive loss for the three months ended March 31, 2015 and March 31, 2014 are summarized, in millions of dollars, in the following table:

Details about accumulated other comprehensive income components	Amount reclassified from accumulated comprehensive loss			Affected line item in the statement where net income (loss) is presented
	Three Months Ended March 31,			
	2015	2014		
Amortization of defined benefit pension plans				
Prior service cost	\$0.1	—	(a)	
Actuarial loss	1.8	1.4	(a)	
Transition obligation	—	0.4	(a)	
	1.9	1.8		Total before tax
	0.8	0.5		Tax benefit
Total reclassifications	\$1.1	\$1.3		Net of tax

^(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost, see Note 12 for additional details. The net periodic pension cost is included in Cost of sales and Selling and administrative line items in the Consolidated Statements of Income.

NOTE 16 - RECENT AND PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

In April 2015, the Financial Accounting Standard Board issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This guidance is effective for annual and interim reporting periods of public entities beginning after December 15, 2015, and early adoption is permitted. LP is currently evaluating the effect that adopting this new accounting guidance will have on its consolidated results of operations and financial position.

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 one facility in Brazil.

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

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 first three months of 2015, the U.S. Department of Census reported that actual U.S. single and multi-family housing starts were 4% higher than for the first three months of 2014. 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 OSB products will remain at current levels or increase or decrease in the future. OSB prices (NC 7/16"), as reported by Random Lengths, were 11% lower for the first three months of 2015 than for the same period in 2014.

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, 2014 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, 2014 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 2015, these significant accounting estimates and judgments include:

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 analysis 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 March 31, 2015, we excluded from our estimates approximately \$2.4 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 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 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 group 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 March 31, 2015, we had established valuation allowances against certain deferred tax assets, primarily related to Canadian and state carryovers of net operating losses, credits and capital losses. We have not established valuation allowances against other deferred tax assets based upon our review of the evidence supporting their realization. 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.

Warranty Obligations. Customers are provided with a limited warranty against certain defects associated with our products for periods of up to fifty years. We estimate the costs to be incurred under these warranties and record a liability in the amount of such costs at the time product revenue is recognized. Factors that affect our warranty liability include the historical and anticipated rates of warranty claims and the cost of resolving such. We periodically assess the adequacy of our recorded warranty liability for each product and adjust the amounts as necessary. While we believe we have a reasonable basis for these assumptions, actual warranty costs in the future could differ from our estimates.

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 (loss) 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, net, other operating charges and credits associated with joint ventures, certain acquisition-related expenses, gain on acquisitions, early debt extinguishment, depreciation included in equity in (income) loss of unconsolidated affiliates and investment income. Neither EBITDA from continuing operations nor Adjusted EBITDA from continuing operations is 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, depreciation and amortization and other costs and expenses, 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:

Three Months Ended March 31, 2015 (Dollar amounts in millions)	OSB	Siding	EWP	South America	Other	Corporate	Total
Sales	\$190.2	\$173.5	\$64.8	\$35.9	\$7.3	\$—	\$471.7
Depreciation and amortization	14.8	5.1	3.6	2.1	0.4	0.7	26.7
Cost of sales and selling and administrative	203.8	135.5	66.0	31.4	7.8	22.0	466.5
Gain on sale or impairment of long lived assets	—	—	—	—	—	0.1	0.1
Other operating credits and charges, net	—	—	—	—	—	11.6	11.6
Total operating costs	218.6	140.6	69.6	33.5	8.2	34.4	504.9
Income (loss) from operations	(28.4)	32.9	(4.8)	2.4	(0.9)	(34.4)	(33.2)
Total non-operating expense	—	—	—	—	—	(8.3)	(8.3)
Income (loss) before income taxes and equity in income of unconsolidated affiliates	(28.4)	32.9	(4.8)	2.4	(0.9)	(42.7)	(41.5)
Income tax benefit	—	—	—	—	—	(6.3)	(6.3)
Equity in income of unconsolidated affiliates	—	—	(0.7)	—	—	—	(0.7)
Income (loss) from continuing operations	\$(28.4)	\$32.9	\$(4.1)	\$2.4	\$(0.9)	\$(36.4)	\$(34.5)
Reconciliation of income (loss) from continuing operations to Adjusted EBITDA from continuing operations							
Income (loss) from continuing operations	\$(28.4)	\$32.9	\$(4.1)	\$2.4	\$(0.9)	\$(36.4)	\$(34.5)
Income tax benefit	—	—	—	—	—	(6.3)	(6.3)
Interest expense, net of capitalized interest	—	—	—	—	—	7.5	7.5
Depreciation and amortization	14.8	5.1	3.6	2.1	0.4	0.7	26.7
EBITDA from continuing operations	(13.6)	38.0	(0.5)	4.5	(0.5)	(34.5)	(6.6)
Stock based compensation expense	0.2	0.1	0.1	—	—	2.0	2.4
Gain on sale or impairment of long lived assets	—	—	—	—	—	0.1	0.1
Investment income	—	—	—	—	—	(1.4)	(1.4)
Other operating credits and charges, net	—	—	—	—	—	11.6	11.6
Adjusted EBITDA from continuing operations	\$(13.4)	\$38.1	\$(0.4)	\$4.5	\$(0.5)	\$(22.2)	\$6.1

Three Months Ended March 31, 2014 (Dollar amounts in millions)	OSB	Siding	EWP	South America	Other	Corporate	Total
Sales	\$194.9	\$143.5	\$62.2	\$36.6	\$7.9	\$(0.4)	\$444.7
Depreciation and amortization	13.6	4.2	4.3	2.3	0.3	0.9	25.6
Cost of sales and selling and administrative	183.2	120.1	61.6	30.1	8.3	26.0	429.3
Total operating costs	196.8	124.3	65.9	32.4	8.6	26.9	454.9
Income (loss) from operations	(1.9)	19.2	(3.7)	4.2	(0.7)	(27.3)	(10.2)
Total non-operating expense	—	—	—	—	—	(10.2)	(10.2)
Income (loss) before income taxes and equity in (income) loss of unconsolidated affiliates	(1.9)	19.2	(3.7)	4.2	(0.7)	(37.5)	(20.4)
Provision for income taxes	—	—	—	—	—	(5.6)	(5.6)
Equity in (income) loss of unconsolidated affiliates	—	—	(0.6)	—	—	—	(0.6)
Income (loss) from continuing operations	\$(1.9)	\$19.2	\$(3.1)	\$4.2	\$(0.7)	\$(31.9)	\$(14.2)
Reconciliation of income (loss) from continuing operations to Adjusted EBITDA from continuing operations							
Income (loss) from continuing operations	\$(1.9)	\$19.2	\$(3.1)	\$4.2	\$(0.7)	\$(31.9)	\$(14.2)
Provision for income taxes	—	—	—	—	—	(5.6)	(5.6)
Interest expense, net of capitalized interest	—	—	—	—	—	7.7	7.7
Depreciation and amortization	13.6	4.2	4.3	2.3	0.3	0.9	25.6
EBITDA from continuing operations	11.7	23.4	1.2	6.5	(0.4)	(28.9)	13.5
Stock based compensation expense	0.2	0.2	0.1	—	—	1.6	2.1
Investment income	—	—	—	—	—	(1.8)	(1.8)
Expenses associated with proposed acquisition of Ainsworth Lumber co. Ltd.	—	—	—	—	—	9.1	9.1
Adjusted EBITDA from continuing operations	\$11.9	\$23.6	\$1.3	\$6.5	\$(0.4)	\$(20.0)	\$22.9

RESULTS OF OPERATIONS

(Dollar amounts in millions, except per share amounts)

Our net loss for the first three months of 2015 was \$34.5 million, or \$0.24 per diluted share, on sales of \$471.7 million, compared to net loss for the first three months of 2014 of \$14.2 million, or \$0.10 per diluted share, on sales of \$444.7 million. Reductions in OSB pricing had a negative impact of \$28.8 million on both operating results and adjusted EBITDA from continuing operations.

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, and Adjusted EBITDA from continuing operations for this segment are as follows:

	Three Months Ended March 31,		
	2015	2014	Change
Net sales	\$190.2	\$194.9	(2)%
Operating income (loss)	(28.4)	(1.9)	(1,395)%
Adjusted EBITDA from continuing operations	(13.4)	11.9	(213)%

Percent changes in average sales prices and unit shipments for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 are as follows:

	Three Months Ended March 31, 2015 versus 2014	
	Average Net Selling Price	Unit Shipments
OSB	(13	)% 14

For the three months ended March 31, 2015, OSB prices decreased as compared to the corresponding period in 2014. The decline in OSB prices was likely due to lower housing demand than forecasted and continued supply in the market. The decrease in selling price unfavorably impacted operating results and Adjusted EBITDA from continuing operations by approximately \$28.8 million for the three months ended March 31, 2015 as compared to the same periods in 2014. Offsetting the reduction in sales price was a reduction in raw material costs related to petroleum based raw materials as well as the impact of the Canadian currency on our Canadian operations in the first quarter of 2015 as compared to the same quarter in the prior year.

SIDING

Our siding segment produces and markets wood-based siding and related accessories.

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

	Three Months Ended March 31,		
	2015	2014	Change
Net sales	\$173.5	\$143.5	21
Operating income	32.9	19.2	71
Adjusted EBITDA from continuing operations	\$38.1	\$23.6	61

Sales in this segment by product line are as follows:

	Three Months Ended March 31,		
	2015	2014	Change
SmartSide Siding	\$159.6	\$121.8	31
Commodity OSB	—	5.2	(100)
CanExel siding	11.4	14.3	(20)
Other	2.5	2.2	14
Total	\$173.5	\$143.5	21

Percent changes in average sales prices and unit shipments for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 are as follows:

	Three Months Ended March 31, 2015 versus 2014	
	Average Net Selling Price	Unit Shipments
SmartSide Siding	8	% 19
CanExel siding	—	% (18)

For the three months ended March 31, 2015 compared to the corresponding period in 2014, sales volumes increased in our SmartSide siding line due to continued penetration in several key focus markets including retail, repair and remodel markets and sheds. Sales prices in our SmartSide siding product line for the three month period ended March 31, 2015 as compared to the corresponding period in 2014 were higher due to a price increase as well as changes in product mix.

For CanExel, sales volumes decreased in the first three months of 2015 as compared to the corresponding period in 2014 due to decreased demand in Canada and Europe. Sales prices were flat for the three month period of 2015 as compared to the corresponding period in 2014 due to the impact of the Canadian dollar weakening as these sales are

generally denominated in Canadian dollars. Based upon Canadian dollar selling prices, prices were 12% higher for the first three months of 2015 due to a price increase as well as changes in product mix.

Overall, the improvements in operating results for our siding segment for the three month period ended March 31, 2015 compared to the same period in 2014 was primarily due to increased volume of our SmartSide siding sales which were partially offset by higher raw material costs and increased sales and marketing costs.

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 Abitibi-LP or under a sales arrangement with a third party producer and minimal amounts of OSB which are produced at our Houlton, Maine LSL operation.

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

	Three Months Ended March 31,			
	2015	2014	Change	
Net sales	\$64.8	\$62.2	4	%
Operating losses	(4.1)	(3.1)	(32))%
Adjusted EBITDA from continuing operations	(0.4)	1.3	(131))%

Sales in this segment by product line are as follows:

	Three Months Ended March 31,			
	2015	2014	Change	
LVL/LSL	\$36.0	30.0	20	%
I-Joist	20.5	21.2	(3))%
Related products	8.3	11.0	(25))%
Total	\$64.8	\$62.2	4	%

Percent changes in average sales prices and unit shipments for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 are as follows:

	Three Months Ended March 31, 2015 versus 2014			
	Average Net Selling Price	Unit Shipments		
LVL/LSL	(3	)%	16	%
I-Joist	6	%	(12)%

For the three months ended March 31, 2015, sales volumes of LVL/LSL increased over the comparable prior year period due to increased penetration in domestic and export markets for LSL while sales volumes in I-joists decreased from the comparable prior year quarter due to lower sales in Canada and customers reducing inventories due to lower than expected housing demand. Sales prices for LVL/LSL declined due to product mix with individual prices remaining flat and I-joists pricing benefited from price increases for the three months ended March 31, 2015 as compared to the first quarter of 2014.

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 produces plywood as a by-product from the LVL production process.

For the three months ended March 31, 2015, compared to the same period in 2014, results of operations decreased due to lower sales volumes of I-Joist, changes in product mix on LVL and LSL and increases in sales and marketing expense to support future growth.

SOUTH AMERICA

Our South America segment manufactures and distributes OSB panels and siding products in South America and selected export markets. This segment operates in two countries, Chile and Brazil.

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

	Three Months Ended March 31,		
	2015	2014	Change
Net sales	\$35.9	\$36.6	(2)%
Operating income	2.4	4.2	(43)%
Adjusted EBITDA from continuing operations	4.5	6.5	(31)%

Sales in this segment by production location were as follows:

	Three Months Ended March 31,		
	2015	2014	Change
Chile	\$24.4	\$21.5	13 %
Brazil	11.5	15.1	(24)%
Total	\$35.9	\$36.6	(2)%

Percent changes in average sales prices and unit shipments for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 are as follows:

	Three Months Ended March 31, 2015 versus 2014		
	Average Net Selling Price	Unit Shipments	
Chile	(13)%	31	%
Brazil	(16)%	(18)%	

For the three month periods ended March 31, 2015, compared to the same period in 2014, sales volumes in Chile increased due to higher demand due to improved housing activity. Sales volumes in Brazil decreased in the first three months ended March 31, 2015, compared to the same period in 2014, due to reduced housing demand associated with an economic recession.

Sales prices in Chile declined for the three month periods ended March 31, 2015 as compared to the corresponding period in 2014. Sales prices declined in both Chile and Brazil due to the impact of the fluctuations in the Chilean Peso and Brazil real relative to the U.S. dollar as a majority of these sales are in local markets. Local currency selling prices in Chile decreased by 1 percent and in Brazil increased by 3 percent for the first three months of 2015 as compared to the corresponding period in 2014.

OTHER PRODUCTS

Our other products segment includes our remaining timber and timberlands and related operations, trucking operations and other minor products, services and closed operations which are not classified as discontinued operations.

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

	Three Months Ended March 31,		
	2015	2014	Change
Net sales	\$7.3	\$7.9	(8)%
Operating losses	(0.9)	\$(0.7)	(29)%
Adjusted EBITDA from continuing operations	(0.5)	(0.4)	(25)%

GENERAL CORPORATE AND OTHER EXPENSE, NET

For the three months ended March 31, 2015, compared to the same period in 2014, general corporate expenses decreased by 17%, primarily due to the elimination of costs associated with the efforts to acquire Ainsworth. General corporate and other expenses primarily consist of corporate overhead such as wages and benefits, professional fees, insurance and other expenses for corporate functions including certain executive officers, public company costs; information technology; financial services; environmental and safety; legal; supply management and other corporate functions.

INTEREST EXPENSE AND INVESTMENT INCOME

Components of interest expense, net of investment income, are as follows:

	Three Months Ended March 31,	
Dollar amounts in millions	2015	2014
Investment income	1.2	\$1.7
SERP market adjustments	0.2	0.1
Investment income	1.4	1.8
Interest expense	(7.5)	(8.0)
Amortization of debt charges	(0.3)	(0.3)
Capitalized interest	0.3	0.6
Interest expense, net of capitalized interest	(7.5)	(7.7)
Foreign currency gain (loss)	(2.2)	(4.3)
Other non-operating income(expense)	(2.2)	(4.3)
Total non-operating income (expense)	\$(8.3)	\$(10.2)

INCOME TAXES

For the first three months of 2015, we recorded an income tax benefit on continuing operations of 15% as compared to 28% in the comparable period of 2014. The primary differences between the U.S. statutory rate of 35% and the effective rate applied to continuing operations for the first three months of 2015 relate to state income taxes, Canadian valuation allowances and a reduction in the reserve for uncertain tax positions. The primary differences between the U.S. statutory rate of 35% and the effective rate applied to continuing operations for the first three months of 2014 relates to the effect of foreign tax rates and adjustments to reserves for uncertain tax positions. For interim periods, accounting standards require that income tax expense be determined by applying the estimated annual effective income tax rate to year-to-date results unless this method does not result in a reliable estimate of year-to-date income tax expense. An exception is provided for situations in which an enterprise anticipates a loss in a separate jurisdiction for which no tax benefit can be recognized. For the first quarter of 2015, LP's overall estimated annual effective tax rate is computed by excluding anticipated losses in Canada for which no deferred tax asset is expected to be recognizable due to the need for Valuation Allowances. Tax benefit for the quarter is then computed using the rate so derived applied to year-to-date pre-tax losses excluding those from Canada, and no additional Canadian tax benefit is added.

Each quarter the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is recorded in the current quarter.

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 13 of the Notes to financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for further information on our plans. We estimate that our net periodic pension cost for 2015 will be approximately \$7.6 million. If a curtailment or settlement occurs in 2015, this estimate may change significantly. We estimate that we will contribute approximately \$2.0 million to \$5.0 million to our defined benefit pension plans in 2015.

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, 2014 and Note 9 to the Notes to the financial statements contained herein.

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 three months of 2015, operating activities used \$44.0 million of cash compared to \$73.0 million of cash used during the first three months of 2014. This change was primarily related to smaller increases in receivables and inventories, as partially offset by declines in operating results (OSB pricing) and a smaller increase in accounts payable and accrued liabilities.

During the first three months of 2014, our accounts receivable balance increased due the implementation of an enterprise resource planning (ERP) system as of January 1, 2014. Although no substantial change occurred associated with credit terms, we experienced numerous delays in invoice processing and collections resulting in an increase in the number of days outstanding. Inventory increased based on logistical issues in the quarter associated primarily with finished goods and seasonality in demand for logs.

INVESTING ACTIVITIES

During the first three months of 2015, cash used in investing activities was approximately \$14.5 million. Capital expenditures in the first three months of 2015 were \$14.9 million. We received \$0.4 million proceeds from the sale of assets. Included in "Accounts payable" is \$2.6 million related to capital expenditures that had not yet been paid as of March 31, 2015.

During the first three months of 2014, cash used in investing activities was approximately \$24.1 million. Capital expenditures in the first three months of 2014 were \$24.0 million. Included in "Accounts payable" was \$4.3 million related to capital expenditures that had not yet been paid as of March 31, 2014.

Capital expenditures in 2015 are expected to be approximately \$130 million related to projects for siding capacity expansion, Chilean expansion, productivity improvements and maintenance projects.

FINANCING ACTIVITIES

During the first three months of 2015, cash used by financing activities was \$3.7 million. We used \$1.4 million to repay outstanding debt in the first three months of 2015 and \$2.4 million to repurchase stock from employees in connection with income tax withholding requirements associated with our employee equity plans.

During the first three months of 2014, cash used by financing activities was \$2.5 million. We used \$1.1 million to repay outstanding debt in the first three months of 2014 and \$1.4 million to repurchase stock in connection with income tax withholding requirements associated with our employee equity plans.

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 March 31, 2015, there was an indication of impairment associated with the company's indefinitely curtailed OSB facility in Quebec, Canada. See Note 9 include in item 1 of this report for discussion of the write off of the timber license associated with this facility. We are currently evaluating various options associated with this mill. Based upon the weighted probability of the future cash flows associated with various options for this facility, no impairment was required. If the weighting of the probabilities changes or the projected cash flow changes from those included in the calculation, we may be required to record impairments in the future. As of March 31, 2015, the fair value of facilities that have not been indefinitely curtailed was in excess of their carrying value and supports the conclusion that no impairment is necessary for those facilities.

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 of the variable rate notes receivable from asset sales and the variable rate debt at March 31, 2015, a 100 basis point interest rate 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 of 5.9 billion square feet (3/8" basis) or 5.1 billion square feet (7/16" basis), a \$1 change in the annual average price per square foot on 7/16" basis would change annual pre-tax profits by approximately \$5.1 million. Until the housing market more fully recovers, we expect that our near term volumes will be 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 March 31, 2015, 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.

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
SUMMARY OF PRODUCTION VOLUMES ⁽¹⁾

The following table sets forth production volumes for the three months ended March 31, 2015 and 2014.

	Three Months Ended March 31,	
	2015	2014
Oriented strand board, million square feet 3/8" basis(1)	1,004	965
Oriented strand board, million square feet 3/8" basis (produced by North America non-OSB segment mills)	10	45
Wood-based siding, million square feet 3/8" basis	312	273
Engineered I-Joist, million lineal feet(1)	16	21
Laminated veneer lumber (LVL), thousand cubic feet(1) and laminated strand lumber (LSL), thousand cubic feet	2,638	2,203

(1) Includes volumes produced by joint venture operations and sold to LP or through 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 Western Canada 7/16" Basis	OSB Southwest 7/16" Basis	OSB N. Central 7/16" Basis
Annual Average			
2011	\$154	\$172	\$186
2012	\$269	\$260	\$271
2013	\$300	\$293	\$315
2014 1st Qtr. Avg.	\$219	\$228	\$219
2015 1st Qtr. Avg.	\$159	\$195	\$193

Source: Random Lengths

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 9 – Legal and Environmental Matters” 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, the level of unemployment, longer-term interest rates, and mortgage foreclosure rates. The cyclicity is also influenced by the availability of mortgage financing, which is currently more restrictive than normal and which could be adversely affected by the implementation of one or more proposals to eliminate or reduce the mortgage market roles of or levels of support for government-sponsored enterprises such as Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. 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, including the level of new residential construction activity and home repair and remodeling activity, changes in the availability and cost of mortgage financing and weather conditions. We are not able to predict with certainty market conditions and selling prices for our products. In this competitive environment with so many variables 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 44% of our North American sales in the first three months of 2015 compared to 48% in the comparable period of 2014 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.

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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 80% (as of December 31, 2014) 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 from which we obtain wood fiber also are subject to the constitutionally protected treaty or common-law rights of the aboriginal peoples of Canada. Many aboriginal groups are actively engaged in treaty discussions with the government of 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.

We depend on our senior management team and other key employees, and significant attrition within our management team could adversely affect our business. Our success depends in part on our ability to attract, retain and motivate senior management and other key employees. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, competitors' hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be very intense. We must continue to recruit, retain and motivate senior management and other key employees sufficient to maintain our current business and support our future projects. A loss of any such personnel, or the inability to recruit and retain qualified personnel in the future, 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.

Our pension and health care costs are subject to numerous factors which could cause these costs to change. We have defined benefit pension plans covering substantially all U.S. and Canadian employees. We provide retiree health care benefits to certain of our U.S. salaried and certain hourly employees. Our pension costs are dependent upon numerous pension plan provisions that are subject to interpretations and factors resulting from actual plan experience and assumptions of future experience. Pension plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity market returns; changes in general interest rates and changes in the number of retirees may result in increased pension costs in future periods. Likewise, changes in assumptions regarding current discount rates and expected rates of return on plan assets could also increase pension and health care costs. We are subject to market risk on pension plan assets as well as discount rates on long-term obligations. Significant adverse changes in

the factors affecting our pension and health care costs could adversely affect our cash flows, financial condition and results of operations.

Our pension plans are currently underfunded, and over time we will be required to make cash payments to the plans, reducing the cash available for our business. We record a liability associated with our pension plans equal to the excess of the benefit obligation over the fair value of plan assets. The benefit liability recorded under the provisions of Accounting Standards Codification (ASC) 715, "Compensation—Retirement Benefits," at December 31, 2014 was \$96.1 million. Although we expect to contribute between \$2.0 million and \$5.0 million to our plans in 2014, we continually reassess the amount and timing of any discretionary contributions. Over the next several years we may make significant contributions to the plans. The amount of such contributions will depend upon a number of factors, principally the actual earnings and changes in values of plan assets and changes in interest rates.

We depend on third parties for transportation services and increases in costs and the availability of transportation could materially and adversely affect our business and operations. Our business depends on the transportation of a large number of products, both domestically and internationally. We rely primarily on third parties for transportation of the products we manufacture and/or distribute as well as for delivery of our raw materials. In particular, a significant portion of the goods we manufacture and raw materials we use are transported by railroad or trucks, which are highly regulated. If any of our third-party transportation providers were to fail to deliver the goods we manufacture or distribute in a timely manner, we may be unable to sell those products at full value or at all. Similarly, if any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to manufacture our products in response to customer demand. In addition, if any of these third parties were to cease operations or cease doing business with us, we may be unable to replace them at reasonable cost. Any failure of a third-party transportation provider to deliver raw materials or finished products in a timely manner could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our financial condition and results of operation. In addition, an increase in transportation rates or fuel surcharges could materially and adversely affect our sales and profitability.

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 may 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.

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 and loans, 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. In addition, our deferred tax liabilities include substantial amounts related to installment sales of timber lands in 1998 and 2003 for which we have previously monetized most of the installment receivable. As a result of these monetizations, we will be required to fund these liabilities from sources other than such installments, potentially including such tax loss and credit carryovers as may then be available.

Fluctuations in foreign currency exchange rates could result in currency exchange losses and reductions in stockholder's equity. 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, equity and certain other non-monetary assets and liabilities and related depreciation and amortization on these assets and liabilities. These transaction and translation 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, changes in 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 cyclicity. Over the last several years, 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 slowed economy. There can be no assurance as to when, or if the housing market, will rebound to "normal" levels. We have experienced significant losses from operations and significant net cash used in operating activities in recent periods. 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, FEA, 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.

Initiatives to upgrade our information technology infrastructure involve many risks. We regularly implement business process improvement initiatives to optimize our performance. Our current initiatives include plans to further standardize the business processes and technology that support our strategies through implementation of a new software solution over the next few years. We may experience difficulties as we transition to these new or upgraded systems and processes, including loss of data and decreases in productivity as our personnel become familiar with new systems. In addition, transitioning to these new or upgraded systems requires significant capital investments and personnel resources. Difficulties in implementing new or upgraded information systems or significant system failures could disrupt our operations and have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, we will experience significant changes in our internal controls over financial reporting as our implementation progresses. If we are unable to manage these changes successfully, our ability to timely and accurately process transactions and report our results of operations could be adversely affected.

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

On October 31, 2014, LP's Board of Directors authorized LP to repurchase up to \$100 million of LP's common stock. LP may initiate, discontinue or resume purchases of its common stock under this authorization in the open market, in privately negotiated transactions or otherwise at any time or from time to time without prior notice. As of May 5, 2015, no purchases have occurred under this authorization.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

N/A

Item 5. Other Information

LP held its annual meeting on May 1, 2015, at which the stockholders of LP voted on the following:

The election of two directors, the ratification of the selection of LP's outside independent auditor and an advisory vote related to executive compensation.

The voting with respect to each of these matters was as follows:

1. Election of Directors

	For	Withheld
Curtis M. Stevens	114,057,206	8,573,414
Daniel K. Frierson	109,388,999	13,237,359

	For	Against	Abstain
2. Ratification of LP's outside independent auditor	129,834,664	3,500,069	267,265

	For	Against	Abstain
3. Advisory vote on compensation	112,122,638	10,263,744	433,450

Item 6. Exhibits

10.1	Form of Change of Control Employment Agreement entered into between LP and certain of its executives. Incorporated herein by reference to Exhibit 10.26 to LP's Current Report on Form 8-K dated March 3, 2015.
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.
100.INS	XBRL Instance Document
100.SCH	XBRL Taxonomy Extension Schema Document
100.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
100.DEF	XBRL Taxonomy Extension Definition Linkbase Document
100.LAB	XBRL Taxonomy Extension Label Linkbase Document
100.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: May 5, 2015

BY: /S/ CURTIS M. STEVENS
Curtis M. Stevens
Chief Executive Officer

Date: May 5, 2015

BY: /S/ SALLIE B. BAILEY
Sallie B. Bailey
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)