

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 June 30, 2001

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)

93-0609074

(IRS Employer Identification No.)

805 SW Broadway, Suite 1200, Portland, Oregon 97205-3303

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(503) 821-5100**

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 /x/ No / /

Indicate the number of shares outstanding of each of the issuer's classes of common stock: 104,437,911 shares of Common Stock, \$1 par value, outstanding as of August 12, 2001.

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 Louisiana-Pacific Corporation ("LP") 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, the management of LP.

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," "potential," "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 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 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;
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changes in the relationship between supply of and demand for building products, including the effects of industry-wide increases in manufacturing capacity;

- changes in the relationship between supply of and demand for the raw materials, including wood fiber and resins, used in manufacturing our products;

- changes in other significant operating expenses;

- changes in exchange rates between the U.S. dollar and other currencies particularly the Canadian dollar;

- changes in general and industry-specific environmental laws and regulations;

- unforeseen environmental liabilities or expenditures;

- the resolution of product-related litigation and other legal proceedings; and

- acts of God or public authorities, war, civil unrest, fire, floods, earthquakes 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 LP 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.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(AMOUNTS IN MILLIONS EXCEPT PER SHARE) (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net sales	\$ 649.8	\$ 831.5	\$ 1,208.3	\$ 1,661.2
Operating costs and expenses:				
Cost of sales	540.7	625.4	1,089.9	1,230.6
Depreciation, amortization and depletion	46.7	59.3	95.8	120.6
Selling and administrative	48.7	61.5	92.3	119.8
Unusual credits and charges, net	2.0	38.0	14.2	36.4
Loss related to assets and liabilities transferred under contractual arrangement	7.9	—	12.4	—
Total operating costs and expenses	646.0	784.2	1,304.6	1,507.4
Income (loss) from operations	3.8	47.3	(96.3)	153.8
Non-operating income (expense):				
Interest expense	(21.3)	(18.5)	(44.6)	(35.6)
Interest income	7.7	9.7	15.9	18.4
Foreign exchange gains (losses)	(3.8)	(.8)	(1.7)	(2.2)
Total non-operating income (expense)	(17.4)	(9.6)	(30.4)	(19.4)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	(13.6)	37.7	(126.7)	134.4
Provision (benefit) for income taxes	(3.0)	16.2	(25.4)	54.7
Minority interest in net income (loss) of consolidated subsidiaries	(1.3)	0.5	(2.6)	1.0
Equity in (income) loss of unconsolidated affiliate	0.4	—	0.4	—
Net income (loss)	\$ (9.7)	\$ 21.0	\$ (99.1)	\$ 78.7

Net income (loss) per share—basic and diluted	\$ (0.09)	\$ 0.20	\$ (0.95)	\$ 0.76
Average shares outstanding				
Basic	104.4	104.0	104.4	104.0
Diluted	104.4	104.2	104.4	104.2

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

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

	June 30, 2001	Dec. 31, 2000
ASSETS		
Cash and cash equivalents	\$ 55.7	\$ 38.1
Accounts receivable, net	168.5	129.6
Inventories	222.6	327.5
Prepaid expenses	18.9	22.8
Income taxes receivable	61.7	91.5
Deferred income taxes	44.6	44.6
Total current assets	572.0	654.1
Timber and timberlands	571.9	590.6
Property, plant and equipment	2,415.2	2,562.8
Accumulated depreciation	(1,207.5)	(1,254.0)
Net property, plant and equipment	1,207.7	1,308.8
Goodwill, net of amortization	311.8	326.3
Notes receivable from asset sales	403.8	403.8
Assets transferred under contractual arrangement	58.6	—
Other assets	83.5	91.1
Total assets	\$ 3,209.3	\$ 3,374.7
LIABILITIES AND EQUITY		
Current portion of long-term debt and short term borrowings	\$ 106.0	\$ 39.4
Accounts payable and accrued liabilities	293.5	303.8
Current portion of contingency reserves	25.0	35.0
Total current liabilities	424.5	378.2
Long-term debt, excluding current portion:		
Limited recourse notes payable	396.5	396.5
Other long term debt	687.7	787.3
Total long-term debt, excluding current portion	1,084.2	1,183.8
Contingency reserves, excluding current portion	117.3	126.6
Liabilities transferred under contractual arrangement	24.9	—
Deferred income taxes and other	377.4	390.9
Commitments and contingencies		
Stockholders' equity:		
Common stock	117.0	117.0
Additional paid-in capital	441.3	440.2
Retained earnings	885.1	1,004.3
Treasury stock	(233.2)	(235.1)
Accumulated comprehensive loss	(29.2)	(31.2)
Total stockholders' equity	1,181.0	1,295.2
Total liabilities and equity	\$ 3,209.3	\$ 3,374.7

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(DOLLAR AMOUNTS IN MILLIONS) (UNAUDITED)

	Six Months Ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income (loss)	\$ (99.1)	\$ 78.7
Depreciation, amortization and depletion	95.8	120.6
Unusual credits and charges, net	14.2	54.2
Cash settlements of contingencies	(21.5)	(123.6)
Loss on assets and liabilities transferred under contractual obligation	12.4	—
Other adjustments	(3.4)	12.8
Decrease (increase) in certain working capital components and deferred taxes	75.9	(75.1)
Net cash provided by operating activities	74.3	67.6
Cash flows from investing activities:		
Capital spending	(33.7)	(98.0)
Business asset purchases	—	(54.7)
Proceeds from assets sales and transfers	40.7	10.2
Other investing activities, net	(0.6)	.2
Net cash provided by (used in) investing activities	6.4	(142.3)
Cash flows from financing activities:		
New borrowings, including net increase (decrease) in revolving borrowings	(31.9)	120.0
Repayment of long-term debt	(1.1)	(7.7)
Cash dividends	(20.1)	(29.1)
Increase in receivables from assets and liabilities transferred under contractual obligation	(10.8)	—
Purchase of treasury stock	(0.4)	(11.2)
Other financing activities	1.2	4.8
Net cash provided (used) in financing activities	(63.1)	76.8
Net increase in cash and cash equivalents	17.6	2.1
Cash and cash equivalents at beginning of period	38.1	116.0
Cash and cash equivalents at end of period	\$ 55.7	\$ 118.1

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

Notes to Unaudited Consolidated Summary Financial Statements

1. These consolidated summary 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, 2000.

These consolidated summary financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of the management of LP, necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of LP and its subsidiaries. Certain 2000 amounts have been reclassified to conform to the 2001 presentation.

2. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year.

3. Basic earnings per share are based on the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings per share include the effects of potentially dilutive common stock equivalents.

Three Months Ended June 30,		Six Months Ended June 30,	
2001	2000	2001	2000

(Shares in millions)

Average shares outstanding used to determine basic net income per common share	104.4	104.0	104.4	104.0
Dilutive effects of stock options granted and ESPP shares	—	0.2	—	.02
Average shares outstanding used to determine fully diluted net income per common share	104.4	104.2	104.4	104.2

4. The preparation of interim financial statements requires the estimation of LP's effective income tax rate based on estimated annual amounts of taxable income and expenses. These estimates are updated quarterly. Accounting standards require that the estimated effective income tax rate (based upon estimated annual amounts of taxable income and expense) for the year be applied to year-to-date income or loss at the end of each quarter. Any resulting adjustment related to prior periods must be applied against the current quarter. For the quarter ended June 30, 2001, LP's effective tax benefit rate was 22% as compared to a provision rate of 43% in the second quarter of 2000. For the six-month period ended June 30, 2001, LP's effective tax benefit rate was 20% as compared to a provision rate of 42% in the first six months of 2000.

5. The preparation of interim financial statements requires the estimation of LP's year-end inventory quantities and costs for purposes of determining last in, first out (LIFO) inventory adjustments. These estimates are revised quarterly and the estimated incremental change in the LIFO inventory reserve is expensed over the remainder of the year.

6. During first quarter 2001, LP sold a controlling interest in Samoa Pacific Cellulose LLC (SPC), a company that owns a pulp mill and related assets in Samoa, California, for approximately book value. In this transaction, LP received approximately \$22 million in cash and promissory notes of SPC valued at \$29 million, and retained preferred stock of SPC valued at approximately \$9 million. The preferred stock is pledged as collateral for SPC's senior borrowing. The term of the promissory notes is longer than five years. Additionally, LP has agreed to provide to SPC a \$15 million credit facility secured by working capital. At June 30, 2001, the balance on the credit facility was \$10.8 million.

Due to its continuing financial interest in SPC, LP did not record the transaction as a sale. Instead, in compliance with Staff Accounting Bulletin No. 30—Accounting For Divestiture Of A Subsidiary Or Other Business Operation, LP has recorded the assets and the liabilities of SPC on LP's

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balance sheet under the captions "Assets transferred under contractual arrangement" and "Liabilities transferred under contractual arrangement." For any fiscal quarter in which SPC incurs losses, LP will record a valuation allowance against its net remaining investment. If SPC is profitable in subsequent quarters of the same fiscal year, LP will reverse the valuation allowance up to the amount of the valuation allowance that was previously recorded in such fiscal year. The valuation allowance for the first six months of 2001 is reflected on the income statement under the caption "Loss related to assets and liabilities transferred under contractual arrangement."

7. Components of comprehensive income (loss) for the periods include:

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net income (loss)	\$ (9.7)	\$ 21.0	\$ (99.1)	\$ 78.7
Currency translation adjustment	.5	(3.3)	0.9	(8.2)
Pension minimum liability adjustment	—	12.2	—	12.2
Other	—	0.1	—	0.1
Total comprehensive income (loss)	\$ (9.2)	\$ 30.2	\$ (98.2)	\$ 82.8

8. The selected segment data set forth in Item 2 "Management's Discussion and Analysis and Results of Operations" of this report is incorporated herein by reference.

9. LP adopted Statement of Financial Accounting Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" as of January 1, 2001. The adoption of this standard did not have a material impact on the financial statements of LP.

10. The description of certain legal and environmental matters involving LP set forth in Part II of this report under the caption "Legal Proceedings" is incorporated herein by reference.

11. Investments in 50% owned joint ventures are accounted for under the equity method.

12. In June 2001, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). This new statement addresses financial accounting and reporting for goodwill and other intangible assets. Under this new standard, goodwill and other intangible assets that are deemed to have an indefinite life will no longer be amortized. However, goodwill and other intangible assets will be tested for impairment on an annual basis by applying a fair value based test. SFAS 142 will be effective for LP beginning January 1, 2002. Management is currently evaluating the impact of this statement. LP's current goodwill amortization is approximately \$7 million per quarter.

13. From time to time, LP enters into futures contracts to purchase commodities, such as electricity, to facilitate the operation of the Company's facilities while attempting to minimize the price risk. The estimated fair value of these contracts is based upon quoted market prices. If delivery is not assured, LP recognizes realized and unrealized gains and losses on these contracts in the period in which the fair value change occurs. As of June 30, 2001, LP had a futures contract to purchase electricity over the next 7 years in certain Western states mills for a net present value of \$9.7 million. The fair value of this contract, based upon quoted market prices was \$8.2 million. Reflected in the operating results of LP is a loss of \$1.5 million related to this contract.

14. On August 13 2001, LP completed a public offering of \$200 million of senior subordinated notes maturing in 2008 at a coupon rate of 10.875 percent. The net proceeds of the note offering will be used to reduce the company's existing \$170 million term loan due in 2003 and to reduce borrowings outstanding under

Item 2. Management's Discussion and Analysis and Results of Operations.

LP's net loss for the second quarter of 2001 was \$9.7 million, or \$0.09 per diluted share, on sales of \$649.8 million, compared to second quarter 2000 net income of \$21.0 million, or \$0.20 per diluted share, on sales of \$831.5 million. Excluding unusual charges of \$2 million (\$1.1 million after tax, or \$0.01 per diluted share), the loss for the second quarter of 2001 was \$8.6 million, or \$0.08 per diluted share, compared to second quarter 2000 income excluding unusual items of \$43.7 million, or \$0.42 per diluted share.

LP's net loss for the six months ended June 30, 2001 was \$99.1 million, or \$0.95 per diluted share, on sales of \$1.2 billion, compared to the six month period ended June 30, 2000 net income of \$78.7 million, or \$0.76 per diluted share, on sales of \$1.7 billion. Excluding unusual charges of \$14.2 million (\$8.5 million after tax, or \$0.08 per diluted share), the loss for the six month period was \$90.6 million, or \$0.87 per diluted share, compared to the comparable period in 2000 income excluding unusual items of \$100.5 million, or \$0.96 per diluted share.

Reduced demand for many building products and the slowing economy factored negatively into the results for the quarter and six months ended June 30, 2001 as compared to comparable periods in 2000. This softening demand resulted in reduced market prices for structural products (oriented strand board (OSB), plywood and lumber). Additionally, the pulp market has deteriorated significantly from the first six month of 2000 both in terms of pricing and demand.

LP operates in five segments: structural products; exterior products; industrial panel products; other products; and pulp. Structural products is the most significant segment, accounting for more than 60% of sales during the first six months of both 2001 and 2000. LP's results of operations are discussed separately for each segment below. Production volumes and industry product price trends are presented below in the tables captioned "Summary of Production Volumes" and "Industry Product Price Trends."

Most of LP's products are sold as commodities and therefore sales prices fluctuate based on market factors over which LP has little or no control. LP cannot predict whether the prices of its products will remain at current levels, or will increase or decrease in the future, because supply and demand are influenced by many factors, only two of which are the cost and availability of raw materials. LP is not able to determine to what extent, if any, it will be able to pass any future increase in the price of raw materials on to customers through product price increases.

Demand for the majority of LP's products is subject to cyclical fluctuations over which LP has no control. The level of residential construction activity, which is subject to fluctuations due to changes in economic conditions, interest rates, population growth and other factors, heavily influences the demand for LP's building products. These cyclical fluctuations in demand are unpredictable and may have a substantial influence on LP's results of operations.

Selected Segment Data

	Three Months Ended June 30			Six Months Ended June 30,		
	2001	2000	% change	2001	2000	% change
Net sales:						
Structural products	\$ 407.9	\$ 508.2	(20)	\$ 752.2	\$ 1,040.2	(28)
Exterior products	111.9	99.9	12	181.5	170.4	7
Industrial panel products	51.5	75.9	(32)	104.7	157.3	(33)
Other products	68.6	106.4	(36)	127.1	209.1	(39)
Pulp	9.9	41.1	(76)	42.8	84.2	(49)
	<u>\$ 649.8</u>	<u>\$ 831.5</u>	<u>(22)</u>	<u>\$ 1,208.3</u>	<u>\$ 1,661.2</u>	<u>(27)</u>
Operating profit (loss):						
Structural products	\$ 34.5	\$ 88.4	(61)	\$ 3.6	\$ 202.4	(98)
Exterior products	11.3	13.9	(19)	7.0	22.0	(68)
Industrial panel products	(3.6)	3.3	(209)	(10.5)	5.9	(278)
Other products	(1.3)	(0.9)	(44)	(3.4)	(0.1)	NM
Pulp	(6.3)	5.9	(207)	(19.1)	10.3	(285)
Unusual credits and charges, net	(2.0)	(38.0)	95	(14.2)	(36.4)	61
Loss from assets and liabilities transferred under contractual arrangement	(7.9)	—	—	(12.4)	—	—
General corporate and other expenses, net	(24.6)	(26.1)	6	(49.1)	(52.5)	7
Interest expense, net	(13.7)	(8.8)	(56)	(28.6)	(17.2)	(66)
	<u>\$ (13.6)</u>	<u>\$ 37.7</u>	<u>(136)</u>	<u>\$ (126.7)</u>	<u>\$ 134.4</u>	<u>(194)</u>

Structural Products

The structural products segment consists of North American OSB, plywood, lumber and engineered wood products (EWP). This segment also includes timberlands. The decline in sales for the second quarter of 2001 compared to the second quarter of 2000 was primarily due to lower OSB, plywood and lumber

prices compounded by lower sales volumes in lumber and plywood.

The most significant product in this segment is OSB. Average prices (net of freight) were approximately 38% lower this quarter compared to the same quarter in 2000 and 27% lower for the six month period ended June 30, 2001 compared to the same period in 2000. Lower prices reflect overcapacity in OSB products versus demand. LP's sales volume in the quarter increased about 5% compared to the same quarter last year and was flat for the six-month period. The increase in volume was due to improved operating efficiencies. Partially offsetting the reduced commodity pricing were lower production costs due to improved operating efficiencies and declines in wood fiber cost.

Plywood prices increased approximately 2% for the second quarter 2001 as compared to the second quarter 2000 with sales volume declining about 18%, primarily due to mill closures by LP in the latter half of 2000. For the first six months of 2001, plywood prices declined about 7% as compared to the first six months of 2000 with sales volume declining 15%. LP has focused two of its remaining plywood mills on veneer production for laminated veneer lumber (LVL) helping to reduce the impact of the volatility in plywood pricing and to increase operational efficiencies at the mills.

Lumber prices and volumes in the second quarter of 2001 were flat compared to the second quarter of 2000. For the six-month period ended June 30, 2001, lumber prices declined 14% as compared to the same period in 2000 with sales volumes declining about 8%. For both the quarter and

the six-month period, LP realized significant reductions in raw material costs and improved log recoveries.

Engineered wood products showed an increase in profits in the second quarter of 2001 compared to second quarter 2000 and for the six-month period. These increases were driven by reductions in raw material prices and improvements in operating efficiencies. Prices for the quarter were approximately 7% lower for I-joist and 8% lower for LVL. For the six-month period, prices were 6% lower for I-joist and 7% lower for LVL. Pricing pressure on these products is due to increased industry capacity and lower dimensional lumber pricing. Volumes for the quarter were approximately 7% higher for I-joist and 13% higher for LVL. For the six-month period, volumes were 7% higher for I-joist and flat for LVL. Volume increases for these products is primarily due to increased market penetration.

Overall, compared to second quarter and the six-month period end June 30, 2000, the primary factor in the decreased profitability in this segment was the low sales prices discussed above. Offsetting these lower prices, were improvements in operating efficiencies and lower wood costs. Overall, log cost and other raw materials associated with these products declined by 5% for the quarter.

Exterior Products

The exterior product segment consists of siding, both wood composite and vinyl and related accessories, specialty OSB and composite decking. Sales of siding products and specialty OSB showed an increase in volume of 12% for the quarter and 7% for the six-month period as compared to the comparable periods in 2000 with pricing declining 3% for the comparable quarter and 2% for the six-month period. The increase in volume was primarily due to the shutdown of a key competitor in hardboard siding. The decline in pricing is primarily due to the impact of specialty OSB products that are closely related to commodity pricing. For composite decking, sales volume increased significantly due to start up of the facilities in the comparable period of 2000. Profitability of this segment declined for both the quarter and the six month period compared to the prior year due to lower pricing for those specialty OSB products that are closely related to commodity pricing and losses associated with the up front costs incurred to launch WeatherBest, a composite decking product.

Industrial Panel Products

The industrial panels segment consists of particleboard, medium density fiberboard (MDF), hardboard and decorative panels. For particleboard, sales prices declined about 12% for the quarter and the six-month period ended June 30, 2001 as compared to the comparable periods in 2000 with sales volumes remaining flat. For MDF, volumes declined over 75% for both the quarter ended June 30, 2001 and the six-month period as compared to the prior year while sales prices increased 22% and 15% for the same periods. The significant decline in MDF volume was due to plant closures, fiber supply shortages increased competition from off shore suppliers. Hardboard volumes declined 17% for both the quarter and the six-month period ended June 30, 2001 as compared to the comparable periods in the prior year with sales prices remaining relatively flat. This decline in volume was due to reduced demand due to product substitution. Overall, compared to second quarter and the six-month period end June 30, 2000, the primary factor in the decreased profitability in this segment was the lower volumes in MDF, higher energy costs and significant increases in wood fiber cost.

Other Products

The other products segment includes plastic molding products, distribution and wholesale operations, wood chips, OSB operations in Ireland and Chile, and other products. In the second quarter and six month period of 2001, sales for this segment declined significantly compared to the second quarter of 2000, primarily due to the contribution of the assets of Greenstone, LP's cellulose insulation subsidiary, to a non-consolidated joint venture. LP's share of the income or loss of this

business subsequent to its contribution to the joint venture is included on LP's income statement under the caption, "Equity in earnings of unconsolidated affiliate." Additional declines in sales and operating profits in this segment were primarily related to weaker commodity pricing in the distribution business and the Ireland OSB operation.

Pulp

Pulp segment sales and operating profits for the second quarter of 2001 declined significantly from the second quarter of 2000. Sales prices decreased about 36% and sales volumes decreased approximately 65%. For the six-month period ended June 30, 2001 as compared to the comparable period in the prior year, sales prices declined 22% and volumes declined 50%. The decline in pricing is due to reduced demand for pulp in the worldwide market. Volumes declined largely due to the transfer in mid-February of a controlling interest in pulp facilities in Samoa, California as described in Note 6 to the financial statements included in this report. In addition to impact of pricing and volume on profitability, higher costs for energy negatively impacted the operating profits of this segment. See "Assets Held for Sale" below for additional information related to the pulp segment.

Unusual Credits and Charges, Net

Information regarding unusual credits and charges recorded in the three months and six months ended June 30 is set forth in the following table.

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Additions to contingency reserves	\$ —	\$ —	\$ (2.0)	\$ —
Long-lived asset impairment charges	—	(44.1)	(10.2)	(44.1)
Mark to market adjustment on interest rate hedge	—	(6.5)	—	(6.5)
Write off of equity investment	(2.0)	—	(2.0)	—
Gain on insurance recovery	—	12.6	—	17.7
Total unusual credits and charges, net	\$ (2.0)	\$ (38.0)	\$ (14.2)	\$ (36.4)

In the second quarter of 2001, LP recorded a \$2.0 million (\$1.1 million after taxes, or \$0.01 per diluted share) impairment charge of an equity investment.

For the six months ended June 30, 2001, in addition to the item mentioned above, LP recorded a net charge of \$10.2 million (\$6.2 million after taxes, or \$0.06 per diluted share) associated with impairment charges related to equipment at three former manufacturing sites. The additional impairment charges resulted from changes in the planned method of disposal of the equipment. The remaining book value and operating results associated with this equipment are not material to LP's financial statements. LP also recorded a net loss of \$2 million (\$1.2 million after taxes, or \$0.01 per diluted share) for additional reserves for non-product litigation.

In the second quarter of 2000, LP recorded a net charge of \$38 million (\$22.7 million after taxes, or \$0.21 per diluted share) primarily related to an impairment charge to reduce the carrying value of the Samoa pulp mill to its estimated net realizable value, an impairment charge at an MDF facility, a mark to market charge on an interest rate hedge and a gain on an insurance recovery for siding related matters.

For the six months ended June 30, 2000, in addition to the items mentioned above, LP recorded a \$5.0 million (\$3.1 million after taxes, or \$0.03 per diluted share) gain on an insurance recovery for siding related matters and an impairment charge of \$3.4 million (\$2.1 million after taxes, or \$0.02 per

diluted share) to reduce the carrying value of a manufacturing facility to its estimated net realizable value.

General Corporate and Other Expense

For the second quarter, general corporate and other expenses declined 6% from the same period in 2000 and declined 7% for the six month period ended June 30, 2001 as compared to the same period in 2000. This decline is due to corporate restructuring that occurred in the third and fourth quarters of 2000 as well as an increasing focus on cost containment.

Interest Income (Expense)

Interest expense increased in the second quarter of 2001 and for the six months ended June 30, 2001 compared to the same periods in the prior year as a result of increased borrowings to fund cash used in operating and financing activities.

Legal and Environmental Matters

For a discussion of legal and environmental matters involving LP and the potential impact thereof on LP financial position, results of operations and cash flows, see Item 7 in LP's annual report on Form 10-K for the year ended December 31, 2000 and Item 1, Legal Proceedings, in Part II of this report.

OSB Siding Litigation Update

The following discussion updates should be read in conjunction with the discussion of LP's OSB siding litigation set forth in Item 7 of LP's annual report on Form 10-K for the year ended December 31, 2000, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the subheading "Legal Matters."

During the second quarter of 2001, claimants continued to file claims under the National Settlement. The claim filing period associated with the Florida Settlement ended October 4, 2000 and, as a result, no new claims under the Florida settlement were accepted after that date. See "OSB Siding Matters" in Item 1, Legal Proceedings, in Part II of this report.

As of June 30, 2001, (i) approximately 306,000 requests had been received for claim forms for the National Settlement and the Florida Settlement, compared to 302,000 at March 31, 2001 and 299,000 at December 31, 2000, and (ii) approximately 197,000 completed claim forms for the National Settlement and the Florida Settlement had been received, compared to 194,000 at March 31, 2001 and 192,000 at December 2000. The average payment amount for settled claims as of June 30, 2001, March 31, 2001 and December 31, 2000 was approximately \$3,700, \$3,700 and \$3,800, respectively. Excluding claims satisfied on a discounted basis pursuant to the Second Settlement Fund, the average payment amount for settled claims as of June 30, 2001 and March 31, 2001 was \$5,100. The total number of completed claim forms pending (not settled) as of June 30, 2001 was approximately 24,000 (approximately 22,000 at March 31, 2000 and approximately 21,000 at December 31, 2000) with approximately 139,000 claims settled (approximately 138,000 at March 31, 2000 and 137,000 at December 31, 2000) and approximately 34,000 claims dismissed (approximately 34,000 at March 31, 2000 and 34,000 at December 31, 2000). Dismissal of claims is typically the result of claims for product not produced by LP or claims that lack sufficient information or documentation after repeated efforts to correct those deficiencies.

Financial Position, Liquidity and Capital Resources

Net cash provided by operations was \$74.3 million in the first six months of 2001 compared to \$67.6 million in the same period of 2000. The increase in cash provided by operations resulted primarily from reduced working capital and the reduction in cash settlements of contingencies compared to the prior year. During the second quarter of 2000, LP paid \$113 million on the Second Settlement Fund associated with the OSB siding matter as discussed in "OSB Siding Matters" in Item 1, Legal Proceedings, in Part II of this report.

Net cash provided by investing activities was \$6.4 million in the first six months of 2001 compared to net cash used by investing activities of \$142.3 million in the comparable period of 2000. LP received approximately \$22 million from the sale of a controlling interest in pulp facilities in Samoa, California and another \$18.2 million from sales of other assets. Capital expenditures for property, plant, equipment and timber declined in the first six months of 2001 compared to the same period in 2000, primarily due to management's focus on limiting cash outflows during the current economic slow down. Capital expenditures during the first six months of 2001 were primarily for completion of the Chilean OSB mill and necessary operating capital. LP estimates that for the full year ending December 31, 2001, it will make capital expenditures of approximately \$80 million associated with necessary capital projects and high-return capital projects.

In the six month period ended June 30, 2001, LP repaid \$33.0 million in borrowings. In the same period of 2000, LP borrowed \$120 million and repaid \$7.7 million.

LP expects that it will be able to meet the cash requirements of the existing operations through cash generated from operations, existing cash balances, existing credit facilities and the recently completed public bond offering. Cash and cash equivalents totaled \$55.7 million at June 30, 2001 compared to \$38.1 million at December 31, 2000. LP has a \$300 million revolving credit facility under which \$66.8 million was outstanding at June 30, 2001. This facility is available until January 2002, subject to covenant restrictions discussed below. Although LP intends to renew this facility, at June 30, 2001 outstanding borrowings under this facility were classified as current liabilities pending such renewal. LP also has a \$25 million (Canadian) revolving credit facility under which no borrowings were outstanding at June 30, 2001. This facility is available until August 2001, subject to the covenant ratios discussed below. Borrowings under these two credit facilities are limited by a covenant that restricts the ratio of LP's funded debt to capital ratio (as those terms are defined in the relevant agreements) to a maximum of .55 to 1. On August 13, 2001, LP completed a public offering of \$200 million of senior subordinated notes maturing in 2008 at a coupon rate of 10.875 percent. The net proceeds of the note offering will be used to reduce the company's existing \$170 million term loan due in 2003 and to reduce borrowings outstanding under the Company's existing \$300 million revolving credit facility. These notes contain certain covenants that are to be applied when the securities are rated below investment grade by both Rating Agencies. LP expects that interest expense will increase based upon the borrowing rate on the recently completed subordinated debt offering. The company is also pursuing a new \$200 million three year bank revolving credit facility. LP anticipates that some of its timberlands in Texas as well as a portion of the stock of certain of its subsidiaries will secure the new credit facility. In addition, LP is seeking to arrange a three-year, \$125 million trade receivable financing, which will further enhance the company's liquidity. The company anticipates that this facility will be in place by the end of the third quarter.

Significant changes in LP's balance sheet, net of assets transferred in connection with the sale of a controlling interest in the Samoa California pulp mill, from December 31, 2000 to June 30, 2001, include an increase of \$36.2 million in accounts receivable due to seasonal variations and decreases of \$85.6 million in inventories due to working capital management and \$29.8 in income taxes receivable. The decrease in income taxes receivable is due to refunds received for 2000 net operating losses.

Contingency reserves, which represent an estimate of future cash needs for various contingencies (primarily payments for siding litigation settlements), totaled \$142.3 million at June 30, 2001, of which \$25 million is estimated to be payable within one year. As with all accounting estimates, there is inherent uncertainty concerning the reliability and precision of these estimates. The amounts ultimately paid in resolving these contingencies could exceed the current reserves by a material amount. Contingency related payments totaled \$21.5 million for the first six months of 2001.

Stock Repurchase Plan

As of June 30, 2001, LP had reacquired a total of approximately 7.9 million shares for \$125 million under an authorization to reacquire up to 20 million shares from time to time in the open market. No shares were reacquired under the authorization in the first six months of 2001. LP had approximately 104 million shares outstanding at June 30, 2001.

Dividend

On May 7, 2001, LP announced that its Board of Directors has reduced the quarterly dividend to \$0.05 a share from \$0.14 per share paid in the first quarter of 2001. LP's Board of Directors indicated that, despite some recent improvement, product prices have been at near-record lows since their rapid decline starting in the second quarter of 2000. The board's action to reduce the dividend, which brings the rate more in line with competitive practices, was based on a variety of factors including market conditions, an uncertain economy and a desire to increase the company's financial flexibility. The dividend reduction is expected to result in an annual cash savings of approximately \$38 million.

Assets Held for Sale

LP is seeking to sell its Chetwynd, British Columbia pulp mill, which is presently managed by an unrelated party pursuant to a management agreement that currently expires in December 2001. LP believes it has adequate support for the carrying value of the Chetwynd assets. However upon the sale, it is possible that LP will be required to record an additional impairment charge based upon actual sales price. With the current market conditions, this mill is currently on a temporary shut down. The book value of this mill at June 30, 2001 is approximately \$41 million.

Due to the current market slowdown, LP is currently reviewing several mills for potential impairments. LP currently believes it has adequate support for the carrying value of each of these mills based upon the current demand and pricing assumptions. However, should the markets for the company's products deteriorate from June 30, 2001 levels, it is possible that LP will be required to record further impairment charges.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

A portion of LP's outstanding debt bears interest at variable rates. Accordingly, LP's interest expense can fluctuate based upon changes in prevailing interest rates. See Note 4 of the Notes to financial statements included in Item 8 of LP's annual report on Form 10-K for the year ended December 31, 2000 for additional

information regarding LP's variable rate debt and corresponding interest rates.

LP's international operations create exposure to foreign currency rate risks, primarily due to fluctuations in the Canadian dollar. LP has entered into foreign exchange contracts to address a portion of the foreign currency rate risk associated with certain of its indebtedness. See Notes 4 and 10 of the Notes to financial statements included in Item 8 of LP's annual report on Form 10-K for the year ended December 31, 2000 for a discussion of LP's foreign exchange contracts and geographic segment information, respectively.

LP historically has not entered into material product commodity futures and swaps, although it may do so in the future.

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**LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
SUMMARY OF PRODUCTION VOLUMES**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Oriented strand board (North America), million square feet ³ / ₈ " basis	1,361	1,357	2,729	2,752
Softwood plywood, million square feet ³ / ₈ " basis	194	260	401	528
Lumber, million board feet	243	255	471	519
Wood-based siding, million square feet ³ / ₈ " basis	193	177	348	346
Industrial panel products (particleboard, medium density fiberboard and hardboard), million square feet ³ / ₄ " basis	134	161	266	334
Engineered I-Joist, million lineal feet	23	20	37	44
Laminated veneer lumber (LVL), thousand cubic feet	2,079	2,177	3,773	4,327
Pulp, thousand short tons	11	89	62	188

INDUSTRY PRODUCT TRENDS

The amounts shown below are dollars per 1,000 square feet or, in the case of lumber, 1,000 board feet.

	OSB		Plywood		Lumber		Particleboard	
	N. Central 7/16" Basis 24/16 Span Rating	Southern Pine 1/2" Basis Cdx 3-Ply	Framing Lumber Composite Prices	Inland Industrial 3/4" Basis				
Annual Average								
1993	\$ 236	\$ 282	\$ 394	\$ 258				
1994	265	302	405	295				
1995	245	303	337	290				
1996	184	258	398	276				
1997	142	265	417	262				
1998	205	284	349	259				
1999	260	326	401	273				
2000 1 st Qtr. Avg.	261	284	384	291				
2000 2 nd Qtr. Avg.	237	274	337	299				
2001 1 st Qtr. Avg.	132	242	284	257				
2001 2 nd Qtr. Avg.	191	303	366	260				

Source: *Random Lengths*

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Certain environmental matters and legal proceedings involving LP are discussed below. Additional environmental matters and legal proceedings involving LP are discussed in Item 7, Legal Proceedings, in LP's annual report on Form 10-K for the year ended December 31, 2000.

Environmental Matters

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

OSB Siding Matters

In 1994 and 1995, LP was named as a defendant in numerous class action and nonclass action proceedings brought on behalf of various persons or purported classes of persons (including nationwide classes in the United States and Canada) who own or purchased or used OSB siding manufactured by LP. In general, the plaintiffs in these actions alleged unfair business practices, breach of warranty, misrepresentation, conspiracy to defraud and other theories related to alleged defects, deterioration or failure of OSB siding products.

In June 1996, the U.S. District Court for the District of Oregon approved a settlement between LP and a nationwide class composed of all persons who own, have owned, or acquire property on which LP's OSB siding was installed prior to January 1, 1996, excluding persons who timely opted out of the settlement and persons who are members of the settlement class in the Florida litigation described below. Under the settlement agreement, an eligible claimant whose claim is filed prior to January 1, 2003 (or earlier in certain cases) and is approved by an independent claims administrator is entitled to receive from the settlement fund established under the agreement a payment equal to the replacement cost (determined by a third-party construction cost estimator and currently estimated to be in the range of \$2.20 to \$6.40 per square foot depending on the type of product and geographic location) of damaged siding, reduced by a specific adjustment (of up to 65%) based on the age of the siding. Class members who previously submitted or resolved claims under any other warranty or claims program of LP may be entitled to receive the difference between the amount payable under the settlement agreement and the amount previously paid. The extent of damage to OSB siding at each claimant's property is determined by an independent adjuster in accordance with a specified protocol. Settlement payments are not subject to adjustment for improper maintenance or installation.

A claimant who is dissatisfied with the amount to be paid under the settlement may elect to pursue claims against LP in a binding arbitration seeking compensatory damages without regard to the amount of payment calculated under the settlement protocol. A claimant who elects to pursue an arbitration claim must prove his entitlement to damages under any available legal theory, and LP may assert any available defense, including defenses that otherwise had been waived under the settlement agreement.

The settlement requires LP to contribute \$275 million to the settlement fund. Approximately \$273 million of that obligation had been satisfied at June 30, 2001 through cash payments of approximately \$263 million on a discounted basis. LP's remaining mandatory contribution to the settlement fund, approximately \$2 million, is due in June 2002. In addition to its mandatory contribution, at June 30, 2001, LP had paid, on a discounted basis, approximately \$97 million of its two

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\$50 million optional contributions, at a cost to LP of approximately \$66 million. LP was entitled to pay its mandatory and optional contributions to the settlement fund on a discounted basis as a result of early payments pursuant to a court-approved early payment program.

At June 30, 2001, the estimated amount of approved but unpaid claims under the settlement agreement exceeded the sum of the then-current balance of the settlement fund and LP's remaining mandatory contributions to the settlement fund by approximately \$108 million. Approximately 2,200 new claims were filed during the second quarter of 2001.

Based upon the payments that LP has made and committed to make, the settlement will continue in effect until at least August 2003. Within 60 days after June 7, 2003, the Claims Administrator shall notify LP of the dollar value of all remaining unfunded and approved claims. LP shall then have 60 days to notify the Claims Administrator whether LP elects to fund all such remaining claims. If LP elects to fund those claims, then LP will pay by the end of the next 12-month period (2004) the greater of: (i) 50% of the aggregate sum of those claims (with the remaining 50% to be paid by 12 months thereafter in 2005); or (ii) 100% of the aggregate sum of those claims, up to a maximum of \$50 million (with all remaining claims paid 12 months thereafter in 2005). If LP elects not to pay the unpaid claims pursuant to the settlement, the settlement will terminate with respect to such unpaid claims and all unpaid claimants will be free to pursue their individual remedies from and after the date of LP's election.

If LP makes all contributions to the original settlement fund required under the settlement agreement, including all additional optional contributions as specified above, class members will be deemed to have released LP from all claims for damaged OSB siding, except for claims arising under their existing 25-year limited warranty after termination of the settlement agreement. The settlement agreement does not cover consequential damages resulting from damage to OSB Inner-Seal siding or damage to utility grade OSB siding (sold without any express warranty), either of which could create additional claims. In addition to payments to the settlement fund, LP was required to pay fees of class counsel in the amount of \$26.25 million, as well as expenses of administering the settlement fund and inspecting properties for damage and certain other costs.

A settlement of a related class action in Florida was approved by the Circuit Court for Lake County, Florida, on October 4, 1995. The period during which class members were entitled to make claims ended October 4, 2000. At June 30, 2001, there were fewer than 10 inspections remaining in the Florida class action. The total number of claims settled was 27,000 and totaled \$76.3 million.

Throughout the period the National and Florida Settlements have been in effect, LP has recorded accruals which represent management's best estimates of amounts to be paid based on available information. The unusual nature of the National and Florida Settlements and the various remedies available to LP makes the process of estimating these accruals difficult. LP expects to complete payments to Florida claimants during 2001 within its established reserves. In connection with the National Settlement, the liability recorded at June 30, 2001 represents management's best estimate of the future liability related to the siding claims based upon information currently available. There can be no assurance that the ultimate liability will not significantly exceed the recorded liability.

ABT Hardboard Siding Matters

On June 13, 2001, in exchange for a cash payment from Abitibi of \$19 million, Louisiana-Pacific Canada, Ltd ("L-P Canada"), a wholly owned subsidiary of LP, agreed to accept an assignment of all of Abitibi's rights and obligations under the Settlement Agreement; and LP and L-P Canada agreed to indemnify and hold harmless Abitibi from any cost or liability arising from Abitibi's sale of hardboard siding in the United States. From the date of that agreement, Abitibi has no further rights, obligations or liabilities under either the class action settlement agreement or the Cost Sharing Agreement, all of

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such rights, obligations and liabilities having been assigned to and accepted by L-P Canada. Cash payment by Abitibi was received in July 2001.

Nature Guard Cement Shakes Matters

LP has been named in two putative class action proceedings in California in the following courts on the following dates: Superior Court of California, County of Stanislaus, on January 9, 2001 captioned *Virginia L. Davis v. Louisiana-Pacific Corporation*; and Superior Court of California, County of San Francisco, on July 30, 2001 captioned *Mahleon R. Oyster and George Sousa v. Louisiana-Pacific Corporation*. The actions were filed on behalf of a purported class of persons nationwide owning structures on which LP's Nature Guard Cement Shakes were installed as roofing. Plaintiffs generally allege product liability, negligence, breach of warranties, unfair business practices, false advertising, fraud, deceit and other theories related to alleged defects, and failure of such cement shakes as well as consequential damages to other components of the structures where the cement shakes were installed. Plaintiffs seek general, compensatory, special and punitive damages as well as disgorgement of profits and the establishment of a fund to provide restitution to the purported class members

LP has also been named as defendant in a putative class action filed in Superior Court for the State of Washington, Snohomish County, captioned *Nick P. Marassi, M.D. and Debra Marassi v. Louisiana-Pacific Corporation*. The action was filed on behalf of a purported class of persons owning structures on which LP's Nature Guard Cement Shakes were installed as roofing. Plaintiffs generally allege nondisclosure, fraudulent concealment and violation of Washington's Consumer Protection Act arising from alleged product defects. Plaintiffs seek compensatory, exemplary and statutory damages; an injunction against marketing or selling the product and a declaration that LP is financially responsible for the costs and expenses of repair and replacement of all roofs containing the product.

LP no longer manufactures or sells cement shakes, but established and maintains a claims program for the Nature Guard shakes previously sold by it. LP believes that it has substantial defenses to the foregoing actions and intends to defend them vigorously. At the present time, LP cannot predict the potential financial impact of the above action.

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.

Contingency Reserves

LP maintains reserves for the estimated cost of the legal and environmental matters referred to above. However, as with any estimate, there is uncertainty of predicting the outcomes of claims and litigation and environmental investigations and remediation efforts that could cause actual costs to vary materially from current estimates. Due to various uncertainties, LP cannot predict to what degree actual payments (including payments under the OSB siding litigation settlements or any alternative strategies adopted by LP with respect to OSB siding claims) will materially exceed the recorded liabilities related to these matters. However, it is possible that, in either the near term or the longer term, revised estimates or actual payments will significantly exceed the recorded liabilities.

For information regarding LP's financial statement reserves for the estimated costs of the environmental and legal matters referred to above, see Note 8 of the Notes to financial statements included in Item 8, Financial Statements and Supplementary Data, in LP's annual report on Form 10-K for the year ended December 31, 2000.

Item 4. Submission Of Matters To A Vote Of Security Holders.

LP held its Annual Meeting of Stockholders on May 1, 2001, at which the stockholders of LP voted on the following:

The election of four Class III directors of L-P for terms expiring at the Annual Meeting of Stockholders in 2003 and a shareholder proposal relating to the composition of the compensation committee.

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

1.

ELECTION OF DIRECTORS

	For	Withheld
William C. Brooks	86,994,748	3,925,315
Patrick F. McCartan	82,194,085	3,925,315
Lee C. Simpson	82,585,134	3,925,315
Colin D. Watson	86,683,226	3,925,315

2.

The stockholder proposal relating to the composition of the compensation committee

	FOR	AGAINST	ABSTAIN
SHARES	28,002,852	45,162,939	1,403,393

Item 6. Exhibits and Reports on Form 8-K.

(a)

Exhibits

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Louisiana-Pacific
Corporation**

LOUISIANA-PACIFIC CORPORATION

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**BYLAWS OF
LOUISIANA-PACIFIC CORPORATION**

ARTICLE I. STOCKHOLDERS' MEETINGS

Section 1. *Annual Meeting.* The annual meeting of the stockholders shall be held on the first Friday in the month of May in each year at 10:30 a.m. or at such other time or date in April or May of each year as shall be fixed by the Board of Directors, for the election of directors and the transaction of such other business as may properly come before the meeting. If the date fixed for the annual meeting shall be a legal holiday in the place of the meeting, the meeting shall be held on the next succeeding business day.

Section 2. *Special Meetings.* Special meetings of the stockholders for any proper purposes, unless otherwise provided by the law of Delaware, may be called by the Chairman or pursuant to resolution of the Board of Directors and shall be called by the Chairman at the request in writing of a majority of the directors. Business transacted at a special meeting of stockholders shall be confined to the purpose or purposes of the meeting as stated in the notice of the meeting.

Section 3. *Place of Meetings.* Meetings of the stockholders may be held at such places, within or without the State of Delaware, as the Board of Directors or the officer calling the same shall specify in the notice of such meeting.

Section 4. *Notice of Meeting.* Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall, unless otherwise prescribed by statute, be given not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman, the President, the Secretary, or other persons calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. When a meeting is adjourned to another time or place, notice of the adjourned meeting need not be given provided that the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, the adjournment is for no more than thirty days, and after the adjournment no new record date is fixed for the adjourned meeting. Notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting if all the conditions of the proviso in the preceding sentence are not met. At an adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

Section 5. *Quorum.* A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders except as otherwise provided by statute or in the Certificate of Incorporation. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 6. *Organization.* At each meeting of the stockholders the Chairman, or in his absence or inability to act, the President, or in the absence or inability to act of the Chairman and the President, a Vice President, or in the absence of all the foregoing, any person chosen by a majority of those stockholders present shall act as chairman of the meeting. The Secretary, or, in his absence or inability to act, the Assistant Secretary or any person appointed by the chairman of the meeting, shall act as secretary of the meeting and keep the minutes thereof.

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Section 7. *Conduct of Business.* The Board of Directors shall have authority to determine from time to time the procedures governing, and the rules of conduct applicable to, annual and special meetings of the stockholders. Except as otherwise determined by the Board of Directors prior to the meeting, the chairman of any stockholders meeting shall determine the order of business and shall have authority in his discretion to adjourn such meeting and to determine the procedures governing such meeting and to regulate the conduct thereat, including, without limitation, imposing restrictions on the persons (other than stockholders of the Corporation or their duly appointed proxies) who may attend any such stockholders meeting, determining whether any stockholder or any proxy may be excluded from any stockholders meeting based upon any determination by the chairman in his sole discretion that any such person has unduly disrupted or is likely to disrupt the proceedings thereat and specifying the circumstances in which any person may make a statement or ask questions at any stockholders meetings.

Section 8. *Voting*. Except as otherwise provided by statute, the Certificate of Incorporation, or any certificate duly filed pursuant to Section 151 of the Delaware General Corporation Law, each stockholder shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders for each share of capital stock held of record by him on the date fixed by the Board of Directors as the record date for the determination of the stockholders who shall be entitled to notice of and to vote at such meeting; or if such record date shall not have been so fixed, then at the close of business on the day next preceding the day on which notice thereof shall be given. Except as otherwise provided by statute, these Bylaws, or the Certificate of Incorporation, any corporate action to be taken by vote of the stockholders shall be authorized by a majority of the total votes, or when stockholders are required to vote by class by a majority of the votes of the appropriate class, cast at a meeting of stockholders by the holders of shares present in person or represented by proxy and entitled to vote on such action. Unless required by statute, or determined by the chairman of the meeting to be advisable, the vote on any question need not be by written ballot and may be by such other means as the chairman deems advisable under the circumstances. On a vote by written ballot, each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and shall state the number of shares voted.

Section 9. *Proxies*. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by a proxy signed by such stockholder or his attorney-in-fact. No proxy shall be valid after the expiration of three years from the date thereof, unless otherwise provided in the proxy.

Section 10. *List of Stockholders*. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 11. *Inspectors*. The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If the inspectors shall not be so appointed or if any of them shall fail to appear or act, the chairman of the meeting may appoint inspectors. The inspectors shall determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes or ballots, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes or ballots, determine

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the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting or any stockholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as inspector of an election of directors. Inspectors need not be stockholders.

Section 12. *Denial of Action by Consent of Stockholders*. No action required to be taken or which may be taken at any annual or special meeting of the stockholders of the Corporation may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

Section 13. *Nominations for Director*. Nominations for election to the Board of Directors may be made by the Board of Directors or by any stockholder of record entitled to vote for the election of directors. Any stockholder entitled to vote for the election of directors may nominate at a meeting persons for election as directors only if written notice of such stockholder's intent to make such nomination is given, either by personal delivery or by certified mail, postage prepaid, addressed to the Chairman at the Corporation's executive offices (i) with respect to an election to be held at an annual meeting of stockholders, not later than the close of business on the 45th calendar day prior to the first anniversary of the initial mailing date of the Corporation's proxy materials for the preceding year's annual meeting, provided that if the date of the annual meeting at which an election is to be held is more than 30 calendar days before or after the preceding year's annual meeting, such notice must be received by the close of business on the 10th day following the date on which notice of such meeting is first given to stockholders, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, not later than the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (a) the name and address, as they appear on the Corporation's stock ledger, of the stockholder who intends to make the nomination and the name and address of each person to be nominated; (b) a representation that such stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear at the meeting in person or by proxy to nominate the person or persons specified in the notice for election as directors; (c) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission were such nominee to be nominated by the Board of Directors; and (e) the signed consent of each proposed nominee to serve as a director of the Corporation if so elected. The chairman of any meeting of stockholders to elect directors may refuse to permit the nomination of any person to be made without compliance with the foregoing procedure.

Section 14. *Notice of Stockholder Business*. At any annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting (a) pursuant to the Corporation's notice of meeting pursuant to Section 4 of this Article, (b) by or at the direction of the Board of Directors or (c) by any stockholder of record of the Corporation who complies with the notice procedures set forth in this Section 14. For business to be properly brought before an annual meeting by any such stockholder, the stockholder must give written notice thereof to the Chairman, either by personal delivery or by certified mail, postage prepaid, addressed to the Chairman at the Corporation's executive offices not later than the close of business on the 45th calendar day prior to the first anniversary of the initial mailing date of the Corporation's proxy materials for the preceding year's annual meeting, provided that if the date of the annual meeting is more than 30 calendar days before or after the preceding year's annual meeting, such notice must be received by the close of business on the 10th day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting the

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information with respect to stockholder proposals presented for inclusion in the Corporation's proxy materials required by Rule 14a-8 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any rule or regulation adopted to replace such rule. The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that any such business was not properly brought before the meeting in accordance with the provisions of this Section 14, and if he should so determine, he shall so declare to the meeting and such business not properly brought before the meeting shall not be transacted.

ARTICLE II. BOARD OF DIRECTORS

Section 1. *General Powers.* The business and affairs of the Corporation shall be managed under the direction of the Board of Directors.

Section 2. *Number, Classification, Election and Qualification.* The number of directors of the Corporation shall be nine, but, by vote of a majority of the entire Board of Directors or amendment of these Bylaws, the number thereof may be increased or decreased to such greater or lesser number (not less than three) as may be so provided. At the first election of directors by the stockholders, the directors shall be divided into three classes; the term of office of those of the first class to expire at the first annual meeting thereafter; of the second class at the second annual meeting thereafter; and of the third class at the third annual meeting thereafter. At each annual election held after such classification and election, directors shall be elected to succeed those whose terms expire, each such newly elected director to hold office for a term of three years and until his successor is elected or until his death, resignation, retirement or removal. Except as otherwise provided by statute or these Bylaws, directors shall be elected at the annual meeting of the stockholders, and the persons receiving a plurality of the votes cast at such election shall be elected, provided that a quorum is present at the meeting. Directors need not be stockholders.

Section 3. *Place of Meetings.* Meetings of the Board of Directors may be held at such place, within or without the State of Delaware, as the Board of Directors may from time to time determine or as shall be specified in the notice or waiver of notice of such meeting.

Section 4. *Regular Meetings.* A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of stockholders for the purpose of electing officers and the transaction of other business. The Board of Directors may provide by resolution the time and place, either within or without the State of Delaware, for holding of additional regular meetings without other notice than such resolution.

Section 5. *Special Meetings.* Special meetings of the Board of Directors may be called by or at the request of the Chairman, President or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Delaware, as the place for holding any special meeting of the Board of Directors called by them.

Section 6. *Notice.* Notice of any special meeting shall be given personally or by telephone to each director at least twenty-four hours before the time at which the meeting is to be held or shall be mailed to each director, postage prepaid, at his residence or business address at least three days before the day on which the meeting is to be held; provided that, in the case of any special meeting to be held by conference telephone or similar communications equipment, notice of such meeting may be given personally or by telephone to each director not less than six hours before the time at which the meeting is to be held. Except as otherwise specifically provided in these Bylaws, neither the business to be transacted at, nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice of the meeting.

Section 7. *Quorum and Manner of Acting.* A majority of the entire Board of Directors shall be present in person at any meeting of the Board of Directors in order to constitute a quorum for the

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transaction of business at such meeting, except that one-third of the entire Board of Directors present in person at a meeting shall constitute a quorum if the Chairman is present at the meeting. Except as otherwise specifically required by statute or the Certificate of Incorporation, the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum at any meeting of the Board of Directors, a majority of the directors present or, if no director be present, the Secretary may adjourn such meeting to another time and place. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. Except as provided in Article III of these Bylaws, the directors shall act only as a board of directors and the individual directors shall have no power as such.

Section 8. *Organization.* At each meeting of the Board of Directors, the Chairman (or, in his absence or inability to act, the President, or in his absence or inability to act, another director chosen by a majority of the directors present) shall act as chairman of the meeting. The Secretary (or, in his absence or inability to act, any person appointed by the chairman) shall act as secretary of the meeting and keep the minutes thereof.

Section 9. *Resignations.* Any director of the Corporation may resign at any time by giving written notice of his resignation to the Board of Directors or Chairman or the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 10. *Vacancies and Newly Created Directorships.* Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and any director so chosen shall hold office until the next election of the class for which such director has been chosen and until his successor is elected and qualified, or until his earlier resignation or removal. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Section 11. *Removal of Directors.* All or any number of the directors may be removed at any time, but only for cause and only by the affirmative vote of the holders of at least 75 percent of the outstanding Common Stock of the Corporation at a meeting of the stockholders expressly called for that purpose. A vacancy in the Board of Directors caused by any such removal may be filled by such stockholders at such meeting, or if the stockholders shall fail to fill such vacancy, as in these Bylaws provided.

Section 12. *Compensation.* The Board of Directors shall have authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity, provided, no such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 13. *Board and Committee Action Without Meeting.* Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 14. *Board and Committee Telephonic Meetings.* A director or a member of a committee designated by the Board of Directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which

all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at the meeting.

Section 15. *Mandatory Retirement Age.* The date upon which a director shall retire from service as a director of this Corporation shall be the date of the next annual meeting of stockholders following the date the director attains age 70 and no person who has attained the age of 70 shall become a nominee for election as a director of the Corporation. Any director who, on February 1, 1997, has already attained age 70 shall retire at the end of his or her then current term of office.

ARTICLE III. EXECUTIVE AND OTHER COMMITTEES

Section 1. *Executive and Other Committees.* The Board of Directors may, designate one or more committees, each committee to consist of two or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In addition, in the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval or (ii) adopting, amending or repealing these Bylaws. Each committee shall keep written minutes of its proceedings and shall report such minutes to the Board of Directors when required. All such proceedings shall be subject to revision or alteration by the Board of Directors, provided, however, that third parties shall not be prejudiced by such revision or alteration.

Section 2. *General.* A majority of any committee may determine its action and establish the time, place and procedure for its meetings, unless the Board of Directors shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Article II, Section 6 or as the Board of Directors may otherwise provide. The Board of Directors shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board of Directors from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board of Directors.

ARTICLE IV. EXCEPTIONS TO NOTICE REQUIREMENTS

Section 1. *Waiver of Notice.* Whenever notice is required to be given under these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 2. *Unlawful Notice.* Whenever notice is required to be given under these Bylaws to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or

permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice has been duly given.

ARTICLE V. OFFICERS

Section 1. *Number, Election and Qualification.* The elected officers of the Corporation shall be a Chairman, a President, one or more Vice Presidents (one or more of whom may be designated Executive Vice President or Senior Vice President), a Secretary, and a Treasurer. Such officers shall be elected from time to time by the Board of Directors, each to hold office until the meeting of the Board of Directors following the next annual meeting of the stockholders and until his successor is elected and qualified, or until his earlier resignation or removal. The Board of Directors may from time to time appoint such other officers (including a Chairman of the Executive Committee, a Controller and one or more Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Controllers), and such agents, as may be necessary or desirable for the business of the Corporation. Such other officers and agents shall have such duties as may be prescribed by the Board of Directors and shall hold office during the pleasure of the Board of Directors. Any two or more offices may be held by the same person. From and after the distribution by G-P of the stock it presently holds in the Corporation, no person who is serving as an officer or director of G-P shall concurrently serve as an officer of the Corporation.

Section 2. *Resignations.* Any officer of the Corporation may resign at any time by giving written notice of his resignation to the Board of Directors, the Chairman, the President or the Secretary. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3. *Removal.* Any officer or agent of the Corporation may be removed either with or without cause, at any time, by the Board of Directors, except that a vote of a majority of the entire Board of Directors shall be necessary for the removal of an elected officer. Such removal shall be without prejudice to the contractual rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. *Vacancies.* A vacancy in any office may be filled for the unexpired portion of the term of the office which shall be vacant, in the manner prescribed in these Bylaws for the regular election or appointment of such office.

Section 5. *Chairman.* The Chairman shall be the chief executive officer of the Corporation, and shall have general direction over the management of its business, properties and affairs. The Chairman shall preside, when present, at all meetings of the stockholders and of the Board of Directors and, in the absence of

the Chairman of the Executive Committee, at all meetings of the Executive Committee. He shall have general power to execute bonds, deeds and contracts in the name of the Corporation and to affix the corporate seal; to sign stock certificates; and to remove or suspend such employees or agents as shall not have been elected or appointed by the Board of Directors. In the absence or disability of the Chairman, his duties shall be performed and his powers shall be exercised by the President.

Section 6. *President.* The President shall be the chief operating officer of the Corporation and, subject to the direction of the Board of Directors and the Chairman, he shall have general direction over the operations of the Corporation. He shall have general power to execute bonds, deeds and contracts in the name of the Corporation and to affix the corporate seal; and to sign stock certificates.

Section 7. *Vice Presidents.* The several Vice Presidents shall perform all such duties and services as shall be assigned to or required of them from time to time, by the Board of Directors or the President,

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respectively, and unless their authority be expressly limited shall act in the order of their election in the place of the President, exercising all his powers and performing his duties, during his absence or disability. The Board of Directors however, may from time to time designate the relative positions of the Vice Presidents of the Corporation and assign to any one or more of them such particular duties as the Board of Directors may think proper.

Section 8. *Secretary.* The Secretary shall attend to the giving of notice of all meetings of stockholders and of the Board of Directors and shall record all of the proceedings of such meetings in a book to be kept for that purpose. He shall have charge of the corporate seal and have authority to attest any and all instruments or writings to which the same may be affixed. He shall keep and account for all books, documents, papers and records of the Corporation, except those which are hereinafter directed to be in charge of the Treasurer. He shall have authority to sign stock certificates and shall generally perform all the duties usually appertaining to the office of secretary of a corporation. In the absence of the Secretary, an Assistant Secretary or Secretary pro tempore shall perform his duties.

Section 9. *Treasurer.* The Treasurer shall have the care and custody of all moneys, funds and securities of the Corporation, and shall deposit or cause to be deposited all funds of the Corporation in and with such depositories as shall, from time to time, be designated by the Board of Directors or by such officers of the Corporation as may be authorized by the Board of Directors to make such designation. He shall have power to sign stock certificates; to indorse for deposit or collection, or otherwise, all checks, drafts, notes, bills of exchange or other commercial paper payable to the Corporation, and to give proper receipts or discharges therefor. He shall keep all books of account relating to the business of the Corporation, and shall render a statement of the Corporation's financial condition whenever required so to do by the Board of Directors, the chairman or the President. In the absence of the Treasurer, the Board of Directors shall appoint an Assistant Treasurer to perform his duties.

Section 10. *Additional Powers and Duties.* In addition to the foregoing enumerated duties and powers, the several officers of the Corporation shall perform such other duties and exercise such further powers as may be provided by these Bylaws or as the Board of Directors may from time to time determine or as may be assigned to them by any competent superior officer.

Section 11. *Compensation.* The compensation of the officers of the Corporation for their services as such officers shall be fixed from time to time by the Board of Directors. An officer of the Corporation shall not be prevented from receiving compensation by reason of the fact that he is also a director of the Corporation, but any such officer who shall also be a director shall not have any vote in the determination of the amount of compensation paid to him.

ARTICLE VI. INDEMNIFICATION

Section 1. *General.* The Corporation shall, to the full extent permitted by Section 145 of the Delaware General Corporation Law, as amended from time to time, indemnify all persons whom it may indemnify pursuant thereto against all expenses (including, without limitation, attorneys' fees), judgments, fines (including excise taxes) and amounts paid in settlement (collectively, "Losses") incurred in connection with any action, suit, or proceeding, whether threatened, pending, or completed (collectively, "Proceedings") to which such person was or is a party or is threatened to be made a party by reason of the fact that such person is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise; *provided, however,* that the Corporation shall indemnify any such person seeking indemnification in connection with a Proceeding initiated by such person only if such Proceeding was authorized by the Board of Directors of the Corporation.

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Section 2. *Employee Benefit or Welfare Plan Fiduciary Liability.* In addition to any indemnification pursuant to Section 1 of this Article, but subject to the express exclusions set forth in Section 3 of this Article, the Corporation shall indemnify any natural person who is or was serving at the direction or request of the Corporation in a fiduciary capacity with respect to an employee benefit or welfare plan covering one or more employees of the Corporation or of an affiliate of the Corporation, or who is or was performing any service or duty on behalf of the Corporation with respect to such a plan, its participants or beneficiaries, against all Losses incurred by such person in connection with any Proceeding arising out of or in any way connected with such service or performance, to the extent such Losses are insurable under applicable law but are not covered by collectible insurance or indemnified pursuant to Section 1 of this Article. This Section is intended to provide a right to indemnification as permitted by Section 145(f) of the Delaware General Corporation Law.

Section 3. *Persons Not to be Indemnified Under Section 2.* No indemnification shall be made under Section 2 of this Article to any person (other than an employee of the Corporation or of an affiliate of the Corporation) who was or is acting as a lawyer, accountant, actuary, investment adviser or arbitrator with respect to an employee benefit or welfare plan against any expense, judgment, fine or amount paid in settlement incurred by such person in connection with any action, suit or proceeding arising out of or in any way connected with his actions in such capacity. No indemnification shall be made under Section 2 of this Article to any person determined (in the manner prescribed by Section 145(d) of the Delaware General Corporation Law) to have participated in, or to have had actual knowledge of and have failed to take appropriate action with respect to, any violation of any of the responsibilities, obligations or duties imposed upon fiduciaries by the Employee Retirement Income Security Act of 1974 or amendments thereto or by the common or statutory law of the United States of America or any state or jurisdiction therein, knowing such in either case to have been a violation of such responsibilities, obligations or duties.

Section 4. *Advances of Expenses.* Except as limited by the other provisions of this Section, the Corporation shall pay promptly (and in any event within 60 days of receipt of the written request of the person who may be entitled to such payment) all expenses (including but not limited to attorneys' fees) incurred in connection with any Proceeding by any person who may be entitled to indemnification under Sections 1 or 2 of this Article in advance of the final disposition of

such Proceeding. Notwithstanding the foregoing, any advance payment of expenses on behalf of a director or officer of the Corporation shall be, and if the Board of Directors so elects, any advance payment of expenses on behalf of any other person who may be entitled to indemnification under Sections 1 or 2 of this Article may be, conditioned upon the receipt by the Corporation of an undertaking by or on behalf of such director, officer, or other person to repay the amount advanced in the event that it is ultimately determined that such director, officer, or person is not entitled to indemnification; provided that such advance payment of expenses shall be made without regard to the ability to repay the amounts advanced. Notwithstanding the foregoing, no advance payment of expenses shall be made by the Corporation if a determination is reasonably and promptly made by a majority vote of directors who are not parties to such Proceeding, even though less than a quorum, or if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, that, based upon the facts known to such directors or counsel at the time such determination is made following due inquiry, (a) in the case of a person who may be entitled to indemnification under Section 1, such person did not act in good faith and in a manner that such person reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal proceeding, such person had reasonable cause to believe his conduct was unlawful, or (b) in the case of a person who may be entitled to indemnification under Section 2, such person is not entitled to indemnification under the standard set forth in the second sentence of Section 3. Nothing in this Article VI shall require any such determination to be made as a condition to making any advance payment of expenses, unless the Board of Directors so elects.

Section 5. *Mandatory Indemnification in Certain Circumstances.* To the extent that a director, officer, employee, or agent has been successful on the merits or otherwise in the defense of any Proceeding referred to Section 1 or Section 2 of this Article, or in the defense of any claim, issue, or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 6. *Right to Indemnification upon Application; Procedure upon Application.* Any indemnification under Sections 1 or 2 shall be made promptly, and in any event within 60 days of receipt of the written request of the person who may be entitled thereto following the conclusion of such person's participation in any Proceeding or which indemnity is sought, unless with respect to such written request, a determination is reasonably and promptly made by a majority vote of directors who are not parties to the Proceeding, even though less than a quorum, or if there are no such directors, or if such directors so direct, by independent legal counsel that, based upon the facts known to such directors or counsel at the time such determination is made following due inquiry, (a) in the case of a person who may be entitled to indemnification under Section 1, such person did not act in good faith and in a manner that such person reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal proceeding, such person had reasonable cause to believe his conduct was unlawful, or (b) in the case of a person who may be entitled to indemnification under Section 2, such person is not entitled to indemnification under the standard set forth in the second sentence of Section 3.

Section 7. *Enforcement of Rights.* The right to indemnification or to an advance of expenses as granted by this Article shall be enforceable by any person entitled thereto in any court of competent jurisdiction, if the Board of Directors or independent legal counsel denies the claim, in whole or in part, or if no disposition of such claim is made within 100 days of receipt by the Board of Directors of such person's written request for indemnification or an advance of expenses. Such person's expenses (including but not limited to attorneys' fees) incurred in connection with successfully establishing his right to indemnification or an advance of expenses, in whole or in part, in any such proceedings shall also be indemnified by the Corporation.

Section 8. *Bylaws as Contract; Non-Exclusivity.* All rights to indemnification and advances or expenses under this Article shall be deemed to be provided by a contract between the Corporation and each person entitled thereto. Any repeal or modification of these Bylaws shall not impair or diminish any rights or obligations existing at the time of such repeal or modification. The rights granted by this Article shall not be deemed exclusive of any other rights to which any person seeking indemnification or an advance of expenses may be entitled under any bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. The rights granted by this Article VI shall extend to the estate, heirs or legal representatives of any person entitled to indemnification or an advance of expenses hereunder who is deceased or incompetent.

ARTICLE VII. STOCK AND TRANSFER OF STOCK

Section 1. *Stock Certificates.* Every holder of stock in this Corporation shall be entitled to have a certificate, in such form as shall be approved by the Board of Directors, certifying the number of shares of stock of this Corporation owned by him signed by or in the name of this Corporation by the Chairman, or the President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer. Any of or all the signatures on the certificate may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may nevertheless be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 2. *Transfer of Shares.* Transfers of Shares of stock of the Corporation shall be made on the stock records of the Corporation only upon authorization by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent, and on surrender of the certificate or certificates for such shares properly indorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. Except as otherwise provided by law, the Corporation shall be entitled to recognize the exclusive right of a person in whose name any share or shares stand on the record of stockholders as the owner of such share or shares for all purposes, including, without limitation, the rights to receive dividends or other distributions, and to vote as such owner, and the Corporation may hold any such stockholder of record liable for calls and assessments and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in any such share or shares on the part of any other person whether or not it shall have express or other notice thereof. Whenever any transfer of shares shall be made for collateral security, and not absolutely, such fact shall be stated in the entry of the transfer if, when the certificates are presented for transfer, both the transferor and transferee request the Corporation to do so.

Section 3. *Regulations, Transfer Agents and Registrars.* The Board of Directors may make such additional rules and regulations, not inconsistent with these Bylaws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation. It may appoint and change from time to time one or more transfer agents and one or more registrars and may require all certificates for shares of stock to bear the signatures of any of them.

Section 4. *Replacement of Certificates.* In the event of the loss, theft, mutilation or destruction of any certificate for shares of stock of the Corporation, a duplicate thereof may be issued and delivered to the owner thereof, provided he makes a sufficient affidavit setting forth the material facts surrounding the loss, theft, mutilation or destruction of the original certificates and gives a bond to the Corporation, in such sum limited or unlimited, and in such form and with such surety as the Board of Directors may authorize indemnifying the Corporation, its officers and, if applicable, its transfer agents and registrars, against any losses, costs and damages suffered or incurred by reason of such loss, theft, mutilation or destruction of the original certificate and replacement thereof.

Section 5. *Fixing of Record Date*. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE VIII. FISCAL YEAR

The fiscal year of the Corporation shall be the calendar year.

ARTICLE IX. SEAL

The Board of Directors shall provide a corporate seal, which shall be in such form as the Board of Directors shall determine.

ARTICLE X. AMENDMENTS

These Bylaws may be amended or repealed, or new Bylaws may be adopted, at any annual or special meeting of the stockholders, by the affirmative vote of the holders of at least 75 percent of the

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outstanding Common Stock of the Corporation; provided, however, that the notice of such meeting shall have been given as provided in these Bylaws, which notice shall mention that amendment or repeal of these Bylaws, or the adoption of new Bylaws, is one of the purposes of such meeting. These Bylaws may also be amended or repealed or new Bylaws may be adopted, by the Board of Directors by the vote of two-thirds of the entire Board of Directors.

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**STANDBY PURCHASE AND
NOTE SUPPORT AGREEMENT**

This Standby Purchase and Note Support Agreement (this "Agreement") is made and entered into as of August 16, 1999 by and among Louisiana-Pacific Corporation, a Delaware Corporation ("L-P"), Bank of America, N.A., a national banking association ("BofA"), and Canadian Imperial Bank of Commerce, a Canadian chartered bank ("CIBC").

RECITALS:

A. As described in an Offer and Circular (the "Circular"), dated August 16, 1999, Louisiana-Pacific Acquisition Inc., a wholly owned subsidiary of L-P ("L-P Acquisition"), is making a tender offer (the "Offer") for all of the outstanding shares of capital stock (the "Shares") of Le Groupe Forex Inc. ("Forex"). Each of BofA and CIBC acknowledges that it has received and reviewed a copy of the Circular.

B. Pursuant to the terms of the Offer, each holder of Shares may elect to receive the purchase price for his or her Shares in cash, installment notes issued by L-P Acquisition and guaranteed by L-P (the "Installment Notes"), or a combination of cash and Installment Notes. However, as described in the Circular, all Installment Notes that would otherwise be issuable to holders of Shares who are Non-Canadian Shareholders (as such term is defined in the Circular) in accordance with the terms of the Offer will instead be issued and delivered to the Depository (as such term is defined in the Circular), and are to be pooled and sold by the Depository to BofA.

C. Subsequent to the date of the Circular, BofA and CIBC determined that it would be desirable for them to purchase any Installment Notes to be sold by the Depository as described above.

D. L-P, BofA and CIBC desire to set forth herein the terms of any such purchases of Installment Notes by BofA and CIBC from the Depository and certain other matters.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. *Standby Purchase.* BofA and CIBC shall purchase from the Depository, at a purchase price equal to the principal amount thereof and no later than three business days after L-P Acquisition has taken up and paid for the Shares pursuant to the Offer, all Installment Notes which are to be pooled and sold by the Depository in accordance with the terms of the Offer as described in the recitals to this Agreement. BofA and CIBC each acknowledges that it has received and reviewed a copy of the Circular.

(a) *Representations of BofA and CIBC; Resale by BofA or CIBC.* Each of BofA and CIBC, severally and not jointly, represents and warrants to L-P that it is (i) an entity not formed for the specific purpose of acquiring Installment Notes and has total assets in excess of \$5 million or (ii) otherwise an "accredited investor" within the meaning of Regulation D under the Securities Act of 1933 (the "Securities Act") and that any Installment Notes purchased by it pursuant to Paragraph 1 of this Agreement shall be so purchased for its own account. Each of BofA and CIBC, severally and not jointly, acknowledges that the Installment Notes have not been registered under the Securities Act. Each of BofA and CIBC, severally and not jointly, agrees that it will not sell, transfer or otherwise dispose of any Installment Notes except in a transaction registered or exempt from registration under the Securities Act and in compliance with applicable state securities laws.

2. *Note Support.* If BofA (or any entity controlled by, controlling, or under common control with BofA) or CIBC shall at any time become the holder or otherwise directly or indirectly be in possession of any Installment Notes, whether pursuant to Paragraph 1 of this Agreement or otherwise, the

following provisions of this Paragraph 2 shall apply for so long as BofA or CIBC holds any Installment Notes:

(a) *Compliance with Certain Covenants.* L-P shall comply with all of the covenants set forth under the headings "Affirmative Covenants" and "Negative Covenants" in the Credit Agreement, dated as of January 31, 1997, among L-P, Louisiana-Pacific Canada Ltd., the several financial institutions from time to time party thereto (collectively, the "Banks") and BofA, as agent for the Banks (such Credit Agreement, as the same has been amended or otherwise modified prior to the date hereof being referred to herein as the "Credit Agreement"), subject in each case to any applicable grace periods provided for in the Credit Agreement. The covenants described in the immediately preceding sentence, as from time to time constituted pursuant to the immediately preceding sentence, are incorporated herein by this reference with the same force and effect as though they were set forth herein in their entirety, and shall be effective for purposes of this Agreement irrespective of any further amendment, expiration, termination, invalidity or unenforceability of the Credit Agreement.

(b) *Representations of L-P.* L-P represents and warrants to BofA and CIBC that, as of the date hereof, the representations and warranties made by L-P set forth under the heading "Representations and Warranties" in the Credit Agreement (exclusive of the last two sentences of Section 5.13 of the Credit Agreement) are true and correct.

(c) *Payment of Interest.* L-P shall cause the interest on any Installment Notes held directly or indirectly by BofA or CIBC to be paid in full within five business days after the due date therefor, irrespective of any longer grace period provided for in the indenture under which such Installment Notes shall have been issued.

(d) *Remedies.* If (i) L-P shall breach or default under any covenant incorporated herein by reference pursuant to subparagraph (a) of this Paragraph 2 and such breach or default shall continue for 30 days after written notice thereof to L-P by BofA or CIBC, (ii) any representation or warranty incorporated herein by reference to subparagraph (b) of this Paragraph 2 shall prove to have been false or misleading in any material respect when made or when deemed to have been made, (iii) L-P shall breach or default under its covenant set forth in subparagraph (c) of this Paragraph 2 or fail to make any payment of principal on any Installment Note when due or (iv) an "Event of Default" under and as defined in the Credit Agreement shall occur, then L-P shall, upon demand by BofA, purchase from BofA (or any entity controlled by, controlling, or under common control with BofA), and upon demand by CIBC, purchase from CIBC, all Installment Notes held by, or otherwise in the direct or indirect possession of, such entity for a purchase price equal to the principal amount thereof plus accrued and unpaid interest to the date of such purchase.

3. *General Provisions.* (a) *Rights and Obligations Several.* The rights and obligations of each of BofA and CIBC under this Agreement shall be several and not joint.

(b) *Amendments and Waivers.* This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. No waiver of any provision of this Agreement and no consent with respect to any departure therefrom by any party hereto shall be effective unless the same shall be in writing and signed by the party granting such waiver or consent. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(c) *Notices.* All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally or sent by

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overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

- (i) if to L-P, to

Louisiana-Pacific Corporation
111 SW Fifth Avenue, #-4200
Portland, Oregon 97204
Attention: Mr. Curt Stevens
Vice President and Chief Financial Officer
Telecopy: (503) 821-5319

- (ii) if to BofA

Bank of America, N.A.
Paper and Forest Products #9973
555 California Street; 41st Floor
San Francisco, California 94104
Attention: Mr. Michael J. Balok
Telecopy: (415) 622-458

- (iii) if to CIBC

Canadian Imperial Bank of Commerce
BCE Place, P.O. Box. 500
161 Bay Street; 8th Floor
Toronto, Ontario M5J 2S8
Attention: Managing Director, Global
Paper and Forest Products
Telecopy: (416) 594-8347

(d) *Third-Party Beneficiaries.* This Agreement is not intended to confer upon any person (including without limitation any holder of Installment Notes other than BofA or CIBC and any trustee under the indenture under which the Installment Notes shall have been issued), other than the parties hereto, any rights or remedies.

(e) *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

(f) *Assignment.* Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by any of the parties without the prior written consent of all of the other parties, and any such assignment without such prior written consent shall be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

(g) *Counterparts.* This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

(h) *Inconsistency With Other Documents.* With respect to the parties hereto, to the extent the terms of this Agreement are inconsistent with the terms of any Installment Note or the indenture under which such Installment Notes were issued, the provisions of this Agreement shall supersede and control such other inconsistent terms.

[signature page follows]

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IN WITNESS WHEREOF, L-P, BofA and CIBC have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

LOUISIANA-PACIFIC CORPORATION

By: _____

Name: _____
Title: _____
BANK OF AMERICA, N.A.
By: _____
Name: _____
Title: _____
CANADIAN IMPERIAL BANK OF COMMERCE
By: _____
Name: _____
Title: _____

**WAIVER AND FIRST AMENDMENT
TO STANDBY PURCHASE
AND NOTE SUPPORT AGREEMENT**

THIS WAIVER AND FIRST AMENDMENT (this "*Waiver and Amendment*"), dated as of July 18, 2001, is entered into by and among LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation ("*L-P*"), BANK OF AMERICA, N.A., a national banking association ("*BofA*"), and CANADIAN IMPERIAL BANK OF COMMERCE, a Canadian chartered bank ("*CIBC*").

RECITALS:

A. L-P, BofA and CIBC are parties to a Standby Purchase and Note Support Agreement, dated as of August 16, 1999 (the "*Agreement*"), pursuant to which BofA and CIBC purchased certain Installment Notes from the Depository (as such terms are defined therein).

B. Section 2(a) of the Agreement requires that L-P comply with the negative covenant (Funded Debt to Net Worth) set forth in Section 7.01 of the Credit Agreement (as defined in the Agreement) as originally executed. L-P has informed BofA and CIBC that as of the end of the fiscal quarter ended June 30, 2001 as well as as of the end of certain prior fiscal quarters, but for the Waiver and Second Amendment to Credit Agreement dated as of February 16, 2001 among L-P, BofA for itself and the banks party thereto, and the other parties thereto, L-P would be in breach of such covenant under the Credit Agreement. L-P has requested that BofA and CIBC waive any breach or default under Section 2(a) of the Agreement that has arisen by reason of a failure to comply with the covenant set forth in Section 7.01 of the Credit Agreement as originally executed and incorporated into Section 2(a) of the Agreement by reference (the "*Funded Debt to Net Worth Covenant*"), and that BofA and CIBC agree to certain amendments of the Agreement. BofA and CIBC have agreed to do so subject to the terms and conditions of this Waiver.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. *Defined Terms.* Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Agreement.

2. *Waiver.* L-P acknowledges that it has failed to comply with the Funded Debt to Net Worth Covenant. Subject to the terms and conditions hereof, BofA and CIBC hereby agree to waive any breach or default arising out of such failure (the "*Existing Defaults*"). Nothing contained herein shall be deemed a waiver of (or otherwise affect BofA's or CIBC's ability to enforce) any breach or default of the Agreement other than the Existing Defaults.

3. *Amendment to Agreement.* The Agreement shall be amended by inserting the following sentence at the end of Section 2(a) thereof:

Notwithstanding the foregoing, the amendments with respect to Section 7.01 of the Credit Agreement set forth in Sections 3(a) and 3(d) of the Waiver and Second Amendment to Credit Agreement, dated as of February 16, 2001, shall be given effect for the purposes of this Section 2(a).

4. *Representations and Warranties.* L-P hereby represents and warrants as follows:

(a) Other than the Existing Defaults, no breach or default has occurred and is continuing under the Agreement.

(b) The execution, delivery and performance of this Waiver and Amendment by L-P have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any person (including any governmental agency) in order to be effective and enforceable. The Agreement, as amended by this Waiver and Amendment, constitutes the legal, valid and binding obligation of L-P, enforceable against L-P in accordance with its respective terms, without defense, counterclaim or offset.

(c) All its representations and warranties contained in the Agreement are true and correct as though made on and as of the Effective Date (except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true and correct as of such earlier date).

(d) It is entering into this Waiver and Amendment on the basis of its own investigation and for its own reasons, without reliance upon BofA or CIBC (except for compliance with the terms of this Waiver and Amendment) or any other person.

5. *Effective Date.* This Waiver and Amendment will become effective as of date (the "*Effective Date*") on which BofA and CIBC have received from L-P an original or facsimile of this Waiver and Amendment, duly executed by BofA, CIBC and L-P.

6. *Reservation of Rights.* L-P acknowledges and agrees that neither BofA's nor CIBC's execution and delivery of this Waiver and Amendment shall be deemed to create a course of dealing or otherwise obligate BofA or CIBC to execute similar waivers under the same or similar circumstances in the future.

7. *Miscellaneous.*

(a) Except as expressly set forth herein, this Waiver and Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights or remedies of BofA or CIBC under the Agreement or any related documents, and shall not alter, modify, amend, or in any way affect the terms, conditions, obligations, covenants, or agreements contained in the Agreement or any related documents, all of which are hereby ratified and affirmed in all respects and shall continue in full force and effect.

(b) This Waiver and Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Waiver and Amendment.

(c) This Waiver and Amendment shall be governed by and construed in accordance with the law of the State of California (without regard to principles of conflicts of laws).

(d) This Waiver and Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

(e) This Waiver and Amendment, together with the Agreement, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Waiver and Amendment supersedes all prior drafts and communications with respect thereto. This Waiver and Amendment may not be amended except in accordance with the provisions of Section 3(b) of the Agreement.

(f) If any term or provision of this Waiver and Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Waiver and Amendment or the Agreement, respectively.

(g) L-P hereby covenants to pay or to reimburse BofA and CIBC, upon demand, for all reasonable costs and expenses (including reasonable attorney fees and expenses) incurred in connection with the development, preparation, negotiation, execution and delivery of this Waiver and Amendment and any other amendments or other documents relating thereto.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Waiver and Amendment as of the date first above written.

LOUISIANA-PACIFIC CORPORATION

By: _____

Name: _____

Title: _____

BANK OF AMERICA, N.A.

By: _____

Name: _____

Title: _____

CANADIAN IMPERIAL BANK OF COMMERCE

By: _____

Name: _____

Title: _____
