

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended
December 31, 2001

Commission File Number
1-7107

Louisiana-Pacific Corporation

(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

93-0609074
(I.R.S. Employer
Identification No.)

805 S.W. Broadway, Suite 1200
Portland, Oregon 97205-3303
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, \$1 par value
Preferred Stock Purchase Rights

New York Stock Exchange
New York Stock Exchange

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

State the aggregate market value of the voting stock held by nonaffiliates of the registrant: \$1,096,725,000 as of March 12, 2002.

Indicate the number of shares outstanding of each of the registrant's classes of common stock: 104,566,500 of Common Stock, \$1 par value, outstanding as of March 12, 2001.

Documents Incorporated by Reference

Definitive Proxy Statement for 2001 Annual Meeting: Part III

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

ABOUT FORWARD-LOOKING STATEMENTS

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

The following statements are or may constitute forward-looking statements: (1) statements preceded by, followed by or that include words like "may," "will," "could," "should," "believe," "expect," "anticipate," "intend," "plan," "estimate," "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;
 - 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 us with the Commission that warn of risks or uncertainties associated with future results, events or circumstances identify important factors that could cause actual results, events and circumstances to differ materially from those reflected in the forward-looking statements.

ABOUT THIRD PARTY INFORMATION

In this report, we rely on and refer to information regarding industry data obtained from market research, publicly available information, industry publications, U.S. government sources and other third parties. Although we believe the information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

PART I

ITEM 1. Business

General

Our company, headquartered in Portland, Oregon, is a leading manufacturer and distributor of building materials. As of December 31, 2001, we had approximately 9,700 employees and operated 59 facilities in the U.S. and Canada, one facility in Chile and one facility in Ireland. We also own approximately 936,000 acres of timberland in the U.S., predominately in the south, and manage approximately 49 million acres of timberland in Canada. In 2001, our sales originating in the U.S. were \$1.9 billion, representing approximately 79% of our total sales of \$2.4 billion. Our focus is on delivering innovative, high-quality commodity and specialty building products to retail, wholesale, home building and industrial customers. With the exception of pulp, our products are used primarily in new home construction, repair and remodeling, and manufactured housing.

Business Segments

Structural Products Segment

Our structural products segment manufactures and distributes structural panel products, including oriented strand board (OSB) and plywood; lumber; and engineered wood products (EWP), including I-joists and laminated veneer lumber (LVL). Our structural products segment also includes our timberlands. We believe that in North America we are the largest and one of the most efficient producers of OSB, the largest producer of stud lumber and one of the largest producers of EWP.

Structural Panel Products. Our structural panel products are primarily used in new residential construction and remodeling applications such as floor and wall sheathing and roof systems. According to the APA-The Engineered Wood Association, the total North American market for structural panel products, which includes OSB and plywood, was approximately 39 billion square feet in 2001. The OSB share of this market was approximately 55% in 2001, up from approximately 28% in 1991.

OSB. Oriented strand board (OSB) is an innovative, affordable and environmentally smart product made from wood strands arranged in layers and bonded with resin. OSB serves many of the same uses as unsanded plywood, including roof decking, sidewall sheathing and floor underlayment, but can be produced at a significantly lower cost. In the past decade, land use regulations and endangered species and environmental concerns have resulted in reduced supplies and higher costs for domestic timber, causing many plywood mills to close or divert their production to other uses. OSB has replaced most of the volume lost from these mills.

Our strategy for our industry-leading OSB business is to: (1) reduce costs and improve throughput and recovery by continuing to focus on improving efficiency at each of our facilities; (2) improve net realizations relative to weighted-average OSB regional pricing; (3) expand capacity to meet growing OSB demand, but do so through selected acquisitions that meet specific corporate criteria and by building new, low-cost manufacturing facilities to serve particular markets; and (4) leverage our expertise in OSB to capitalize on new opportunities for revenue growth through new product lines.

Plywood. Plywood, which can be constructed of either softwood or hardwood veneer, was once the predominant structural panel in the building products market. While OSB has severely eroded the commodity side of the plywood business, the market for plywood used in specialty and industrial applications, such as sanded, marine-grade, concrete form and multi-ply plywood, has been less significantly impacted.

We believe we are the fifth largest producer of plywood in the U.S. and enjoy strong relationships with do-it-yourself (DIY) retailers in the southeastern U.S. We are continuously striving to enhance our

plywood profitability by improving our cost structure through (1) rationalizing our facilities and workforce, (2) reducing our log costs, and (3) increasing recovery. Our principal strategy for plywood is to focus our manufacturing and marketing efforts on such value-added specialty products as clear-faced, sanded, and stained products; concrete forms; siding; flooring; and veneer.

Lumber. We produce lumber in a variety of standard and specialty grades and sizes, and believe we are the largest North American producer of stud lumber. Stud lumber includes primarily 2" × 4" and 2" × 6" dimension lumber.

Our strategy for lumber is to focus on studs and narrow dimension lumber. We believe we can leverage our strong presence in the DIY sector to drive growth and capture the premium prices paid by DIY's for premium grades of lumber. Additionally, we are committed to improving overall mill efficiency through selective, high return capital investments and the sale, closure, or curtailment of under performing mills. Since 1994, we have closed or sold 36 sawmills that did not meet our standards for returns and profitability. The final component of this strategy is to seek acquisitions of modern mills that meet or exceed our efficiency standards.

Engineered Wood Products. We believe that we are one of the largest North American manufacturers of EWP, including I-joists and LVL. We believe that our engineered I-joists, which are used primarily in residential and commercial flooring and roofing systems and other structural applications, are stronger, lighter and straighter than conventional lumber joists. Our LVL is a high-grade, value-added structural product used in applications where extra strength is required, such as headers and beams. It is also used, together with OSB and lumber, in the manufacture of engineered I-joists.

Our strategy is to strengthen our brand name recognition in the EWP industry by enhancing our product mix and quality, providing superior technical support for our customers and leveraging our sales and marketing relationships to cross-sell our EWP products. Additionally, we are seeking to drive costs down by rationalizing production capacity across geographic areas and integrating company produced veneer into our EWP products. Our acquisition of certain of the assets of Evans Forest Products Ltd. is indicative of our commitment to growing our EWP business through selective capacity additions and targeted acquisitions.

Wood Fiber Resources. We obtain wood fiber for our mills from several sources: fee-owned timberland, timber deeds, cutting contracts with private and public landowners in the U.S., Canada and Ireland, and purchases from third parties. We own approximately 936,000 acres of timberland, primarily in the southern and southeastern U.S., which supplied approximately 11% of our overall timber needs in 2001. In Canada, we have long-term harvest rights, which on average have 20 years left under contract, to harvest timber on nearly 49 million acres of Canadian forestland.

Exterior Products Segment

We manufacture exterior siding and other cladding products for the residential and commercial building markets. We are seeking to be the "one stop" supplier of choice for all segments of these markets: new home construction, repair and remodeling, and manufactured housing. Our strategy is to drive product innovation by combining our technological expertise in wood and wood composites with our proficiency in plastic and polymer composites. One example of our innovation in this segment is our "Norman Rockwell" vinyl siding, which is highly resistant to fading and allows us to offer siding in colors not typically available from other manufacturers. We intend to increase our product offering and production capacity of these types of higher margin, value-added products through the addition of lower cost plants or the conversion of some OSB plants from commodity structural panel production to OSB siding production.

Additionally, we are seeking to optimize our current capacity by extending the hardboard lifecycle through innovative new products and increasing vinyl sales through new products and greater penetration of adjacent markets.

Our exterior product offerings are classified into four categories: (1) SmartSystem® siding products; (2) hardboard siding products; (3) vinyl siding products and (4) composite decking products. Our portfolio of products offers customers a variety of siding choices at various performance levels and prices.

The SmartSystem® Products. Our SmartSystem® products consist of a full line of OSB-based sidings, trim, soffit and fascia. These products have quality and performance characteristics similar to solid wood at more attractive prices due to lower raw material and production costs.

Hardboard Siding Products. Our hardboard siding product offerings include a number of lap and panel products in a variety of patterns and textures, as well as trim products.

Vinyl Siding Products. We also manufacture vinyl siding products and accessories. These products are available in various styles and colors.

Composite Decking Products. We manufacture wood composite decking and accessories. These products have better quality and performance characteristics relative to solid wood.

Industrial Panel Products Segment

Our industrial panel product segment includes medium density fiberboard (MDF), particleboard and hardboard products. Part of our strategy in our industrial panel products segment is to focus on value-added specialty products that are complementary to our other product offerings. These value-added specialty product lines include flooring, shelving, door skins, door parts, decorative panels, paneling and other specialty applications. Currently, we are focused on the following products: laminated flooring; cut-to-size molding and millwork; and painted and coated parts. As with all our manufacturing facilities, we are continuously seeking to lower costs by reducing waste and improving efficiency, while maintaining quality.

Other Products Segment

Our other products segment includes value-added products such as plastic molding products, our distribution and wholesale business, wood chips and our OSB mills in Chile and Ireland. In August 2000, we contributed our Cocoon™ cellulose insulation business to US GreenFiber, LLC, a joint venture with Casella Waste Systems in which we own a 50% interest. Cocoon™ insulation is produced from recycled newspaper and has higher insulation efficiency performance levels and superior sound-deadening qualities compared to conventional fiberglass insulation of comparable thickness.

We own 82.5% of a joint venture in Chile that has a newly constructed OSB mill that commenced operations in 2001. We also own 65% of a joint venture in Ireland that has an OSB mill, the output of which is distributed primarily in Ireland, the United Kingdom and Western Europe. These mills are included in our other products segment because they do not sell primarily to North American customers.

Pulp Segment

During 2001, we continued our plan to exit the pulp business through the indefinite closure of our Chetwynd, British Columbia pulp mill (see Note 7 of the Notes to the financial statements in item 8 of this report), and the sale of our controlling interest in a pulp mill located in Samoa, California (see Note 11 of the Notes to the financial statements in item 8 of this report). Pulp accounted for approximately 2% of our net sales in 2001.

Sales, Marketing and Distribution

Our sales and marketing efforts are primarily focused on third-party wholesale buying groups, professional dealers, home centers and other retailers. The wholesale distribution channel includes a variety of specialized and broad-line wholesale distributors and dealers focused primarily on the supply of products for use by professional builders and contractors. The retail distribution channel includes large retail chains catering to the do-it-yourself and repair and remodeling markets as well as smaller and independent retailers.

Customers

We seek to maintain a broad customer base and a balanced approach to national distribution through both wholesale and retail channels. In 2001, our top 10 customers accounted for approximately 31% of our revenues, with the largest customer accounting for no more than 7% of our revenues. Because most of our products, including OSB, plywood and lumber, are commodity products sold primarily on the basis of price and availability, we are not dependent on any one customer. Our principal customers include the following:

- Wholesale distribution companies, which supply building materials to retailers on a regional, state or local basis;
- Building materials professional dealers, which specialize in sales to professional builders, remodeling firms, and trade contractors that are involved in residential home construction and light commercial building;
- Retail home centers, which provide access to consumer markets with a broad selection of home improvement materials and increasingly serve professional builders, remodelers and trade contractors;
- Manufactured housing producers, which design, construct and distribute prefabricated residential and light commercial structures, including fully manufactured, modular and panelized structures, for consumer and professional markets; and
- Industrial manufacturers, which produce residential, ready-to-assemble, office and institutional furniture; cabinets, displays and fixtures; windows and doors; molding and millwork; laminated flooring; packaging; transportation equipment; and numerous specialty products.

Competitors

The building products industry is highly competitive. We compete internationally with several thousand forest and building products firms, ranging from very large, fully integrated firms to smaller firms that may manufacture only one or a few items. We also compete less directly with firms that manufacture substitutes for wood building products. Some competitors have substantially greater financial and other resources than we do that, in some instances, could give them a competitive advantage over us.

Raw Materials

Wood fiber is the primary raw material used in our operations, and the primary source of wood fiber is timber. The primary end-markets for timber harvested in the U.S. are manufacturers who supply: (1) the housing market; where it is used in the construction of new housing and the repair and remodeling of existing housing; (2) the pulp and paper market; and (3) export markets. The supply of timber is limited by access to timber and by the availability of timberlands. The availability of timberlands, in turn, is limited by several factors, including government forest management policies, alternate uses of land, and loss to urban or suburban real estate development.

Our 936,000 acres of timberlands, primarily in the southern U.S., provided approximately 11% of our domestic wood fiber requirements in 2001 and an average of approximately 13% of our domestic wood fiber requirements over the past five years. In addition to our fee-owned timberlands, we have timber-cutting rights under long-term contracts (five years or longer) on approximately 42,000 acres, and under shorter term contracts on approximately 195,000 acres, on government and privately owned timberlands in the U.S. In Canada, we harvest enough timber annually under long-term harvest rights with the Canadian government and other third parties to fully support our twelve Canadian production facilities. The average remaining life of our Canadian timber rights is 20 years with provisions for renewal.

We purchase more than 68% of our wood fiber requirements on the open market, including from domestic private timber owners. Because wood fiber is subject to commodity pricing, the cost of various types of timber that we purchase in the market has at times fluctuated greatly due to economic or industry conditions. However, our mills are generally located in areas that are in close proximity to large and diverse supplies of timber. Therefore, in areas where we do not own a significant amount of timberlands, our mills generally have the ability to procure wood fiber at competitive prices from third-party sources. We satisfy a portion of our wood fiber requirements by purchasing certain by-products, including wood chips, wood shavings and sawdust, from third parties. These by-products account for an insignificant portion of our wood fiber requirements.

In addition to wood fiber, we use a significant quantity of various resins in the manufacturing processes for our structural and industrial panel products, as well as certain of our vinyl products. Resin product costs are influenced by changes in the prices of raw materials used to produce resin, primarily petroleum products, as well as demand for resin products.

While the majority of our energy requirements are generated at our plants through the conversion of wood waste, we also purchase substantial amounts of energy in our operations, primarily electricity and natural gas. Energy prices have experienced significant volatility in recent years, particularly in deregulated markets. We attempt to control our exposure to energy price changes through the use of long-term supply contracts that range in term from one to seven years. See Notes 1 and 7 of the Notes to the financial statements included in item 8 of this report for a discussion of the accounting treatment of several of these contracts.

Environmental Compliance

Our operations are subject to many environmental laws and regulations governing, among other things, the restoration and reforestation of timberlands, discharges of pollutants and other emissions on or into land, water and air, the disposal of hazardous substances or other contaminants and the remediation of contamination. In addition, certain environmental laws and regulations impose liability and responsibility on present and former owners, operators or users of facilities and sites for contamination at such facilities and sites without regard to causation or knowledge of contamination. Compliance with environmental laws and regulations can significantly increase the costs of our operations and otherwise result in significant costs and expenses. In some cases, plant closures can result in more onerous compliance requirements becoming applicable to a facility or a site. Violations of environmental laws and regulations can subject us to additional costs and expenses, including defense costs and expenses and civil and criminal penalties. We cannot assure you that the environmental laws and regulations to which we are subject will not become more stringent, or be more stringently implemented or enforced, in the future.

Our policy is to comply fully with all applicable environmental laws and regulations. In recent years, we have devoted increasing management attention to achieving this goal. In addition, from time to time, we undertake construction projects for environmental control facilities or incur other environmental costs that extend an asset's useful life, improve efficiency or improve the marketability of

certain properties. We believe that our capital expenditures for environmental control facilities in 2002 and 2003 will not be material.

Additional information concerning environmental matters is set forth under Item 3, Legal proceedings, and in Note 8 of the Notes to financial statements in item 8 contained in this report.

Employees

We employ approximately 9,700 people, approximately 1,800 of whom are members of unions. We consider our relationship with our employees generally to be good. Five union contracts at our Canadian OSB facilities are subject to negotiation and renewal in 2002. Discussions have begun on these contracts and progress is being made. One of our OSB facilities has experienced a work stoppage and there can be no assurance that further work stoppages will not occur.

Segment and Price Trend Data

The following table sets forth, for each of the last five years, (1) our consolidated net sales by business segment, (2) our consolidated profit (loss) by business segment, (3) production volumes, (4) the average wholesale price of selected building products in the United States, and (5) logs used in production by source. This information should be read in conjunction with the consolidated financial statements (including the notes thereto) and the other information contained in this report.

Product Information Summary For Years Ended December 31

SALES BY BUSINESS SEGMENT

Structural products	\$ 1,520	65%	\$ 1,817	62%	\$ 1,876	61%	\$ 1,307	53%	\$ 1,223	48%
Exterior products	359	15	329	11	276	9	116	5	112	4
Industrial panel products	198	8	287	10	300	10	192	8	199	8
Other products	235	10	348	12	477	16	731	30	861	34
Building products	2,312	98	2,781	95	2,929	95	2,346	96	2,395	93
Pulp	48	2	152	5	143	5	105	4	169	7
Total sales	\$ 2,360	100	\$ 2,933	100	\$ 3,072	100	\$ 2,451	100	\$ 2,564	100

PROFIT (LOSS) BY BUSINESS SEGMENT

Structural products	\$ (1)	\$ 176	\$ 440	\$ 198	\$ 21
Exterior products	16	19	53	22	9
Industrial panel products	(19)	2	13	6	13
Other products	(2)	(12)	(11)	(20)	(24)
Building products	(6)	185	495	206	19
Pulp	(27)	13	(15)	(38)	(29)
Other operating credits and charges, net	(67)	(71)	(8)	(48)	(32)
Loss related to assets and liabilities transferred under contractual arrangement	(43)	—	—	—	—
General corporate and other expense, net	(86)	(99)	(103)	(94)	(80)
Interest, net	(60)	(43)	(12)	(13)	(29)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	\$ (289)	\$ (15)	\$ 357	\$ 13	\$ (151)
PRODUCTION VOLUMES					
OSB, ^{3/8"} basis, million square feet	5,240	5,396	4,406	3,934	3,762
Softwood plywood, ^{3/8"} basis, million square feet	809	1,046	943	983	1,221
Lumber, million board feet	966	993	1,029	1,110	1,240
Wood-based siding, ^{3/8"} basis, million square feet	733	651	678	383	238
Industrial panel products (particleboard, medium density fiberboard and hardboard), ^{3/4"} basis, million square feet	488	637	621	575	589
Engineered I-Joists, million lineal feet	71	70	87	86	73
Laminated veneer lumber, thousand cubic feet	6,923	7,008	6,300	7,100	5,800
Pulp, thousand short tons	62	373	374	286	377
INDUSTRY PRODUCT PRICE TRENDS(1)					
OSB, MSF, ^{7/16" - 24/16"} span rating (North Central price)	\$ 159	\$ 206	\$ 260	\$ 205	\$ 142
Southern pine plywood, MSF, ^{1/2"} CDX (3 ply)	268	229	329	284	265
Framing lumber, composite prices, MBF	312	323	401	349	417
Industrial particleboard, ^{3/4"} basis, MSF	251	284	273	259	262
% LOGS BY SOURCES(2)					
Fee owned lands	11	10	11	12	19
Private cutting contracts	13	14	16	14	14
Government contracts	21	17	17	13	7
Purchased logs	55	59	56	61	60
Total volumes—million board feet	2,541	3,352	2,324	1,997	2,398

(1) Prices represent yearly averages stated in dollars per thousand board feet (MBF) or thousand square feet (MSF). Source: *Random Lengths*.

(2) Stated as a percentage of total log volume.

For additional information regarding our business segments and information regarding our geographic segments, see Note 12 of the Notes to the financial statements in item 8 of this report.

Executive Officers of Louisiana-Pacific Corporation

Information regarding each of our executive officers as of March 1, 2002 (including certain executives whose duties may cause them to be classified as executive officers under applicable SEC rules), including employment history for the past five years, is set forth below.

Mark A. Suwyn, age 59, has been Chairman and Chief Executive Officer since January 1996. Before joining LP, Mr. Suwyn was Executive Vice President of International Paper Company from 1992 through 1995. Mr. Suwyn is also a director of LP.

F. Jeff Duncan, Jr., age 47, has been Chief Information Officer of LP since October 1998 and Vice President since March 2001 and additionally, Director of Technology since February 2002. Mr. Duncan had been Director of Information Technology of LP since September 1996. He was previously employed by E.I. du Pont de Nemours & Co. for 19 years in a variety of positions, most recently as Systems Manager—New Business Development.

Richard W. Frost, age 50, joined LP in May 1996 as Vice President, Timberlands and Procurement. Mr. Frost was Vice President and Operational Manager for S.D. Warren Company from 1992 to 1996.

M. Ward Hubbell, age 41, has been Director, Corporate Affairs since September 1997 and Vice President since March 2001. Before joining LP, Mr. Hubbell was employed by International Paper Company beginning in October 1992, first as Communications Director and then as Federal Affairs Manager.

Joseph B. Kastelic, age 38, has been Vice President, Specialty Products since November 2000 and Vice President, Sales and Specialty Products since January 2001. He previously served as Director, Specialty Building Products from January 1999 to November 2000. From March 1997 to December 1998, Mr. Kastelic was Business Director, Siding/Exterior Products, and from September 1996 to March 1997 served as Marketing Development Manager for new construction and siding. Before joining LP in September 1996, Mr. Kastelic was the Marketing Development Manager at PPG Industries in Pittsburgh, Pennsylvania.

W. Lee Kuhre, age 55, joined LP in September 2001 as Vice President, Environmental Affairs. Mr. Kuhre was an Assistant Vice President for Science Applications International from 1997 to 2001.

J. Keith Matheny, age 53, has been Vice President, OSB and Engineered Wood Products since November 2000. He previously served as Vice President, Core Businesses from June 1998 to November 2000, as Vice President, Sales and Marketing from January 1997 to June 1998, as General Manager—Western Division from February 1996 to January 1997, and General Manager—Weather-Seal Division from May 1994 to February 1996.

Curtis M. Stevens, age 49, has been Vice President, Treasurer and Chief Financial Officer since September 1997. Before joining LP, Mr. Stevens spent 13 years as the senior financial executive of Planar Systems, Inc., a leading manufacturer and supplier of electroluminescent flat panel displays, where he was named Executive Vice President and General Manager in 1996. He also served on the Board of Directors for Planar Systems.

Michael J. Tull, age 56, has been Vice President, Human Resources since May 1996. Before joining LP, Mr. Tull was employed by Sharp HealthCare, a regional system of hospitals and related facilities in San Diego, California, for more than 10 years, most recently as Corporate Vice President of Employee Quality and Development beginning in 1991.

Walter M. Wirfs, age 54, has been Vice President, Lumber and Plywood since November 2000, and as Vice President, Manufacturing from March 1999 to November 2000. From January 1998 to March 1999, Mr. Wirfs served as President of Western Wood Products Association. Mr. Wirfs was employed by Willamette Industries, Inc., a forest products company headquartered in Portland, Oregon, for 23 years until December 1997, most recently as Vice President of its Southern and Atlantic Regions.

Executive officers are elected from time to time by the Board of Directors. Each officer's term of office runs until the meeting of the Board of Directors following the next annual meeting of the stockholders and until his or her successor is elected and qualified, or until his or her earlier resignation or removal.

ITEM 2. Properties

Information regarding our principal properties and facilities is set forth in the following tables. Information regarding production capacities is based on normal operating rates and normal production mixes under current market conditions, taking into account known constraints such as log supply. Market conditions, fluctuations in log supply, and the nature of current orders may cause actual production rates and mixes to vary significantly from the production rates and mixes shown.

Structural Products Segment:

ORIENTED STRAND BOARD PANEL PLANTS—NORTH AMERICA ($\frac{3}{8}$ -Inch Basis; 3 Shifts Per Day; 7 Days Per Week)		Square Feet in Millions
Athens, GA		365
Carthage, TX		450
Chambord, Quebec, Canada		510
Dawson Creek, BC, Canada		375
Hanceville, AL		365
Hayward, WI		500
Houlton, ME		260
Jasper, TX		450
Maniwaki, Quebec, Canada		620
Montrose, CO		145
Roxboro, NC		400
Sagola, MI		375
St Michel, Quebec, Canada		510
Swan Valley, Manitoba, Canada		450
Total North American OSB Non-Specialty Capacity (14 plants)		5,775

SOFTWOOD PLYWOOD MILLS ($\frac{3}{8}$ -Inch Basis; 2 Shifts Per Day, 5 days Per Week)		Square Feet in Millions
Bon Wier, TX		250
Cleveland, TX		270
Golden, BC, Canada		150
Logansport, LA		130
Urania, LA		145
Total Softwood Plywood Capacity (5 plants)		945

LUMBER MILLS (1 to 3 Shifts Per Day; 5 Days Per Week)		Board Feet in Millions
Belgrade, MT		90
Bonners Ferry, ID		125
Chambord, Quebec, Canada		30

Chilco, ID	165
Cleveland, TX	55
Deer Lodge, MT	125
Deer Lodge, MT (finger joint)	110
Gwinn, MI	150
Malakwa, BC, Canada	50
Marianna, FL	80
Moyie Springs, ID	160
Sandpoint, ID (drying and resurfacing)	—
Saratoga, WY	95
St. Michel, Quebec, Canada	90
Tacoma, WA	65
West Bay, FL	30

Total Lumber Capacity (15 mills) 1,420

ENGINEERED WOOD PRODUCTS—I-JOIST PLANTS
(1 Shift Per Day; 5 Days Per Week)

	Lineal Feet in Millions
Hines, OR	32
Red Bluff, CA	42
Wilmington, NC	46

Total I-Joist Capacity (3 plants) 120

ENGINEERED WOOD PRODUCTS—LVL PLANTS
(2 Shifts Per Day; 7 Days Per Week)

	Cubic Feet in Thousands
Hines, OR	2,300
Golden, BC, Canada	3,000
Wilmington, NC	4,600

Total LVL Capacity (3 plants) 9,900

Exterior Products Segment:

ORIENTED STRAND BOARD SIDING & SPECIALTY PLANTS
($\frac{3}{8}$ -Inch Basis; 3 Shifts Per Day; 7 Days Per Week)

	Square Feet in Millions
Newberry, MI	130
Silsbee, TX	345
Tomahawk, WI	135
Two Harbors, MN	140

Total OSB Siding Capacity (4 plants) 750

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VINYL SIDING PLANTS

	Squares in Millions(1)
Acton, Ontario, Canada	1.8
Holly Springs, MS	1.4

Total Vinyl Siding Capacity (2 plants) 3.2

(1) A square is defined as 100 square feet of material with an average weight of 32 pounds.

HARDBOARD SIDING PLANT
(Surface Measure; 3 Shifts Per Day; 7 Days Per Week)

	Square Feet in Millions
Roaring River, NC	215

DECKING—WOOD POLYMERS

	Lineal Feet in Millions
(Lineal Feet Basis; 1 Shift Per Day; 7 Days Per Week)	—

Meridian, ID	14
Selma, AL	17
Total Decking Capacity (2 plants)	31

Industrial Panel Products Segment:

PARTICLEBOARD PLANTS ($\frac{3}{4}$ -Inch Basis; 3 Shifts Per Day; 7 Days Per Week)		Square Feet in Millions
Arcata, CA		125
Missoula, MT		155
Silsbee, TX		80
Total Particleboard Capacity (3 plants)		360
MEDIUM DENSITY FIBERBOARD PLANTS ($\frac{3}{4}$ -Inch Basis; 3 Shifts Per Day; 7 Days Per Week)		Square Feet in Millions
Urania, LA		50
HARDBOARD PLANTS (3 Shifts Per Day; 7 Days Per Week)		Square Feet in Millions
Alpena, MI		300
Toledo, OH(a)		—
East River, Nova Scotia, Canada(b)		290
Total Hardboard Capacity (2 plants)		590

- (a) Our finishing and tileboard plant in Toledo, Ohio takes production from the Alpena, MI plant to produce decorative panels and finished tileboard.
- (b) The East River, Nova Scotia, plant produces both hardboard panel products and hardboard siding products.

Other Products Segment:

ORIENTED STRAND BOARD PANEL PLANTS ($\frac{3}{8}$ -Inch Basis; 3 Shifts Per Day; 7 Days Per Week)		Square Feet in Millions
Waterford, Ireland		450
Panguipulli, Chile		130

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FACILITIES—OTHER PRODUCTS	Location
Chip mill	Cleveland, TX
Landscape bark plant	New Waverly, TX
Plastic moldings plant	Middlebury, IN
Distribution centers	Conroe, TX and Rocklin, CA

Timber Fee Holdings:

Location / Type	Acres
Fee Timber	
Idaho / Fir, Pine	35,100
Louisiana / Pine, Hardwoods	189,900
Montana / Whitewoods	9,500
Texas / Pine, Hardwoods	698,900
Other / Whitewoods, Pine, Hardwoods	2,500
Total Timberland Fee Holdings	
	935,900
Canadian Timberlands License Agreements	Acres
British Columbia	7,900,000
Manitoba	6,300,000
Nova Scotia	900,000
Quebec	33,600,000

In addition to fee-owned timberlands, we have timber cutting rights under long-term contracts (five years and longer) on approximately 42,000 acres, and under shorter term contracts on approximately 195,000 acres, on government and privately owned timberlands in the United States in the vicinities of certain of our manufacturing facilities.

Our Canadian subsidiaries have arrangements with four Canadian provincial governments which give our subsidiaries the right to harvest a volume of wood off public land from defined forest areas under supply and forest management agreements, long-term pulpwood agreements, and various other timber licenses. These subsidiaries also obtain wood from private parties in certain cases where the provincial governments require us to obtain logs from private parties prior to harvesting from the licenses to meet raw materials needs.

ITEM 3. Legal Proceedings

Certain environmental matters and legal proceedings are discussed below.

ENVIRONMENTAL MATTERS

In November 2000, our subsidiary Ketchikan Pulp Company ("KPC") finalized a consent decree with the federal government to complete remediation activities at KPC's former pulp mill site and of Ward Cove, a body of water adjacent to the mill site. Total costs for the investigation and remediation of Ward Cove are estimated to cost approximately \$7.5 million (of which approximately \$5.7 million had been spent at December 31, 2001).

In connection with the clean up of KPC's former log transfer facilities; the United States Forest Service (the "USFS") has asserted that KPC is obligated to adhere to more stringent remediation

standards than those imposed by the Alaska Department of Environmental Conservation. The USFS has also asserted that previously closed-out facilities may need to be re-evaluated. We dispute the authority of the USFS to require KPC to adhere to the more stringent standards, or to re-evaluate closed-out facilities. Adherence to the more stringent standards and/or re-evaluation of closed-out facilities, if ultimately required, could substantially increase the cost of the remediation.

We are also involved in a number of other 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 we have conducted operations or disposed of wastes. Based on the information currently available, management believes that any fines, penalties or other costs or losses resulting from these matters will not have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

COLORADO CRIMINAL PROCEEDINGS

In June 1995, a federal grand jury returned an indictment in the U.S. District Court for the District of Colorado against us in connection with alleged environmental violations, as well as alleged fraud in connection with the submission of unrepresentative oriented strand board (OSB) product samples to an industry product certification agency, by our Montrose (Olathe), Colorado OSB plant. Pursuant to a guilty plea to certain criminal violations entered in May 1998, (i) we paid penalties of \$37 million (of which \$12 million was paid in 1998 and the balance was paid in the second quarter of 1999), and we were sentenced to five years of probation and (ii) all remaining charges against us were dismissed. The terms of our probation require, among other things, that we not violate any federal, state or local law.

In December 1995, we received a notice of suspension from the EPA stating that, because of the criminal proceedings pending against us in Colorado, the Montrose facility would be prohibited from purchasing timber directly from the USFS. In April 1998, we signed a Settlement and Compliance Agreement with the EPA. This agreement formally lifted the 1995 suspension imposed on the Montrose facility. The agreement has a term of five years and obligates us to (i) develop and implement certain corporate policies and programs, including a policy of cooperation with the EPA, an employee disclosure program and a policy of nonretaliation against employees, (ii) conduct our business to the best of our ability in accordance with federal laws and regulations and local and state environmental laws, (iii) report significant violations of law to the EPA, and (iv) conduct at least two audits of our compliance with the agreement.

OSB SIDING MATTERS

In 1994 and 1995, we were 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 us. 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 us and a nationwide class composed of all persons who own, have owned, or acquire property on which our 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 ours 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 us 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 we may assert any available defense, including defenses that otherwise had been waived under the settlement agreement.

The settlement requires us to contribute \$275 million to the settlement fund. Approximately \$273 million of that obligation had been satisfied at December 31, 2001 through cash payments on a discounted basis of approximately \$263 million. Our remaining mandatory contributions to the settlement fund are due in June 2002 (approximately \$2 million). In addition to our mandatory contributions, at December 31, 2001, we had paid, on a discounted basis, approximately \$97 million of the two \$50 million optional contributions, at a cost of approximately \$68 million, and we have committed to the court that we will make the balance of these two optional contributions when they become due in August 2002. We were entitled to make our mandatory and optional contributions to the settlement fund on a discounted basis as a result of a court-approved early payment program (the "Early Payment Program").

During 2000, we offered eligible claimants the opportunity to receive a pro rata share of a court approved second settlement fund (the "Second Settlement Fund") in satisfaction of their claims. Pursuant to this offer, we paid approximately \$115 million from the Second Settlement Fund in satisfaction of approximately \$319 million in claims. All of the payments under the Second Settlement Fund have been completed. Claimants who accepted payment from the Second Settlement Fund may not file additional claims under the settlement. Claimants who elected not to participate in the Second Settlement Fund remain bound by the terms of the original settlement.

At December 31, 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 our remaining mandatory and committed optional contributions to the settlement fund by approximately \$117 million. Approximately 8,700 new claims were filed during 2001.

Based upon the payments that we have 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 us of the dollar value of all remaining unfunded and approved claims. We shall then have 60 days to notify the Claims Administrator whether we elect to fund all such remaining claims. If we elect to fund those claims, then we 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 we elect 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 our election.

If we make all contributions to the original settlement fund required under the settlement agreement, including all additional optional contributions as described in the immediately preceding paragraph, class members will be deemed to have released us 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, we were 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. Under the settlement, we established a claims procedure pursuant to which members of the settlement class could report problems with our OSB siding and have their properties inspected by an independent adjuster, who would measure the amount of damage and also determine the extent to which improper design, construction, installation, finishing, painting, and maintenance may have contributed to any damage. The maximum payment for damaged siding was \$3.40 per square foot for lap siding and \$2.82 per square foot for panel siding, subject to reduction by up to 75 percent for damage resulting from improper design, construction, installation, finishing, painting, or maintenance, and also subject to reduction for age of siding more than three years old. We agreed that the deduction from the payment to a member of the Florida class would not be greater than the deduction computed for a similar claimant under the national settlement agreement described above. Class members were entitled to make claims until October 4, 2000. By December 31, 2001, approximately 27,000 Florida class action claims had been paid. No further claims will be accepted or paid under this settlement.

Throughout the period the above described settlements have been in effect, we have recorded accruals which represent management's best estimates of amounts to be paid based on available information. The unusual nature of the settlements and the various alternatives available to us makes the process of estimating these accruals difficult. In connection with national settlement, the liability recorded at December 31, 2001 represents management's best estimate of the future liability related to the estimated siding claims based upon the most current information available. There can be no assurance that the ultimate liability will not significantly exceed the recorded liability.

ABT HARDBOARD SIDING MATTERS

ABT Building Products Corporation ("ABT"), ABTco, Inc., a wholly owned subsidiary of ABT ("ABTco" and, together with ABT, the "ABT Entities"), Abitibi- Price Corporation ("Abitibi"), a predecessor of ABT, and certain affiliates of Abitibi (the "Abitibi Affiliates" and, together with Abitibi, the "Abitibi Entities") have been named as defendants in a conditionally certified class action filed in the Circuit Court of Choctaw County, Alabama, on December 21, 1995 and in nine other putative class action proceedings filed in the following courts on the following dates: the Court of Common Pleas of Allegheny County, Pennsylvania on August 8, 1995; the Superior Court of Forsyth County, North Carolina on December 27, 1996; the Superior Court of Onslow County, North Carolina on January 21, 1997; the Court of Common Pleas of Berkeley County, South Carolina on September 25, 1997; the Circuit Court of Bay County, Florida on March 11, 1998; and the Superior Court of Dekalb County, Georgia on September 25, 1998. ABT and Abitibi have also been named as defendants in a putative class action proceeding filed in the Circuit Court of Jasper County, Texas on October 5, 1999. These actions were brought on behalf of various persons or purported classes of persons (including nationwide classes) who own or have purchased or installed hardboard siding manufactured or sold by the defendants. In

general, the plaintiffs in these actions have claimed unfair business practices, breach of warranty, fraud, misrepresentation, negligence, and other theories related to alleged defects, deterioration, or other failure of such hardboard siding, and seek unspecified compensatory, punitive, and other damages (including consequential damage to the structures on which the siding was installed), attorneys' fees and other relief.

We, the ABT Entities and the Abitibi Entities have also been named as defendants in a putative class action proceeding filed in the Circuit Court of Jackson County, Missouri on April 22, 1999, and we, the ABT Entities and Abitibi have been named as defendants in a putative class action proceeding filed in the District Court of Johnson County, Kansas on July 14, 1999. These actions were brought on behalf of purported classes of persons in Missouri and Kansas, respectively, who own or have purchased hardboard siding manufactured by the defendants. In general, the plaintiffs in these proceedings have claimed breaches of warranty, fraud, misrepresentation, negligence, strict liability and other theories related to alleged defects, deterioration or other failure of such hardboard siding, and seek unspecified compensatory, punitive and other damages (including consequential damage to the structures on which the siding was installed), attorneys' fees and other relief.

We acquired ABT in February 1999 and ABT was merged into LP in January of 2001.

On September 21, 2000, the Circuit Court of Choctaw County, Alabama, under the caption *Foster, et al. v. ABTco, Inc., ABT Building Products Corporation, Abitibi-Price, Inc. and Abitibi-Price Corporation* (No. CV95-151-M), approved a settlement agreement among the defendants and attorneys representing a nationwide class composed of all persons who own or formerly owned homes or, subject to limited exceptions, other buildings or structures on which hardboard siding manufactured by the defendants was installed between May 15, 1975 and May 15, 2000. Except for approximately 30 persons who timely opted out, the settlement includes and binds all members of the settlement class and resolves all claims asserted in the various proceedings described above. Under the settlement agreement, class members who had previously made a warranty claim or had already repaired or replaced their siding had until May 15, 2001 to file a claim; class members whose siding was installed between May 15, 1975 and May 15, 1976 had at least nine months following the date on which the settlement became final and nonappealable to file their claims; and all other class members will have twenty-five years after their siding was installed to file a claim.

Under the settlement agreement, the defendants will be entitled to elect to make an offer of settlement to an eligible claimant based on the information set forth in the claim submitted by such claimant, and such claimant will be entitled to accept or reject the offer. If an eligible claimant declines the offer, or if no offer is made, such claimant will be entitled to a payment based on an independent inspection. Such payments will be based on a specified dollar amount (calculated on the basis of statewide averages and ranging from \$2.65 to \$6.21, depending upon the state) per square foot of covered siding that has experienced specified types of damage, subject to reduction based on the age of the damaged siding and any failure to paint the damaged siding within stated intervals (except in the case of damaged siding installed on mobile homes, as to which a uniform 50% reduction will apply in all circumstances). If applicable, payments under the settlement will also be subject to reduction to reflect any warranty payments or certain other payments previously recovered by a claimant on account of the damaged siding. Under the settlement agreement, LP (as successor to ABT) will be required to pay the expenses of administering the settlement and certain other costs.

ABT and Abitibi were parties to an agreement of an allocation of liability with respect to claims related to siding sold prior to October 22, 1992. On June 13, 2001, in exchange for a cash payment from Abitibi of approximately \$19 million which was received in July 2001, Louisiana-Pacific Canada Ltd. (LPC), a wholly owned subsidiary of LP, agreed to accept a transfer of all of Abitibi's rights and obligations under the settlement agreement and the allocation agreement; and we and LPC agreed to indemnify and hold harmless Abitibi from any cost of liability arising from its sale of hardboard siding in the United States. From the date of the agreement, Abitibi has no further rights, obligations or liabilities under either the class action settlement agreement or the allocation agreement. All of such rights, obligations and liabilities have been assigned to and accepted and assumed by LPC.

Based on the information currently available and previously recorded reserves, management believes that the resolution of the foregoing ABT hardboard siding matters will not have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

NATURE GUARD CEMENT SHAKES MATTERS

We have been named in three putative class action proceedings filed 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*; Superior Court of California, County of San Francisco, on July 30, 2001 captioned *Mahleon R. Oyster and George Sousa v. Louisiana-Pacific Corporation*; and Superior Court of California, County of Stanislaus, on September 7, 2001, captioned *Angel H. Jasso and Angela Jasso v. Louisiana-Pacific Corporation*. The actions were filed on behalf of a purported national class of persons nationwide owning structures on which our Nature Guard Fiber 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.

We have also been named on June 13, 2001 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 national class of persons owning structures on which our Nature Guard Fiber 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, a declaration that we are financially responsible for the costs and expenses of repair and replacement of all roofs containing the product, and disgorgement of profits or restitution.

We no longer manufacture or sell fiber cement shakes, but have established and maintain a claims program for the Nature Guard shakes previously sold. We believe that we have substantial defenses to the foregoing actions and intend to defend them vigorously. At the present time, we cannot predict the potential financial impact of the above actions.

OTHER PROCEEDINGS

We are parties to other legal proceedings. Based on the information currently available, we believe that the resolution of such proceedings will not have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

CONTINGENCY RESERVES

We maintain 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, we cannot predict to what degree actual payments (including payments under the OSB siding litigation settlements or any alternative strategies adopted by us with respect to OSB siding claims) will 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 our financial statement reserves for the estimated costs of the environmental and legal matters referred to above, see Note 8 of the Notes to the financial statements in item 8 in this report.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of LP's security holders during the fourth quarter of 2001.

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PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

The common stock of LP is listed on the New York Stock Exchange with the ticker symbol "LPX". The Dow-Jones newspaper quotations symbol for the common stock is "LaPac." Information regarding the high and low sales prices for the common stock for each quarter of the last two years is included in the table in Item 6 headed "High and Low Stock Prices."

Information regarding cash dividends paid during 2001 and 2000 is included in the tables in Item 6—headed "2001 Quarterly Data" and "2000 Quarterly Data." Certain financing agreements to which we are a party prohibit us from paying cash dividends on our common stock.

ITEM 6. Selected Financial Data

	2001		2000			
	Dollar Amounts in Millions, Except Per Share					
ANNUAL DATA						
Net sales	\$	2,359.7	\$	2,932.8		
Net income (loss)		(171.6)		(13.8)		
Net income (loss) per share—basic and diluted		(1.64)		(0.13)		
Net cash provided by operating activities		148.7		82.5		
Capital expenditures—plants, logging roads and timber (excludes acquisitions)		74.7		220.3		
Working capital		183.6		275.9		
Ratio of current assets to current liabilities		1.59 to 1		1.73 to 1		
Total assets		3,016.8		3,374.7		
Long-term debt, excluding current portion		1,152.0		1,183.8		
Long-term debt as a percent of total capitalization		51.6%		47.8%		
Stockholders' equity		1,080.9		1,295.2		
Stockholders' equity per ending share of common stock		10.35		12.41		
Number of employees		9,700		11,000		
Number of stockholders of record		14,583		15,485		
	1ST QTR	2ND QTR	3RD QTR	4TH QTR		
				YEAR		
2001 QUARTERLY DATA						
Net sales	\$	558.5	\$	649.8		
Gross profit (loss)(1)		(39.8)		62.4		
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate		(113.1)		38.2		
Net income (loss)		(89.4)		(18.4)		
Net income (loss) per share—basic and diluted		(0.86)		(0.13)		
Cash dividends per share		0.14		0.24		
2000 QUARTERLY DATA						
Net sales	\$	829.7	\$	831.5		
Gross profit (loss) (1)		167.9		152.1		
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate		96.7		44.4		
Net income (loss)		57.7		(29.7)		
Net income (loss) per share—basic and diluted		0.55		0.33		
Cash dividends per share		0.14		0.14		
HIGH AND LOW STOCK PRICES						
2001 High	\$	12.29	\$	13.95		
Low		9.29		8.55		
2000 High	\$	14.05	\$	14.65		
Low		10.25		8.17		

(1) Gross profit is income before selling and administrative expenses, other operating credits and charges, taxes, minority interest, interest and equity in earnings of unconsolidated affiliate.

In the first quarter of 2000, we 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.

In the second quarter of 2000, we recorded a net charge of \$38.0 million (\$22.7 million after taxes, or \$.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.

In the third quarter of 2000, we recorded a gain on an insurance recovery of \$10.6 million (\$6.4 million after taxes, or \$.06 per diluted share) related to a 1999 fire at its Athens, Georgia OSB facility. We also recorded gains on the sales of the Mellen, Wisconsin veneer facilities and a former plant site in California that totaled \$6.1 million (\$3.7 million after taxes, or \$.03 per diluted share). In addition, we recorded charges relating to the settlement of an interest rate hedge, additional environmental reserves for sites in Quebec that were acquired in 1999, additional reserves for non-product litigation and impairment charges relating to several facilities which will be permanently closed totaling \$17.8 million (\$10.7 million after taxes, or \$.10 per diluted share).

In the fourth quarter of 2000, we recorded a net charge of \$15.4 million (\$9.4 million after taxes, or \$.09 per share) associated with the permanent closure or planned sale of several high-cost non-competitive mills. Additionally, we recorded impairment charges of \$15.4 million (\$9.4 million after taxes, or \$.09 per share) related to other assets held. We also recorded \$2.3 million (\$1.3 million after taxes, or \$.01 per share) of severance charges related to a reorganization of administrative functions.

In the first quarter of 2001, we recorded a loss of \$10.1 million (\$6.2 million after taxes, or \$0.06 per diluted share) associated with impairment charges on assets held. We 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 2001, we recorded a loss of \$2.0 million (\$1.2 million after taxes, or \$0.01 per diluted share) associated with the impairment of an equity investment.

In the third quarter of 2001, we recorded a gain of \$1.6 million (\$0.9 million after taxes, or \$0.01 per diluted share) from the sale of pollution credits associated with closed mills. We also recorded severance charges of \$0.5 million (\$0.3 million after tax, or \$0.0 per diluted share) associated with certain corporate restructurings.

In the fourth quarter of 2001, we recorded other operating credits and charges of \$54 million (\$32.9 million after taxes or \$0.32 per diluted share). Included in this number, we recorded a charge of \$37.6 million (\$23.1 million after taxes, or \$0.22 per diluted share) associated with the impairment, severance and environmental expenses due to the indefinite closure of the Chetwynd pulp mill. Additionally, we recorded impairment charges of \$10.1 million (\$6.0 million after taxes, or \$0.06 per diluted share) related to other assets held. We also recorded \$4.7 million (\$2.9 million after taxes, or \$0.03 per diluted share) of severance charges related to certain corporate restructurings. We also recorded a gain of \$4.6 million (\$2.8 million after taxes, or \$0.03 per diluted share) from the sale of pollution credits associated with closed mills. Due to the recent bankruptcy filing of Enron, we were required to record a mark-to-market adjustment on several energy contracts of \$6.1 million (\$3.7 million or \$0.04 per diluted share), as future physical delivery of the energy was no longer deemed probable.

Financial Summary

	Year Ended December 31				
	2001	2000	1999	1998	1997
Dollar Amounts in Millions, Except Per Share					
SUMMARY INCOME STATEMENT DATA(1)					
Net sales	\$ 2,359.7	\$ 2,932.8	\$ 3,071.6	\$ 2,451.1	\$ 2,563.5
Gross profit(2)	42.4	334.7	596.5	257.9	91.9
Interest, net	(59.8)	(43.1)	(11.9)	(12.8)	(29.0)
Provision (benefit) for income taxes	(112.4)	(11.5)	139.5	14.4	(44.4)
Net income (loss)	(171.6)	(13.8)	216.8	2.0	(101.8)
Net income (loss) per share—basic and diluted	(1.64)	(0.13)	2.04	0.02	(0.94)
Cash dividends per share	0.24	0.56	0.56	0.56	0.56
Average shares of common stock outstanding (millions)					
Basic	104.4	104.1	106.2	108.4	108.5
Diluted	104.4	104.1	106.2	108.6	108.5
SUMMARY BALANCE SHEETS					
Current assets	\$ 493.1	\$ 654.1	\$ 739.4	\$ 612.1	\$ 596.8
Timber and timberlands, at cost less cost of timber harvested	563.1	590.6	611.1	499.0	634.2
Property, plant and equipment, net	1,133.4	1,308.8	1,334.0	913.3	1,191.8
Notes receivable from asset sales	403.8	403.8	403.8	403.8	49.9
Goodwill and other assets	423.4	417.4	399.9	90.9	105.7
Total assets	\$ 3,016.8	\$ 3,374.7	\$ 3,488.2	\$ 2,519.1	\$ 2,578.4
Current liabilities	\$ 309.5	\$ 378.2	\$ 540.7	\$ 366.6	\$ 319.3
Long-term debt, excluding current portion	1,152.0	1,183.8	1,014.8	459.8	572.3
Deferred income taxes and other	474.4	517.5	572.7	469.9	400.6

Stockholders' equity	1,080.9	1,295.2	1,360.0	1,222.8	1,286.2
Total liabilities and stockholders' equity	\$ 3,016.8	\$ 3,374.7	\$ 3,488.2	\$ 2,519.1	\$ 2,578.4
KEY FINANCIAL TRENDS					
Working capital	\$ 183.6	\$ 275.9	\$ 198.7	\$ 245.5	\$ 277.5
Plant and logging road additions(3)	\$ 69.2	\$ 187.7	\$ 88.3	\$ 77.8	\$ 106.2
Timber additions, net	5.5	32.6	29.6	44.7	49.7
Total capital additions	\$ 74.7	\$ 220.3	\$ 117.9	\$ 122.5	\$ 155.9
Long-term debt as a percent of total capitalization	52%	48%	43%	27%	31%
Income (loss) as a percent of average equity	(14)%	(1)%	17%	—	(8)%

(1) Includes other operating credits and charges. See the Notes to the financial statements in Item 8 of this report.

(2) Gross profit (loss) is income (loss) before selling and administrative expenses, other operating credits and charges, income taxes, minority interest, interest and equity in earnings of unconsolidated affiliate.

(3) Excludes acquisitions.

ITEM 7. Management's Discussion and Analysis

CRITICAL ACCOUNTING POLICIES

Presented in Note 1 of Notes to financial statements in Item 8 of this report is a discussion of our significant accounting policies. The discussion of each of the policies outlines the specific accounting treatment related to each of these accounting areas. While all of these are important to understand when reading our financial statements, there are several policies that we have adopted and implemented from among acceptable alternatives that could lead to different financial results:

Inventory valuation. We use LIFO (last-in, first-out) method for most log and lumber inventories with the remaining inventories valued at FIFO (first-in, first-out) or average cost.

Timber and timberlands. We use an overall policy on fee timber that amortizes timber costs over the total fiber available during the estimated growth cycle as volume is harvested. Timber carrying costs, such as reforestation and forest management, are expensed as incurred. Additionally, included in the balance of timber and timberlands are values allocated to Canadian forest licenses in the purchase price allocation for Le Groupe Forex (Forex) and the assets of Evans Forest Products (Evans). This allocation was based upon appraised values.

Property, plant and equipment. We principally use the units of production method of depreciation for machinery and equipment that amortizes the cost of equipment over the estimated units that will be produced during a conservative estimate of its useful life.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Throughout the preparation of the financial statements, we employ significant judgments in the selection and application of accounting principles and methods. These judgments are primarily related to the assumptions used to arrive at various estimates. For 2001, these significant accounting estimates and judgments include:

Legal contingencies. Our estimates of our loss contingencies for legal proceedings are based on various judgments and assumptions regarding the potential resolution or disposition of the underlying claims and associated costs. With respect to OSB siding claims subject to our nationwide class action settlement, these judgments and assumptions relate to, among other things: the timing and magnitude (in terms of both the number of claims and the square footage of damaged siding) of additional claims; the extent to which claims may be resolved through means other than those provided for in the settlement; and the costs associated with the administration of the settlement and the resolution of disputes and other legal matters. In making these judgments and assumptions, we consider, among other things, discernible trends in the rate of claims assertion and related damage estimates, information obtained through consultation with statisticians, including statistical analyses of potential outcomes based on experience to date, the experience of third parties who have been subject to product-related claims judged to be comparable and our potential ability to resolve claims for less than their calculated value under the settlement. With respect to other product claims, we have much less historical experience as to both the validity of the claims and the potential means and costs of resolving or disposing of them. Due to the numerous variables associated with these judgments and assumptions, both the precision and reliability of the resulting estimates of the related loss contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to these contingencies and, as additional information becomes known, may change our estimates significantly.

Environmental contingencies. Our estimates of our loss contingencies for environmental matters are also based on various judgments and assumptions, the specific nature of which varies in light of the particular facts and circumstances surrounding each such contingency. These estimates typically reflect judgments and assumptions relating to the probable nature, magnitude and timing of required

investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect judgments and assumptions relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities. In making these judgments and assumptions we consider, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and our historical experience at other sites that are judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to environmental loss contingencies and, as additional information becomes known, may change our estimates significantly.

Impairment of Long-Lived Assets. We review the long-lived assets held and used by us (primarily property, plant and equipment and timber and timberlands) and goodwill for impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Identifying these events and changes in circumstances, and assessing their impact on the appropriate valuation of the affected assets under U.S. generally accepted accounting principles requires us to make judgments, assumptions and estimates. In general, losses are recognized when the book values exceed our estimate of the undiscounted future net cash flows associated with the affected assets. The key assumptions in estimating these cash flows are future production volumes and pricing of commodity products and future estimates of expenses to be incurred. The prices are based upon the average pricing over the commodity cycle (generally five years) due to the inherent volatility of commodity product pricing. These prices are estimated from information gathered from industry research firms, research reports published by investment analysts and other published forecasts. Our estimate of expenses are based upon our expectation that we will continue to reduce product costs that will offset inflationary impacts. When impairment is indicated, the book values of the assets are written down to their estimated fair value. Assets to be disposed of are written down to their estimated fair value, less sales costs. In situations where we have experience in selling assets of a similar nature, we may estimate net sales proceeds on the basis of that experience. In other situations, we may hire independent appraisers to estimate net sales proceeds for us. Due to the numerous variables associated with our judgments and assumptions relating to the valuation of our assets in these circumstances, and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates of the related impairment charges are subject to substantial uncertainties and, as additional information becomes known, we may change our estimates significantly.

Deferred Taxes. We record deferred tax assets, including net operating loss and other carryover amounts, and deferred tax liabilities. The amounts that we record for these assets (including any related valuation allowances) and liabilities are based upon various judgments, assumptions and estimates, including judgments regarding the tax rates that will be applicable to the deferred tax amounts, the likelihood that we will generate sufficient taxable income or gain to utilize deferred tax assets prior to their expiration, potential future tax liability relating to audits by taxing authorities and the indefinite reinvestment of foreign earnings. Due to the numerous variables associated with our judgments, assumptions and estimates relating to the valuation of our deferred tax assets and liabilities, and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates are subject to substantial uncertainties and, as additional information becomes known, we may change our estimates significantly.

RESULTS OF OPERATIONS

We lost \$171.6 million (\$1.64 per diluted share) in 2001, including pre-tax other operating credits and charges of \$67.2 million (\$40.9 million after taxes, or \$0.39 per diluted share) and the non-cash charge associated with the impairment of the investment in assets and liabilities transferred under

contractual arrangement of \$42.5 million (\$25.6 million after taxes or \$0.25 per diluted share). This compares to a loss of \$13.8 million (\$0.13 per diluted share) in 2000, including net pre-tax other operating charges and credits of \$70.5 million (\$42.5 million after taxes, or \$0.41 per diluted share) and \$5.3 million (\$3.3 million after taxes, or \$.04 per diluted share) included in the Equity in (earnings) losses of unconsolidated affiliate line item. We earned \$216.8 million (\$2.04 per diluted share) in 1999 including net pre-tax other operating charges and credits of \$8.2 million (\$5.1 million after taxes, or \$.05 per diluted share). The other operating credits and charges for all three years are discussed in further detail in Note 7 of the Notes to the financial statements included in Item 8 of this report. Excluding the effects of other operating credits and charges, we lost \$104.8 million in 2001 (\$1.00 per diluted share), earned \$32.1 million (\$.31 per diluted share) in 2000 and earned \$221.9 million (\$2.09 per diluted share) in 1999.

Sales in 2001 were \$2.4 billion, a decline of 17% from 2000 sales of \$2.9 billion. Sales in 2000 were 5% lower than 1999 sales of \$3.1 billion.

Reduced pricing for our building products and the threat of slowing housing markets factored negatively into our results for 2001 and 2000. Softening demand, along with higher industry capacity, resulted in reduced market prices for structural panels (oriented strand board (OSB), plywood and lumber). For 2000 as compared to 1999, the market-related decrease in sales was partially offset by the inclusion for a full year of the operations of ABT Building Products Corporation (ABT), which we acquired in late February 1999, Le Group Forex Inc. (Forex), which we acquired in September 1999 and certain assets of Evans Forest Products Ltd. (Evans), which were acquired in November 1999. ABT expanded our product offerings in the Exterior Products segment with hardboard and vinyl siding; expanded our Industrial Panels products segment with decorative hardboard and added plastic moldings to our Other Products segment. Forex added OSB capacity on the East Coast of North America to our Structural Products Segment, helping to fill a geographic gap. Evans added to our laminated veneer lumber (LVL), cedar decking and plywood production capacities, all of which are part of our Structural Products segment.

We operate in five major business segments: Structural Products, Exterior Products, Industrial Panel Products, Other Products, and Pulp. Structural Products is the most significant segment, accounting for approximately 60% or more of net sales in 2001, 2000, and 1999. During 2001, we continued our plan to exit the pulp business through the indefinite closure of our Chetwynd, British Columbia pulp mill (see Note 7 of the Notes to the financial statements in item 8 of this report). Our results of operations are discussed below for each of these segments separately. Additional information about the factors affecting these segments is presented in Item 1 under the heading "Segment and Price Trend Data."

Most of our products are sold as commodities and therefore sales prices fluctuate daily based on market factors over which we have little or no control. We cannot predict whether the prices of our 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. We are not able to determine to what extent, if any, we will be able to pass any future increases in the price of raw materials on to customers through product price increases.

Demand for the majority of our products is subject to cyclical fluctuations over which we have no control. Demand for our building products is heavily influenced by the level of residential construction activity and the repair and remodeling markets, both of which are subject to fluctuations due to changes in economic conditions, interest rates, population growth and other factors. These cyclical fluctuations in demand are unpredictable and may have substantial effects on our results of operations.

Selected Segment Data

	Year Ended December 31					Increase (Decrease)
	2001	2000	1999	01-00	00-99	
	Dollars Amounts in Millions					
TOTAL SALES						
Structural products	\$ 1,520	\$ 1,817	\$ 1,876	(16.3)%	(3.1)%	
Exterior products	359	329	276	9.1%	19.1%	
Industrial panel products	199	287	300	(30.7)%	(4.2)%	
Other products	235	348	477	(32.5)%	(26.9)%	
Pulp	47	152	143	(68.4)%	5.9%	
Total sales	\$ 2,360	\$ 2,933	\$ 3,072	(19.5)%	(4.5)%	
OPERATING PROFIT (LOSS)						
Structural products	\$ (1)	\$ 176	\$ 440	(100.6)%	(60.7)%	
Exterior products	16	19	53	(15.8)%	(63.8)%	
Industrial panel products	(19)	2	13	n.m.	(86.2)%	
Other products	(2)	(12)	(11)	83.3%	(9.1)%	
Pulp	(27)	13	(15)	(307.7)%	183.3%	
Other operating credits and charges, net	(67)	(71)	(8)	5.6%	n.m.	
Loss related to assets and liabilities transferred under contractual arrangement	(43)	—	—	n.m.	n.m.	
General corporate and other expense, net	(86)	(99)	(103)	13.1%	3.9%	
Interest, net	(60)	(43)	(12)	(39.5)%	(258)%	
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	\$ (289)	\$ (15)	\$ 357	(1826)%	(1042)%	

STRUCTURAL PRODUCTS

Our structural products segment manufactures and distributes structural panel products, including OSB; plywood; lumber; and EWP, including I-joists and LVL. Our structural products segment also includes our timberlands. The decline in sales for 2001 was primarily due to lower OSB and lumber prices and plywood volumes. The decline in sales for 2000 compared to 1999 was primarily due to lower OSB, plywood and lumber prices, which were partially offset by higher sales volumes resulting from the inclusion of a full year of operations of Forex and Evans that were acquired in late 1999. Percent changes in average sales prices and unit shipments were as follows:

	2001 versus 2000		2000 versus 1999	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB	(23)%	(3)%	(21)%	17%
Plywood	(2)%	(20)%	(22)%	3%
Lumber	(6)%	(2)%	(19)%	(6)%
LVL	(6)%	9%	(1)%	—
I-Joist	(4)%	3%	(3)%	7%

We and several of our competitors have announced plans to construct new OSB plants or expand existing facilities, which will add significantly to industry capacity in the next few years. Several of these planned facilities, including two of our planned facilities, have been delayed or cancelled. Anticipation

of this additional capacity, combined with a slow-down in the U.S. economy that was forecasted to slow the pace of future housing starts and, therefore, the demand for building products, drove down the average pricing for OSB in both 2001 and 2000. OSB sales volume declined in 2001 compared to 2000 due to our market related downtime and increased in 2000 compared to 1999 primarily as a result of the Forex acquisition.

The results for our plywood products also declined in 2001. The commodity side of plywood has continued to suffer from market share erosion to OSB in 2001 and 2000, particularly as OSB prices have declined in that period. We have continued to shift production to higher-value products and away from commodity sheathing products. Plywood sales volume declined in 2001 as compared to 2000 due to the closure of one plywood mill and a shift from plywood production to veneer production at two of our remaining mills for use at our LVL facilities or sale on the open market.

Our lumber sales in 2001 and 2000 declined compared to 2000 and 1999 due to weakened market conditions. The price decreases reflect an oversupply of lumber in North American markets. Decreases in our lumber volumes were primarily related to market-related downtime and the permanent closures in of several sawmills. Sales from the distribution business are shown in the Other Products segment.

Sales volumes of LVL and I-Joist both increased in 2001 due to increasing market share through the addition of several new customers. In 2000, EWP sales volume increased primarily due to agreements to market products of independent producers. In both 2001 and 2000, we have seen declining prices due to a general overcapacity in the market.

In 2001, the profitability of our Structural Products segment declined significantly, primarily due to price decreases in our commodity based products. The cumulative effect of the price declines in OSB, lumber and plywood resulted in a loss to this segment of over \$220 million. The impact of declining sales prices was offset by improvements in operating efficiencies and reduction in wood costs. In 2000, the profitability of our Structural Products segment declined significantly, primarily as a result of price decreases in OSB, plywood and lumber. Additionally, this segment was negatively impacted by significant increases in resin and energy costs in both 2001 and 2000. Overall, log costs in 2001 declined by approximately 1% and did not change significantly in 2000 compared to 1999. LIFO (last-in first-out) inventory income (expense) adjustments of \$4 million in 2001, \$10 million in 2000, \$(6) million in 1999 are included in the Structural Products segment.

EXTERIOR PRODUCTS

Our exterior products segment produces and markets wood and vinyl siding and related accessories, composite decking and specialty OSB. Percent changes in average sales prices and unit shipments were as follows:

	2001 versus 2000		2000 versus 1999	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB-based exterior products	2%	12%	(1)%	(2)%
Hardboard siding	(7)%	14%	(5)%	(13)%
Vinyl siding	(6)%	6%	—	10%
Commodity OSB	(27)%	(11)%	(14)%	447%

For 2001 compared to 2000, the increased volume of both our hardboard siding and our OSB-based exterior products was primarily due to capturing additional sales as a result of mill closures by a key competitor. Vinyl pricing declined however volume increased due to the introduction of a new line of vinyl siding products. Composite decking sales significantly increased due to a full year of operations in 2001 versus four months in 2000 (due to the introductory nature of these products, they are not included in the table above). During both 2001 and 2000, one of our specialty OSB facilities produced commodity OSB. This commodity OSB volume declined in 2001 as compared to 2000

primarily due to increasing utilization of this facility to produce OSB-based specialty products. The increase in 2000 of commodity OSB was primarily related to the conversion of a commodity OSB mill into a specialty OSB mill in early 2000. See discussion with Structural Panel Products above as to reasons for declines in the commodity OSB pricing.

Profitability of our exterior products segment declined in 2001 compared to 2000 due to lower pricing for those specialty OSB products that are closely related to commodity pricing and losses from product introduction and market penetration efforts associated with the composite decking operations. Total profits decreased in 2000 compared to 1999 primarily due to decreased sales prices and significant increase in resin costs associated with both the wood-based siding and vinyl operations.

INDUSTRIAL PANEL PRODUCTS

Our industrial panel products segment manufactures and distributes particleboard, medium density fiberboard (MDF), and decorative panels. For particleboard, 2001 sales prices declined about 11% compared to 2000 due to weak market conditions and sales volumes declined 4%. For MDF, 2001 volumes declined 75% compared to 2000 and sales prices increased 23%. The significant decline in MDF volume was due to plant closures, fiber supply shortages and increased competition from offshore suppliers. The increase in pricing is due to our focus on a higher percentage of on-grade and value added products. Hardboard sales volumes fell 16% in 2001 with sales prices remaining relatively flat due to reduced demand as a result of product substitution and a lower percentage mix of interior hardboard products of our East River, Nova Scotia facility. Our East River, Nova Scotia facility was utilized to produce more exterior hardboard siding during 2001 (see discussion in exterior products). The primary factors in the decreased profitability of this segment in 2001 were the lower volumes in MDF, higher energy costs and significant increases in wood fiber cost. For 2000 as compared to 1999, decreased demand for particleboard and MDF resulted in relatively flat average sales prices and significant reduction in volumes. During 2000, we permanently closed two MDF facilities and one hardboard facility due to market conditions. Reduced volumes and significant increases in energy costs negatively impacted our 2000 profits in this segment.

OTHER PRODUCTS

Our other products segment includes plastic molding products, as well as our distribution and wholesale business, wood chips and our OSB plants located in Chile and Ireland. Our other products segment previously included our cellulose insulation business (contributed to a joint venture in August 2000), coatings and specialty chemicals business (sold in December 1999) and our Alaska lumber and logging operations (sold in November 1999). The primary reason for the decrease in sales in our other products segment for 2001 as compared to 2000 was the significant declines in commodity prices that negatively impacted sales and profits of our distribution facilities. Additional declines are related to our Ireland operation that saw depressed pricing due to the oversupply of OSB in Europe. The primary cause of the decrease in sales in our other products segment for 2000 compared to 1999 was the sale of the coatings and specialty chemicals business and the Alaska lumber and logging operations. Additionally, in 2000, significant declines in commodity prices negatively impacted sales and profits of our distribution facilities.

The operating loss in this segment for 2001 was reduced as compared to 2000 as a result of our contribution of our cellulose insulation operation to a joint venture in August of 2000, reduction in losses in our Alaskan operations and the significant improvement in our distribution business. While sales in the

distribution business were lower, due to the prolonged reduced pricing, we were able to increase our profitability. The operating loss in this segment was relatively flat in 2000 compared to 1999.

PULP

Our pulp segment operations declined significantly in 2001. Sales volumes declined by 67% and sales averages declined by 25%. The decline in pricing was due to reduced demand for pulp in the worldwide market. Volumes declined due to the transfer in mid-February of a controlling interest in our pulp facilities in Samoa, California as described in Note 11 to the Notes to the financial statements included in item 8 of this report as well as the initial market-related curtailment and then indefinite closure of our Chetwynd, British Columbia mill (see discussion in Note 7 of the Notes to the financial statements in item 8 of this report). In addition to the impact of lower pricing and volume, higher costs for energy negatively affected profits of this segment. Comparing 2000 to 1999, our sales volumes declined 18% and our average selling prices rose 48%. For 2000 compared to 1999, the pulp markets temporarily improved as the Asian economy improved and pulp producers closed operations or took downtime. These improved prices significantly improved operating profits.

Our pulp products represent the majority of our export sales. Therefore, the changes in pulp sales were the primary reason for the decreases in 2001 and 2000 of our export sales. Information regarding our geographic segments and export sales are provided in Note 12 of the Notes to the financial statements included in Item 8 of this report.

GENERAL CORPORATE EXPENSE, NET

Net general corporate expense was \$86 million in 2001 as compared to \$99 million in 2000 and \$103 million in 1999. The decline in 2001 is primarily related to a continuing focus on cost reduction, including the elimination of numerous mid- to upper level management positions toward the end of the year and reductions in outside professional fees, travel, marketing expenses and other discretionary expenses. The decline in 2000 is primarily related to a reduction in management bonuses tied to company performance.

OTHER OPERATING CREDITS AND CHARGES, NET

For a discussion of other operating credits and charges, net, refer to Note 1 and 7 of the Notes to the financial statements included in item 8 of this report.

INTEREST, NET

In 2001, 2000 and 1999, net interest expense was \$59.8 million, \$43 million and \$11.9 million. The increase in interest expense in 2001 over 2000 was due to a higher average level of debt outstanding throughout 2001 compared to 2000 to fund operations as well as increased interest rates due to the addition of our senior subordinated notes. In 2000, net interest expense increased over 1999 due to the indebtedness incurred in connection with the Forex, ABT and Evans acquisitions.

EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATE

In August 2000, together with Casella Waste Systems, Inc., we each contributed most of the assets of our respective cellulose insulation operations to a joint venture, U.S. GreenFiber, LLC (GreenFiber). Pursuant to the Limited Liability Company Agreement, each company owns 50% of GreenFiber. Subsequent to the formation of the joint venture, GreenFiber recorded a restructuring charge related to the closure of duplicate facilities and other activities associated with streamlining the combined business. Our share of this restructuring charge in 2000 was \$5.3 million (\$3.3 million after taxes, or \$.03 per diluted share). GreenFiber elected to be treated as a partnership for income tax purposes and therefore the entity is not taxed directly. The amortization of goodwill resulting from our 1997 purchase of the contributed assets is reflected in this line item. GreenFiber's operations improved significantly in 2001 due to declines in raw material costs.

INCOME TAXES

We recorded a tax benefit of \$112.4 million in 2001 and \$11.5 million in 2000 and a tax provision of \$139.5 million in 1999. In 2001, our effective tax rate approximated the statutory rate. For 2000, the effective tax rate differed from the statutory rate primarily due to the effects of non-deductible goodwill (relative to pre-tax income (loss)), reductions in prior year provisions due to closure of prior year tax audits and an increase in the valuation allowance related to foreign tax credits due to expectation of lower future foreign income. Additionally, the income tax effects of our share of the loss of GreenFiber are recorded in this line item while our share of the pre-tax income or loss is recorded in the line item "Equity in earnings (losses) of unconsolidated affiliate." In 1999, our effective tax rate approximated the statutory rates.

LEGAL AND ENVIRONMENTAL MATTERS

Refer to Note 8 of the Notes to the financial statements included in item 8 of this report for a discussion of certain legal matters involving LP as well as the past and potential future impact on LP. In addition, a more detailed discussion of the significant past charges recorded by LP related to OSB siding litigation and the current status of related settlements follows.

Background of OSB Siding Litigation. In 1994 and 1995, we were served with numerous individual and class action lawsuits alleging defects in our OSB Siding. Those suits were settled either on an individual basis or pursuant to court approved class action settlements in Florida (the "Florida Settlement") and in Oregon (the "National Settlement").

The Florida Settlement covered residents of the State of Florida only and had a five year term that terminated on October 4, 2000. As of December 31, 2001, approximately 27,000 approved claims had been paid under the Florida Settlement at an aggregate cost of approximately \$76 million. There are no approved, unpaid Florida claims outstanding; and all future liability to Florida claimants on account of OSB siding claims subject to the settlement has been extinguished.

The National Settlement covered homeowners throughout the United States (except Florida) with our OSB Siding and has a seven year term for filing claims, which ends on December 31, 2002. The National Settlement requires us to make a total of \$275 million of mandatory payments to claimants in accordance with an agreed payment schedule. It also provides that if the total amount of claims filed during the first four years of the settlement exceeds \$275 million, the settlement terminates unless we make two additional discretionary contributions of \$50 million each: the first in August 2001 and the second in August 2002.

Prior to October 1998, it was apparent that within the first four years of the settlement, the total amount of claims would exceed \$275 million. Accordingly, for claimants electing to participate in the program, we proposed an accelerated funding program by which we prepaid, at a discount, the balance of the mandatory payments and substantially all of the \$100 million of discretionary payments (the "Early Payment Program"). In addition, we funded a separate \$125 million settlement fund from which pro-rata distributions were made to eligible claimants (the "Second Settlement Fund"). Both of these programs were approved by the court and implemented in late 1998 and early 1999.

By reason of the payments made under the foregoing programs, we have satisfied (or made provision for the satisfaction of) all funding obligations required to keep the National Settlement in effect and binding on all parties in accordance with its terms until at least August 2003.

At December 31, 2001, approximately 27,000 claims with an aggregate face value of \$117 million had been approved and were awaiting payment under the National Settlement. Additional claims will be filed during 2002. Currently, there is no money in the settlement fund to pay the vast majority of those claims. Prior to August 2003, LP must elect whether to pay all remaining approved claims filed prior to January 1, 2003. If LP elects to pay them, it must do so in two equal payments, the first of

which is due in August 2004 and the second in August 2005. Upon the payment of those sums, class members will not be able to assert any claims against us for damage to their OSB Siding subject to the settlement, except for claims arising after the termination of the settlement that are covered under our standard written warranty applicable to such siding.

We are currently exploring the possibility of implementing a program to prepay these claims at a discount in order to extinguish these liabilities within our established reserves. Inherent in the \$78 million of reserve for these claims is the assumption that we will settle the claims for less than the calculated value.

If in August 2003 we elect not to make further payment to the claimants, the unpaid claimants are thereafter released from the terms of the settlement and may pursue their individual legal remedies. In any such subsequent legal proceeding, however, all of the legal defenses waived by us under the settlement are revived and may be asserted by us as defenses.

As of December 31, 2001, (i) approximately 314,000 requests had been received for claim forms for the National Settlement and the Florida Settlement, compared to 299,000 at December 31, 2000, and (ii) approximately 201,000 completed claim forms for the National Settlement and the Florida Settlement had been received, compared to 192,000 at December 31, 2000. The average payment amount for settled claims as of December 31, 2001 and December 31, 2000 was approximately \$3,800. Excluding claims satisfied on a discounted basis pursuant to the Second Settlement Fund, the average payment amount for settled claims as of December 31, 2001 was \$5,100. The total number of completed claim forms pending (not settled) as of December 31, 2001 was approximately 27,000 (approximately 21,000 at December 31, 2000) while approximately 139,000 claims had been settled (approximately 137,000 at December 31, 2000) and approximately 35,000 claims had been dismissed (approximately 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.

Amount and Timing of Accruals. Our accruals through the periods these settlements were in effect represented management's best estimates of the amounts to be paid based on the information available at the time. However, the unusual nature of the settlements and of the circumstances that surrounded their performance makes the process of estimating these accruals difficult. The Florida Settlement has expired and we were able to complete payments to Florida claimants within our established reserves. In regard to the National Settlement, the liabilities recorded at December 31, 2001 represent management's best estimate of the future liability related to the siding claims based on the most current information available. Numerous factors affect the total amount of the future liability, including,

- Our ability to liquidate the unpaid claims at a discount (see discussion above).
- If an alternative settlement is reached, the cost of its administration, notice and attorney fees.
- The cost and uncertainties of any subsequent class actions that may be brought on behalf of unpaid claimants or the cost of defending against a myriad of individual actions.
- The cost of resolving litigation brought to recover damages arising from the use of OSB Siding (other than damages to the product itself.)

Although we do not currently anticipate that these or other factors will cause a material change in the recorded liability, there can be no assurance that the ultimate liability will not significantly exceed the recorded liability. No additional accruals were made in 2001, 2000 and 1999. Payments were \$12 million, \$136 million and \$97 million in 2001, 2000 and 1999.

Insurance Recoveries. We recorded approximately \$17.2 million of insurance recoveries in 2000 related to the OSB siding claims. We do not expect any further insurance recoveries related to OSB Siding claims.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations was \$149 million in 2001, \$83 million in 2000 and \$473 million in 1999. In 2001, the increase in cash provided from operations resulted primarily from declines in inventories, a reduction in the cash outflows for litigation contingencies and income tax refunds received. In 2000, the decline in cash provided by operations resulted primarily from the decline in operating income and increased cash outflows for litigation contingencies,

including settlements under the Second Settlement Fund. We paid out \$18 million in 2001, \$162 million in 2000 and \$104 million in 1999 related to litigation settlements.

Net cash used by our investing activities was \$50 million in 2001, including \$69 million used for the purchase of capital equipment at existing mills. Our capital expenditures were partially offset by \$48 million received from the sale or transfer of assets of including several sawmills, several non-operating facilities, a pulp mill and other equipment. Additionally, we acquired the assets and assumed an operating lease on a sawmill in Northern Idaho. Also, during 2001, we loaned SPC \$15.1 million under a secured line of credit (see discussion at Note 11 included in the Notes to the financial statements included in item 8 of this report). Net cash used by investing activities was \$261 million in 2000 and was primarily used for acquisitions of capital equipment to improve the efficiencies of existing mills. Additionally, we used \$55 million to acquire the selected assets of Sawyer Lumber Company and the assets of Hoff Companies, Inc. We received proceeds of \$21 million in 2000 from the sale of several sawmills, a veneer plant and various land sites. Net cash used in investing activities was \$783 million in 1999 and was primarily used for the ABT, Forex and Evans acquisitions as well as other capital expenditures. We received proceeds of \$74 million in 1999 from the sale of the Alaskan operations and from the sale of the coatings and chemicals business (Associated Chemists, Inc. subsidiary). Capital expenditures for 2002 are estimated to be between \$60 million and \$70 million.

In 2001, net cash used in our financing activities was \$76 million, compared to net cash provided from financing activities of \$101 million in 2000 and \$300 million in 1999. In 2001, we borrowed \$174 million and repaid \$208 million primarily associated with a public debt offering and the repayment of a term loan with a group of banks. The public debt offering consisted of \$200 million of 10.875% senior subordinated notes due in 2008 and was completed on August 13, 2001. In 2000, we borrowed \$668 million and repaid \$502 million primarily associated with a public debt offering and the repayment of bridge loans associated with 1999 acquisitions. The public debt offering consisted of \$200 million of 8.875% senior notes due 2010 and \$190 million of 8.50% senior notes due 2005 and was completed on August 18, 2000. Additional borrowings financed the acquisitions of selected assets of Sawyer Lumber Company and Hoff Companies, Inc. and payments under the Second Settlement Fund described above. In 1999, we borrowed \$629 million, primarily to finance acquisitions, and repaid \$225 million of existing debt.

We expect to be able to meet the future cash requirements of our existing businesses through cash from operations, existing cash balances, existing credit facilities and other capital resources. Cash and cash equivalents totaled \$62 million at December 31, 2001 as compared to \$38 million at December 31, 2000 and \$116 million at December 31, 1999.

We have a \$190 million secured revolving credit facility, under which no borrowings and \$44 million of letters of credit were outstanding at December 31, 2001 (available credit at December 31, 2001 was \$146 million). This facility is available until January 2004. The \$190 million revolving credit facility contains five specific financial covenants (at December 31, 2001), as follows:

1. Minimum required Shareholders Equity, as defined, of approximately \$1 billion
2. Maximum debt to capitalization ratio, as defined, of 52.5%
3. Minimum earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), as defined, for the prior four consecutive quarters of \$50 million

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4. Minimum collateral coverage ratio, as defined, of two times the committed amount
 5. The borrowing base under the receivables securitization facility described below must be at least \$50 million and the aggregate financing commitment thereunder must be at least \$100 million.

The maximum debt to capitalization ratio will decrease and the minimum EBITDA amounts will increase in future reporting periods. We are also prohibited from certain transactions, including paying cash dividends on or purchasing shares of our common stock.

Additionally, we have a \$25 million (Canadian) secured revolving credit facility, under which no borrowings and \$3 million in outstanding letters of credit were outstanding at December 31, 2001 (available credit at December 31, 2001 was \$22 million). This facility is available until December 2002, subject to extension at the option of the lender. In addition, the Canadian credit facility contains certain restrictive financial covenants, including a requirement that LPC maintain a minimum current ratio, as defined, of 1.15 to 1.0. Additionally, we, as guarantor, must comply with financial covenants substantially similar to those contained in the \$190 million credit facility discussed above.

We also have an accounts receivable securitization facility of up to \$125 million of which \$70 million was outstanding at December 31, 2001. The maximum amount available to be borrowed under this facility changes based upon the amount of eligible receivables, as defined, concentration of eligible receivables and other factors. Additionally, the facility contains a provision under which specified downgrades of our unsecured debt rating could cause an amortization event under this facility and trigger cross-defaults in other long term debt agreements.

As of December 31, 2001, we were in compliance with all of our debt covenants. For a discussion of various risks associated with our indebtedness, see the information in Outlook: Issues and Uncertainties, under the captions "Our substantial debt could have important consequences" and "The instruments governing our debt contain restrictive covenants, events of default and consequences of downgrades in our credit ratings".

Contingency reserves, which represent an estimate of future cash needs for various contingencies (principally, payments for siding litigation settlements), totaled \$155 million at December 31, 2001, of which \$20 million is estimated to be payable within one year. As with all accounting estimates, there is inherent uncertainty concerning the reliability and precision of such estimates. As described above and in Note 8 to the financial statements, the amounts ultimately paid in resolving these contingencies could exceed the current reserves by a material amount.

The table below summarizes our contractual obligations as of December 31, 2001 over the next several years. See discussion above concerning provisions that could accelerate the due dates on our long term debt.

Contractual Obligations	Payments Due By Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years

	Dollars Amounts in Millions						
Long-term debt	\$ 1,189.7	\$ 37.7	\$ 126.0	\$ 260.8	\$ 765.2		
Operating leases	60.9	8.1	15.0	12.1	25.7		
Unconditional purchase obligation	43.3	6.2	19.1	14.4	3.6		
Other long-term obligations	2.0	2.0	—	—	—		
Total contractual cash obligations	\$ 1,295.9	\$ 54.0	\$ 160.1	\$ 287.3	\$ 794.5		

STOCK REPURCHASE PROGRAM

As of December 31, 2001, we have 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. We had approximately 104 million shares outstanding at year end. Effective November 3, 2001, LP's Board of Directors rescinded this authorization.

DIVIDEND

On November 5, 2001, we announced that our Board of Directors has suspended the quarterly cash dividend. Combined, these dividend reductions are expected to result in an annual cash savings of approximately \$58 million based upon dividend levels in 2000. Our new revolving credit facility prohibits the payment of dividends until the agreement expires or its earlier termination. Prior to that, we announced on May 7, 2001, that our Board of Directors reduced the quarterly dividend to \$0.05 a share from \$0.14 per share paid in the first quarter of 2001.

POTENTIAL IMPAIRMENTS

We have a continuing financial interest in Samoa Pacific Cellulose LLC (SPC) (see discussion at Note 11 of the Notes to the financial statements in item 8 in this report) in the form of various classes of preferred equity interests and secured and unsecured receivables. Due to weak pulp markets, SPC has incurred substantial losses from operations and one of its major customers is in the process of liquidation. During 2001, we wrote off our remaining investment in SPC except for the secured amounts with a balance of \$15.1 million at December 31, 2001. While we currently believe that the secured receivable from SPC is recoverable based upon the value of underlying collateral, we continue to closely monitor SPC's operating results and financial condition and it is possible that we may be required to record further impairment charges related to SPC in the future. In addition, there are several contingent liabilities (primarily environmental in nature) associated with these operations that, under certain circumstances, could become our liabilities. We have not recorded an accrual for these liabilities, as we do not believe it is probable that we will incur these liabilities. However it is possible that we may be required to record such an accrual in the future.

Due to the current market slowdown, we continue to review several mills for potential impairments. We currently believe we have adequate support for the carrying value of each of these mills based upon the future demand and pricing assumptions. However, should the markets for our products deteriorate from December 31, 2001 levels or remain at current levels for an extended period, it is possible that we will be required to record further impairment charges.

We are currently negotiating with the Quebec government regarding the amount of government-owned timber allotted to us to construct a new OSB facility in the province. These negotiations also involve the timber that has previously been allotted to our sawmill in Lac Bouchette, Quebec. We assigned values to both timber allotments and the existing sawmill in the allocation of our purchase price of Forex in 1999. At December 31, 2001, the net book value of the sawmill was \$3.8 million (including timber allotment) and the net book value of the timber allotment for the new facility was \$15.6 million. Should these negotiations result in a reduction in the amount of timber allotted to one or both facilities, we may be required to record an impairment charge for some or all of the value assigned to one or both timber allotments and the sawmill. Depending on the outcome of these discussions, we may decide not to proceed with the construction of the new OSB facility.

Refer to Note 1 in the Notes to the financial statements included in item 8 of this report for a discussion of our accounting policy regarding asset impairments.

OUTLOOK: ISSUES AND UNCERTAINTIES

Management does not provide public forecasts of future financial performance. However, we do believe that based upon information available from industry sources that we should see improved business conditions over the next several years. Factors that support his view include a favorable interest rate environment, trend of increasing home ownership rates, steady growth of repair and remodeling and the demographics that support more housing and increased sizes. While management is optimistic about our long-term prospects, the following issues and uncertainties should be considered in evaluating our Company.

Cyclical industry conditions and commodity pricing have and may continue to adversely affect our financial conditions and results of operations. Our operating results reflect the general cyclical pattern of the building products industry. Most of our products, including structural panels and lumber, are globally traded commodity products. In addition, our products are subject to competition from manufacturers worldwide. Historical prices for our products have been volatile, and we, like other participants in the building products industry, have limited influence over the timing and extent of price changes for our products. Product pricing is significantly affected by the relationship between supply and demand in the building products industry. Product supply is influenced primarily by fluctuations in available manufacturing capacity. Demand is affected by the state of the economy in general and a variety of other factors. The demand for our building products is primarily affected by the level of new residential construction activity and home repair and remodeling activity. Demand is also subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions and other factors. We are not able to predict with certainty market conditions and selling prices for our products. We cannot assure you that prices for our products will not decline from current levels. A prolonged and severe weakness in the markets for one or more of our principle products could seriously harm our financial condition and results of operations and our ability to satisfy our cash requirements, including the payment of interest and our principle on our debt.

We have a high degree of product concentration. OSB accounted for over 30% of our revenues during fiscal 2001, and we expect OSB sales to continue to account for a substantial portion of our revenues in the future. Concentration of our business in the OSB market further increases our sensitivity to commodity pricing and price volatility. We cannot assure you that pricing for OSB or our other products will not decline from current levels.

Increased industry production capacity for OSB could constrain our operating margins for the foreseeable future. According to the APA- The Engineered Wood Association (the "APA"), an industry trade association, total North American OSB annual production capacity increased by about 1 billion square feet in 2001 on a 3/8-inch equivalent basis and is projected to increase by approximately 4.2 billion square feet in the 2002 to 2007 period. The APA has projected that total North American demand for OSB will increase by about 5.1 billion square feet during the 2002 to 2007 period. If increases in OSB production capacity exceed increases in OSB demand, OSB could have constrained operating margins for the foreseeable future.

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

Our results of operations may be harmed by increases in raw material costs. The most significant raw material used in our operations is wood fiber. We currently obtain more than 50% of our wood

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

Our operations require substantial capital and our capital resources many not be adequate to provide for all of our cash requirements. Our operations require substantial capital. Although we have invested significantly in the past, and believe that capital expenditures related to our facilities will be less in the foreseeable future, capital expenditures for expansion or replacement of existing facilities or equipment or to comply with future changes in environmental laws and regulations may require substantial expenditures. Although we maintain our production equipment with regular periodic and scheduled maintenance, we cannot assure you that key pieces of equipment in our various production processes will not need to be repaired or replaced or that we will not incur significant additional costs associated with environmental compliance. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could have a material adverse effect on our financial condition, results of operations and cash flow. Based on our current operations, we believe our cash flow from operations and other capital resources will be adequate to meet our operating needs, capital expenditures and other cash requirements for the foreseeable future. However, we cannot assure you that our capital resources will be adequate for these purposes. If our capital resources are inadequate to provide for our operating needs, capital expenditures and other cash requirements on economic terms, we could experience a material adverse effect on our business, financial condition, results of operations and cash flow.

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

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

We are involved in various environmental matters and legal proceedings. The outcome of these matters and proceedings and the magnitude of related costs and liabilities are subject to uncertainties. We currently are and from time to time in the future will be involved in a number of environmental matters and legal proceedings. These matters and proceedings, including class action settlements relating to certain of our products, have in the past caused and in the future may cause us to incur substantial costs. We have established contingency reserves in our consolidated financial statements with respect to the estimated costs of existing environmental matters and legal proceedings to the extent that our management has determined that such costs are both probable and reasonably estimable as to amount. However, such reserves are based upon various estimates and assumptions relating to future events and circumstances, all of which are subject of inherent uncertainties. We regularly monitor our estimated exposure to environmental and litigation loss contingencies and, as additional information becomes known, may change our estimates significantly. However, no estimate of the range of any such change can be made at this time. At December 31, 2001, the estimated approved but unpaid claims under the settlement agreement relating to the class action settlement of our national OSB siding litigation, exceeded the sum of the then-current balance of the related settlement fund and our remaining mandatory contributions to the related settlement fund by approximately \$117 million. Consequently, the actual costs we ultimately incur may vary significantly from the estimated costs reflected in our contingency reserves depending on our ability to settle these liabilities at discounted amounts. Moreover, we may incur costs in respect of existing and future environmental matters and legal

proceedings as to which no contingency reserves have been established. We cannot assure you that we will have sufficient resources available to satisfy the related costs and expenses associated with these matters and proceedings.

We do not maintain insurance for our losses to our standing timber from natural resources or other causes. The volume and value of timber that can be harvested from our lands or that we may purchase from other sources may be limited by natural disasters such as fire, insect infestation, disease, ice storms, flooding and other weather conditions and other causes. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations. As is typical in the industry, we do not maintain insurance for any loss to our standing timber from natural disasters or other causes.

Our substantial debt could have important consequences. As of December 31, 2001, we had consolidated debt of approximately \$1.2 billion. This level of indebtedness which could increase in the future, could (1) require us to dedicate a substantial portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures and other cash requirements; (2) limit our flexibility in planning for, or reacting to, changes and opportunities in, the building products industry, which may place us at a competitive disadvantage compared to our competitors; (3) limit our ability to incur additional debt on commercially reasonable terms, if at all; and (4) increase our vulnerability to adverse economic and industry conditions.

The instruments governing our debt contain restrictive covenants, events of default and consequences of downgrades in our credit ratings. Among other things, the covenants require us to comply with or maintain certain financial tests and ratios and restrict our ability to: (1) incur debt; (2) incur liens (3) redeem and/or prepay debt; (4) make acquisitions; (5) make investments, including loans and advances; (6) make capital expenditures; (7) engage in mergers, consolidations or sales of assets; (8) engage in transactions with affiliates; and (9) pay dividends or engage in stock redemptions. Our ability to comply with these covenants is subject to various risks and uncertainties, and events beyond our control which could affect our ability to comply with and maintain the financial tests and ratios. Any failure by us to comply with and maintain all applicable financial tests and ratios and to comply with all applicable covenants could result in an event of default with respect to, and the acceleration of the maturity of, a substantial portion of our debt. Even if we are able to comply with the applicable

covenants, the restrictions on our ability to operate our business in our sole discretion could harm our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities. In addition, specified downgrades in our credit ratings could increase our costs of borrowing and, in the case of our accounts receivable securitization facility, a one-level downgrade by a particular rating agency could (after the passage of six months time or upon a downgrade by another rating agency) result in an amortization event and trigger cross-defaults which could result in the acceleration of the maturity of a substantial portion of our debt.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of our debt portfolio due to differences in the market value of our debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Based upon our indebtedness at December 31, 2001, a 100 basis point interest rate change would impact the pre-tax net income and cash flow by \$1.2 million annually.

Our international operations create exposure to foreign currency rate risks, primarily due to fluctuations in the Canadian dollar. Although we have entered into foreign exchange contracts to manage a portion of the foreign currency rate risk associated with certain of its indebtedness, we historically have not entered into material currency rate hedges with respect to its exposure from operations (although it may do so in the future). At December 31, 2001, we had outstanding foreign exchange contracts with notional amounts of \$51 million (Canadian) to hedge firm and anticipated purchase commitments, debt payments and firm sales commitments denominated in foreign currencies.

Most of our products are sold as commodities and therefore sales prices fluctuate daily based on market factors over which we have little or no control. Significant commodity products we sell include; OSB, plywood and lumber. For OSB, with an annual volume of 5.8 billion square feet ($\frac{3}{8}$ " basis) or 4.9 billion feet ($\frac{7}{16}$ " basis), a \$1 change in the annual average price on $\frac{7}{16}$ " basis would change annual pre-tax profits by approximately \$4.9 million. For plywood, with an annual volume of 950 million square feet ($\frac{3}{8}$ " basis) or approximately 715 million square feet ($\frac{1}{2}$ " basis), a \$1 change in the annual average price on a $\frac{1}{2}$ " basis would change annual pre-tax profits by approximately \$.7 million. For lumber, with an annual volume of 1.4 billion board feet, a \$1 change in the annual average price would change annual pre-tax profits by \$1.4 million.

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

ITEM 8. Financial Statements and Supplementary Data

Consolidated Balance Sheets

December 31

2001 2000

**Dollar Amounts
in Millions**

ASSETS			
Current assets:			
Cash and cash equivalents	\$ 61.6	\$ 38.1	
Receivables, less reserves of \$3.2 and \$3.7	118.3	129.6	
Inventories	213.2	327.5	
Prepaid expenses	21.1	22.8	
Income tax refunds receivable	37.5	91.5	
Deferred income taxes	41.4	44.6	

Total current assets		493.1	654.1
Timber and timberlands, at cost less cost of timber harvested		563.1	590.6
Property, plant and equipment, at cost:			
Land, land improvements and logging roads, net of road amortization		149.0	163.6
Buildings		314.3	324.7
Machinery and equipment		1,831.7	1,966.7
Construction in progress		60.3	107.8
		2,355.3	2,562.8
Accumulated depreciation		(1,221.9)	(1,254.0)
Net property, plant and equipment		1,133.4	1,308.8
Goodwill, net of amortization		298.3	326.3
Notes receivable from asset sales		403.8	403.8
Assets transferred under contractual arrangement		29.1	—
Other assets		96.0	91.1
Total assets	\$	3,016.8	\$ 3,374.7
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	\$	37.7	\$ 39.4
Accounts payable and accrued liabilities		251.8	303.8
Current portion of contingency reserves		20.0	35.0
Total current liabilities		309.5	378.2
Long-term debt, excluding current portion:			
Limited recourse notes payable		396.5	396.5
Other debt		755.5	787.3
Total long-term debt		1,152.0	1,183.8
Deferred income taxes		235.6	334.0
Contingency reserves, excluding current portion		135.1	126.6
Other long-term liabilities and minority interest		89.7	56.9
Liabilities transferred under contractual arrangement		14.0	—
Commitments and contingencies			
Stockholders' equity:			
Common stock, \$1 par value, 200,000,000 shares authorized, 116,937,022 shares issued		117.0	117.0
Preferred stock, \$1 par value, 15,000,000 shares authorized, no shares issued		—	—
Additional paid-in capital		440.8	440.2
Retained earnings		807.6	1,004.3
Treasury stock, 12,358,920 shares and 12,576,172 shares, at cost		(230.6)	(235.1)
Accumulated comprehensive income (loss)		(53.9)	(31.2)
Total stockholders' equity		1,080.9	1,295.2
Total liabilities and stockholders' equity	\$	3,016.8	\$ 3,374.7

See Notes to Financial Statements.

Consolidated Statements of Income

	Year Ended December 31		
	2001	2000	1999
	Dollar Amounts in Millions, Except Per Share		
Net sales	\$ 2,359.7	\$ 2,932.8	\$ 3,071.6
Operating costs and expenses:			
Cost of sales	2,122.1	2,362.6	2,272.5
Depreciation and amortization	170.2	184.4	156.3
Cost of timber harvested	25.0	51.1	45.7
Selling and administrative	164.4	234.7	219.4
Other operating credits and charges, net	67.2	70.5	8.2
Loss related to assets and liabilities transferred under contractual arrangement	42.5	—	—
Total operating costs and expenses	2,591.4	2,903.3	2,702.1
Income (loss) from operations	(231.7)	29.5	369.5
Non-operating income (expense):			

Interest expense, net of capitalized interest	(95.6)	(81.0)	(47.9)
Interest income	35.8	37.9	36.0
Foreign exchange gains (losses)	2.4	(1.2)	(0.6)
Total non-operating income (expense)	(57.4)	(44.3)	(12.5)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	(289.1)	(14.8)	357.0
Provision (benefit) for income taxes	(112.4)	(8.1)	139.5
Minority interest in net income (loss) of consolidated subsidiaries	(5.1)	—	0.7
Equity in (earnings) loss of unconsolidated affiliate	—	7.1	—
Net income (loss)	\$ (171.6)	\$ (13.8)	\$ 216.8
Net income (loss) per share—basic and diluted	\$ (1.64)	\$ (0.13)	\$ 2.04
Cash dividends per share of common stock	\$ 0.24	\$ 0.56	\$ 0.56
Average shares of common stock outstanding (millions) basic and diluted	104.4	104.1	106.2

See Notes to Financial Statements.

Consolidated Statements of Cash Flows

	Year Ended December 31		
	2001	2000	1999
	Dollar Amounts in Millions		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ (171.6)	\$ (13.8)	\$ 216.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, amortization and cost of timber harvested	195.2	235.5	202.0
Other operating credits and charges, net	63.9	85.6	8.2
Cash settlements of contingencies, net of cash received	(17.6)	(162.4)	(104.0)
Loss on assets and liabilities transferred under contractual arrangement	42.5	—	—
Other adjustments	(5.6)	14.5	20.4
Decrease (increase) in receivables	8.3	67.5	7.0
Decrease (increase) in inventories	97.0	(37.4)	13.5
Decrease (increase) in income tax refunds receivable	54.0	(91.5)	46.0
Decrease (increase) in prepaid expenses	1.6	(3.0)	(5.9)
Increase (decrease) in accounts payable and accrued liabilities	(41.4)	(0.4)	12.7
Increase (decrease) in income taxes payable	—	(8.3)	2.6
Increase (decrease) in deferred income taxes	(77.6)	(3.8)	53.3
Net cash provided by operating activities	148.7	82.5	472.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant, and equipment additions	(69.2)	(187.7)	(88.3)
Timber and timberland additions	(5.5)	(32.6)	(29.6)
Proceeds from asset sales	25.1	20.5	74.2
Proceeds from transfer of assets and liabilities under contractual arrangement	22.4	—	—
Cash loaned under credit facility related to assets and liabilities transferred under contractual arrangement	(15.1)	—	—
Acquisitions, including replacement of debt	(6.9)	(54.7)	(726.1)
Other investing activities, net	(.4)	(6.6)	(13.6)
Net cash used in investing activities	(49.6)	(261.1)	(783.4)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term borrowings, including net increase in revolving borrowings	174.0	667.6	629.3
Repayment of long-term debt	(207.5)	(502.4)	(224.6)
Cash dividends	(25.1)	(58.3)	(59.2)
Purchase of treasury stock	—	(11.3)	(47.9)
Other financing activities, net	(17.0)	5.1	2.7
Net cash provided by (used in) financing activities	(75.6)	100.7	300.3
Net increase (decrease) in cash and cash equivalents	23.5	(77.9)	(10.5)

Cash and cash equivalents at beginning of year		38.1	116.0	126.5
Cash and cash equivalents at end of year	\$ 61.6	\$ 38.1	\$ 116.0	

See Notes to Financial Statements.

Consolidated Statements of Stockholders' Equity

Dollar and Share Amounts in Millions, Except Per Share Amounts

	Common Stock		Treasury Stock		Additional Paid In Capital	Retained Earnings	Loans to ESOTs	Accumulated Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
BALANCE AS OF DECEMBER 31, 1998	116.9	\$ 117.0	9.7	\$ (204.0)	\$ 465.4	\$ 918.8	\$ (28.8)	\$ (45.6)	\$ 1,222.8
Net income	—	—	—	—	—	216.8	—	—	216.8
Cash dividends, \$0.56 per share	—	—	—	—	—	(59.2)	—	—	(59.2)
Issuance of shares for employee stock plans and for other purposes	—	—	(1.2)	23.6	(20.0)	—	—	—	3.6
Purchase of treasury stock	—	—	3.5	(47.9)	—	—	—	—	(47.9)
Employee Stock Ownership Trust contribution	—	—	—	—	—	—	21.9	—	21.9
Other comprehensive income	—	—	—	—	—	—	—	2.0	2.0
BALANCE AS OF DECEMBER 31, 1999	116.9	117.0	12.0	(228.3)	445.4	1,076.4	(6.9)	(43.6)	1,360.0
Net income (loss)	—	—	—	—	—	(13.8)	—	—	(13.8)
Cash dividends, \$0.56 per share	—	—	—	—	—	(58.3)	—	—	(58.3)
Issuance of shares for employee stock plans and for other purposes	—	—	(0.3)	4.5	(5.2)	—	—	—	(0.7)
Purchase of treasury stock	—	—	0.9	(11.3)	—	—	—	—	(11.3)
Employee Stock Ownership Trust contribution	—	—	—	—	—	—	6.9	—	6.9
Other comprehensive income	—	—	—	—	—	—	—	12.4	12.4
BALANCE AS OF DECEMBER 31, 2000	116.9	117.0	12.6	(235.1)	440.2	1,004.3	—	(31.2)	1,295.2
Net income (loss)	—	—	—	—	—	(171.6)	—	—	(171.6)
Cash dividends, \$0.24 per share	—	—	—	—	—	(25.0)	—	—	(25.0)
Issuance of shares for employee stock plans and for other purposes	—	—	(0.2)	4.5	0.6	—	—	—	5.1
Other comprehensive loss	—	—	—	—	—	—	—	(22.7)	(22.7)
BALANCE AS OF DECEMBER 31, 2001	116.9	\$ 117.0	12.4	\$ (230.6)	\$ 440.8	\$ 807.6	\$ —	\$ (53.9)	\$ 1,080.9

See Notes to Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature Of Operations

Louisiana-Pacific Corporation and its subsidiaries (collectively LP or the Company) are principally engaged in the manufacture of building products. In addition to its U.S. operations, the Company also maintains manufacturing facilities in Canada, Chile and Ireland through foreign subsidiaries and joint ventures. The principal customers for the Company's building products are retail home centers, builders, manufactured housing producers, distributors and wholesalers in North America, with minor sales to Asia, Europe and South America.

During 2001, LP transferred ownership or indefinitely closed its pulp operations. In years prior to 2001, LP marketed and manufactured pulp. The principle customers for its pulp products were brokers in Asia and Europe, with minor sales occurring in North America.

A significant portion of LP's sales are derived from wood-based structural products, including oriented strand board, plywood, lumber, engineered I-joists and laminated veneer lumber. See Note 12 below for further information regarding LP's products and segments.

Use Of Estimates In The Preparation Of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. See discussion of specific estimates in the Notes entitled "Income Taxes," "Retirement Plans and Postretirement benefits," "Shareholders Equity," "Other Operating Credits and Charges, Net" and "Contingencies".

Consolidation

The consolidated financial statements include the accounts of the Company and all majority owned subsidiaries. Intercompany transactions and accounts are eliminated in consolidation. Investments in affiliates, owned 20% to 50% inclusive, are accounted for under the equity method. LP's share of earnings of such investments is shown in the income statement under the heading "Equity in (earnings) loss of unconsolidated affiliate".

Earnings Per Share

Basic and diluted earnings per share are based on the weighted average number of shares of common stock outstanding plus the effects of in-the-money outstanding stock options, computed under the treasury stock method. This method requires that the effect of potentially dilutive common stock equivalents (employee stock options and purchase plans) be excluded from the calculation of diluted earnings per share for the years in which losses are reported because the effect is anti-dilutive.

Cash And Cash Equivalents

LP considers all highly liquid securities with maturities of three months or less at the time of purchase to be cash equivalents. Included in other assets is \$8.2 million of restricted cash, which is serving as compensating balances, associated with various agreements.

LP invests its excess cash with high quality financial institutions and, by policy, limits the amount of credit exposure at any one financial institution. In addition, LP generally holds its cash investments until maturity and is therefore not subject to significant market risk.

Inventory

Inventories are valued at the lower of cost or market. Inventory costs include materials, labor and operating overhead. The LIFO (last-in, first-out) method is used for most log and lumber inventories with remaining inventories valued at FIFO (first-in, first-out) or average cost. The major types of inventories are as follows (work in process is not material):

December 31	2001	2000
	Dollar Amounts in Millions	Dollar Amounts in Millions
Logs	\$ 68.5	\$ 104.0
Other raw materials	33.5	48.6
Finished products	127.2	190.3
Supplies	18.8	21.3
LIFO reserve	(34.8)	(36.7)
 Total	 \$ 213.2	 \$ 327.5

A reduction in LIFO inventories in 2001, 2000 and 1999 resulted in a reduction of cost of sales of \$5.7 million, \$12.9 million and \$8.8 million.

Timber And Timberlands

LP follows an overall policy on fee timber that amortizes timber costs over the total fiber available during the estimated growth cycle as volume is harvested. Timber carrying costs, such as reforestation and forest management, are expensed as incurred. Cost of timber harvested includes not only the cost of fee timber, but also the amortization of the cost of long-term timber deeds and licenses.

Included in the balance of timber and timberlands are values allocated to Canadian forest licenses in the purchase price allocation for Le Groupe Forex (Forex) and the assets of Evans Forest Products (Evans) (see Note 10 for a discussion of acquisitions). These licenses have a life of twenty to twenty-five years and are renewable every five years. These licenses are amortized on a straight-line basis over the original life of the license.

The major asset classifications included in timber and timberlands are as follows:

December 31	2001	2000
	Dollar Amounts in Millions	Dollar Amounts in Millions
Fee timber and timberlands and timber deeds	\$ 405.3	\$ 432.3
Forest licenses	121.2	126.2
Deposits and other	36.6	32.1
 Total	 \$ 563.1	 \$ 590.6

Property, Plant And Equipment

LP principally uses the units of production method of depreciation for machinery and equipment which amortizes the cost of equipment over the estimated units that will be produced during its useful life. Provisions for depreciation of buildings and the remaining machinery and equipment have been computed using straight-line rates based on the estimated service lives. The effective straight-line lives for the principal classes of property range from five to twenty years.

Logging road construction costs are capitalized and included in land and land improvements. These costs are amortized as the timber volume adjacent to the road system is harvested.

LP capitalizes interest on borrowed funds during construction periods. Capitalized interest is charged to machinery and equipment accounts and amortized over the lives of the related assets. Interest capitalized during 2001, 2000, and 1999 was \$1.1 million, \$1.1 million and \$0.3 million.

Asset Impairments

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", long-lived assets to be held and used by LP (primarily property, plant and equipment and timber and timberlands) and goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Losses are recognized when the book values exceed expected undiscounted future net cash flows. These undiscounted cash flows are based upon management's estimate of future cash inflows and outflows. The key assumptions in estimating these cash flows are future pricing of commodity products and future estimates of expenses to be incurred. When impairment is indicated, the book values of the assets are written down to their estimated fair value. Assets to be disposed of are written down to their estimated fair value, less sales costs. See Note 7 below for a discussion of charges in 2001, 2000, and 1999 related to impairments of property, plant and equipment.

Deferred Income Taxes

Deferred income taxes, reflecting the impact of temporary differences between assets and liabilities recognized for financial reporting and tax purposes, are based upon tax laws enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized. See Note 3 below for further discussion of deferred taxes.

Stock-Based Compensation

Stock options and other stock-based compensation awards are accounted for using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations.

Derivative Financial Instruments

To reduce foreign currency exchange and interest rate risks, LP utilizes derivative financial instruments. LP has established policies and procedures for risk assessment and approving, reporting and monitoring of derivative financial instrument activities. Gains and losses on forward exchange contracts used to hedge the currency fluctuations on transactions denominated in foreign currencies and the offsetting losses and gains on the hedged transactions are recorded in the income statement. In general, LP does not utilize financial instruments for trading or speculative purposes.

LP utilizes forward purchase contracts in the normal course of its operations as a means of managing price risks on the purchase of energy. These contracts generally meet the definition of "normal purchases" under SFAS No. 133, as amended, and are therefore not required to be recorded at fair value. However, in the event that a contract does not meet the definition of a "normal purchase" as a result of LP's inability to use all of the energy under the contract, LP records such contracts at fair value with the corresponding gain or loss recorded in Cost of Sales (which resulted in a loss of \$3.3 million for the year ended December 31, 2001). In the event that a contract does not

meet the definition of a "normal purchase" as a result of unforeseen circumstances outside of LP's control, LP records such contracts at fair value with the corresponding gain or loss recorded in Other Operating Credits and Charges, net (which resulted in losses of \$6.1 million for the year ended December 31, 2001).

Foreign Currency Translation

The functional currency for the majority of the Company's foreign subsidiaries is the U.S. dollar. The financial statements of these foreign subsidiaries are remeasured into U.S. dollars using the historical exchange rate for property, plant and equipment, timber and timberlands, goodwill, equity and certain other non-monetary assets and liabilities and related depreciation and amortization on these assets and liabilities. LP uses the exchange rate at the balance sheet date for the remaining assets and liabilities, including deferred taxes. A weighted average exchange rate is used for each period for revenues and expenses. These transaction gains or losses are recorded in foreign exchange gains (losses) in the income statement. In cases where the local currency is the functional currency, translation adjustments (which are based upon the exchange rate at the balance sheet date for assets and liabilities and the weighted average rate for the income statement) are recorded in the Accumulated Comprehensive Income (Loss) section of Stockholders' Equity.

Goodwill

Goodwill has resulted from acquisitions and, prior to January 1, 2002, was being amortized on a straight-line basis over periods ranging from 5 to 15 years. Historically, the amortization period of goodwill was periodically reviewed by the Company. Accumulated amortization was \$67.3 million and \$39.8 million at December 31, 2001 and 2000.

Notes Receivable From Asset Sales

Notes receivable from asset sales are related to transactions that occurred during 1997 and 1998. These notes receivable (which are unsecured) provide collateral for LP's limited recourse notes payable (see Note 4 below).

In 1997, LP received \$49.9 million in notes from a third party. The notes are due in principal payments of \$20.0 million in 2008, \$20.0 million in 2009 and \$9.9 million in 2012. Interest is received in semi-annual installments and the interest rates vary from 5.62% to 7.5%.

In 1998, LP received \$353.9 million in notes from a third party. The notes are due in principal payments of \$70.8 million in 2006, \$54.3 million in 2008, \$115.1 million in 2010, \$91.4 million in 2013 and \$22.3 million in 2018. Interest is received in semi-annual installments and the weighted average interest rate of the notes is 7%.

LP believes the fair value of these notes at December 31, 2001 and 2000 was approximately \$392 million and \$391 million, respectively.

LP monitors the collectibility of these notes on a regular basis.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss), cumulative translation adjustments and additional minimum pension liability adjustments.

Year Ended December 31	2001	2000	1999
Dollar Amounts in Millions			
Net income (loss)	\$ (171.6)	\$ (13.8)	\$ 216.8
Currency translation adjustment	(0.1)	1.5	1.7
Pension minimum liability adjustment	(22.6)	10.9	—
Other	—	—	0.3
Comprehensive income (loss)	\$ (194.3)	\$ (1.4)	\$ 218.8

Revenue Recognition

Revenue is primarily recognized when customers receive products and title has passed in accordance with Staff Accounting Bulletin No. 101—Revenue Recognition in the Financial Statements.

Supplemental Cash Flow Information

Cash paid during 2001, 2000, and 1999 for interest (net of capitalized interest) was \$90.5 million, \$67.4 million and \$46.2 million. Net cash paid (received) during 2001, 2000, and 1999 for income taxes was \$(66.0) million, \$92.1 million and \$39.3 million.

During 2000, LP and Casella Waste Systems, Inc. contributed most of the assets of their respective cellulose insulation operations to a joint venture, U.S. GreenFiber, LLC (GreenFiber). Pursuant to the Limited Liability Company Agreement, each company owns 50% of GreenFiber. LP's contribution, which was transferred at book value, was approximately \$28 million.

Other Operating Credits And Charges, Net

LP classifies significant amounts that management considers to be unrelated to core operating activities as Other Operating Credits and Charges in the income statement. Such items include, but are not limited to, amounts related to restructuring charges (including asset impairment and severance charges), charges to establish litigation or environmental reserves, gains from insurance recoveries, gains or losses from settlements with governmental or other organizations and gains or losses related to asset disposals. Due to the nature of these items, amounts in the income statement can fluctuate from year to year. The determination of which items are considered significant and unrelated to core operations is based upon management's judgment. See Note 7 below for a discussion of specific amounts in 2001, 2000, and 1999.

Prospective Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 142, "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for goodwill and other intangible assets. Under this standard, goodwill and other intangible assets that are deemed to have an indefinite life will no longer be amortized. However, these indefinite life 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. LP has until June 30, 2002 to determine if any indefinite life intangible assets are impaired as of January 1, 2002 and until December 31, 2002 to determine the amount of any such impairment. If an impairment is deemed to exist, the charge will be recorded as of

January 1, 2002. Management is currently evaluating the impact of this statement. LP's goodwill amortization for 2001 was approximately \$27.5 million (\$4.6 million of which was recorded in Equity in earnings (losses) of unconsolidated affiliate in the Income Statement).

In June of 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This statement addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. Additionally, in August of 2001, the FASB

issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supersedes SFAS 121. SFAS 143 will be effective for LP beginning January 1, 2003. SFAS 144 will be effective for LP beginning January 1, 2002. Management is currently evaluating the impact of these statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31	2001	2000
	Dollar Amounts in Millions	
Accounts payable	\$ 146.9	\$ 189.9
Salaries and wages payable	30.5	36.4
Taxes other than income taxes	9.8	8.0
Workers' compensation	13.8	15.9
Other accrued liabilities	50.8	53.6
	<hr/>	<hr/>
	\$ 251.8	\$ 303.8
	<hr/>	<hr/>

3. INCOME TAXES

Income (loss) before taxes, minority interest and equity in income (loss) of unconsolidated affiliate was taxed in domestic and foreign jurisdictions, as follows:

Year Ended December 31	2001	2000	1999
	Dollar Amounts in Millions		
Domestic	\$ (271.4)	\$ (37.9)	\$ 260.5
Foreign	(17.7)	23.1	96.5
	<hr/>	<hr/>	<hr/>
	\$ (289.1)	\$ (14.8)	\$ 357.0
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Provision (benefit) for income taxes includes the following:

Year Ended December 31	2001	2000	1999
	Dollar Amounts in Millions		
Current tax provision (benefit):			
U.S. federal	\$ (31.8)	\$ (22.4)	\$ 45.8
State and local	(2.2)	(5.9)	12.9
Foreign	(3.3)	18.5	23.6
	<hr/>	<hr/>	<hr/>
Net current tax provision (benefit)	\$ (37.3)	\$ (9.8)	\$ 82.3
	<hr/>	<hr/>	<hr/>
Deferred tax provision (benefit):			
U.S. federal	\$ (54.5)	\$ 4.6	\$ 65.7
State and local	(9.4)	0.5	6.9
Foreign	(11.2)	(3.4)	(15.4)
	<hr/>	<hr/>	<hr/>
Net deferred tax provision (benefit)	\$ (75.1)	\$ 1.7	\$ 57.2
	<hr/>	<hr/>	<hr/>

The income tax effects of LP's share of the income or loss of GreenFiber in 2001 and 2000 are recorded in the line item "Provision (benefit) for income taxes" in LP's consolidated income statement, while LP's share of the pre-tax loss is recorded in the line item "Equity in earnings (loss) of unconsolidated affiliate."

The tax effects of significant temporary differences creating deferred tax (assets) and liabilities at December 31 were as follows:

December 31	2001	2000
	Dollar Amounts in Millions	
Property, plant and equipment	\$ 109.1	\$ 173.2
Timber and timberlands	152.2	159.7
Inventories	(4.6)	(5.3)
Accrued liabilities	(97.4)	(82.8)

Contingency reserves	(24.0)	(44.6)
Benefit of capital loss and NOL carryovers	(78.6)	(30.8)
Benefit of foreign ITC carryover	(7.4)	(19.3)
Benefit of U.S. alternative minimum tax credit	(18.3)	(20.8)
Installment sale gain deferral	147.7	147.7
Other	3.3	(2.3)
Valuation allowance	12.2	14.7
Net deferred tax liability	194.2	289.4
Net current deferred tax assets	(41.4)	(44.6)
Net non-current deferred tax liabilities	\$ 235.6	\$ 334.0

A subsidiary of LP, Louisiana-Pacific Canada Ltd. (LPC), has unrealized foreign investment tax credits (ITC) of approximately C\$19 million (Canadian dollars). These credits can be carried forward to offset future tax of LPC and reduce LPC's basis in the related property, plant and equipment. The credits expire C\$4 million in 2003, C\$13 million in 2004 and C\$2 million in 2005. The \$79 million of capital loss and net operating loss (NOL) carryover amount included in the above table consists of \$42 million of federal NOL carryovers which will expire in 2016; \$21 million of state NOL carryovers which will expire in various years through 2015; \$4 million of Canadian NOL carryovers which will

expire in 2005; and \$12 million of Canadian capital loss carryovers which may be carried forward indefinitely. LP has recorded a valuation allowance against the entire Canadian capital loss carryover amount. The change in the valuation allowance from 2000 to 2001 primarily represents the Canadian investment tax credits that expired in 2001.

U.S. taxes have not been provided on foreign subsidiaries' earnings of approximately \$103.1 million which are deemed indefinitely reinvested. Quantification of the deferred tax liability, if any, associated with indefinitely reinvested earnings is not practical.

The following table summarizes the differences between the statutory U.S. federal and effective income tax rates:

Year Ended December 31	2001	2000	1999
Federal tax rate	(35)%	(35)%	35%
State and local income taxes	(4)	(9)	3
Other foreign tax effects	(3)	—	—
Nondeductible goodwill amortization	3	41	1
Revisions to estimates recorded in prior years	—	(67)	—
Nonconsolidated subsidiaries taxed as partnership	—	(15)	—
Change in valuation reserve	—	29	—
Other, net	—	(1)	—
	(39)%	(55)%	39%

4. LONG-TERM DEBT

Interest Rate at Dec. 31, 2001	December 31,	
	2001	2000
Dollar Amounts in Millions		
<i>Debentures:</i>		
Senior notes, maturing 2005, interest rates fixed	8.5% \$ 189.5	\$ 189.3
Senior notes, maturing 2010, interest rates fixed	8.875	199.2
Senior subordinated notes, maturing 2008, interest rates fixed	10.875	200.0
<i>Bank credit facilities:</i>		
Revolving credit facility, repaid in 2001, interest rate variable	—	107.4
Revolving credit facility, payable in 2004, interest rate variable	—	—
Term loan, repaid in 2001, interest rate variable	—	170.0
Chilean revolving credit facility, payable in 2005, interest rate variable	4.0	6.5
Canadian revolving credit facility, payable in 2002, interest rates variable	—	—
<i>Limited recourse notes payable:</i>		
Senior notes, payable 2008-2012, interest rates fixed	7.1 - 7.5	47.9
Senior notes, payable 2006-2018, interest rates fixed	6.8 - 7.3	348.6

Project bank financing:

Waterford, Ireland, OSB plant, payable in Irish pounds through 2002, interest rate variable	4.25	5.0	7.1
Project revenue bond financings, payable through 2022, interest rates variable	1.6 - 7.1	39.3	39.3
Other financings:			
Accounts receivable securitization, payable in 2004, interest rate variable	2.1	70.0	—
Notes payable to former Forex shareholders, payable in Canadian dollars annually through 2003, interest rate variable	4.5	63.6	101.5
Other, interest rates vary		20.1	13.0
Total		1,189.7	1,223.2
Current portion		(37.7)	(39.4)
Net long-term debt	\$ 1,152.0	\$ 1,183.8	

LP believes the carrying amounts of its variable rate long-term debt approximates fair market value. LP estimates the limited recourse notes payable have a fair value of approximately \$378 million and \$383 million at December 31, 2001 and 2000. LP estimates the Senior notes maturing in 2005 and 2010 have a fair market value of \$188.1 million and \$198.0 million at December 31, 2001 and \$187.2 million and \$193.2 million at December 31, 2000 based upon market quotes. LP estimates the Senior subordinated notes have a fair market value of \$197.0 million at December 31, 2001.

The underlying assets of the related manufacturing facility typically secure project bank and project revenue financings. For one project in Louisiana, a portion of the timberlands adjacent to the facility also provides security for the loan.

In 1997, LP issued \$47.9 million of senior debt in a private placement to institutional investors. The notes mature in principal amounts of \$20 million in 2008, \$20 million in 2009, and \$7.9 million in

2012. They are secured by \$49.9 million in notes receivable from Sierra Pacific Industries. In the event of a default by Sierra Pacific Industries, LP is fully liable for the notes payable.

LP issued \$348.6 million of senior debt in June 1998 in a private placement to institutional investors. The notes mature in principal amounts of \$69.7 million in 2006, \$53.5 million in 2008, \$113.4 million in 2010, \$90.0 million in 2013 and \$22.0 million in 2018. The notes are secured by \$353.9 million of notes receivable from Simpson Timber Company. Pursuant to the terms of the notes payable, in the event of a default by Simpson, LP would be liable to pay only 10% of the indebtedness represented by the notes payable.

In April 2000, LP's shelf registration statement filing for \$750 million of debt securities was declared effective. This registration allows for debt securities to be offered from time to time in one or more series. The amount, price and other terms of any such offering are determined on the basis of market conditions and other factors existing at the time of any such offering. During August 2000, LP issued unsecured senior notes, under the shelf registration, in an aggregate principal amount of \$390 million. The net proceeds were used to retire a portion of three bridge loans used to finance acquisitions in 1999. During August 2001, LP issued unsecured senior subordinated notes in an aggregate principal amount of \$200 million under the shelf registration. The net proceeds were used to retire a term loan of \$170 million and a portion of the outstanding balance under a revolving credit facility.

In addition to the specific covenants discussed below, most of LP's debt agreements contain standard cross-default or cross-acceleration clauses to LP's other significant debt agreements.

In November 2000, LP entered into a \$170 million unsecured three-year term loan with a syndication of banks. Interest was based upon the floating London Interbank Offered Rate (LIBOR) plus 1%. The proceeds from this loan were used to repay the remaining balance on the acquisition bridge loans and to pay down a portion of the amounts owed under LP's revolving credit facility. This facility was repaid with the proceeds from the issuance of the unsecured senior subordinated notes in August 2001.

In December 2000, LP Chile entered into a five-year term credit facility with a Chilean bank. The facility is for an amount up to \$10 million. At December 31, 2001, \$6.5 million in borrowings were outstanding. The facility bears interest at LIBOR plus .9%. The proceeds from the facility will be used to fund working capital and construction of an OSB plant in Chile. Borrowings under the line of credit are secured.

In November 2001, LP entered into a \$190 million secured revolving credit facility with a syndicate of banks. This facility expires in January 2004. This facility is secured primarily by a portion of LP's timberlands located in Texas, stock of certain of LP's subsidiaries and a subordinated lien on LP's inventories in the U.S. At December 31, 2001, no borrowings and \$44 million of outstanding letters of credit were outstanding under this facility (available credit at December 31, 2001 was \$146 million). Borrowings under this agreement bear interest at LIBOR plus 3% or specified alternative rates selected by LP. Fees associated with this revolving credit facility include a facility fee of .75% per annum on the amount by which the aggregate commitments of the lenders exceed the outstanding borrowings, plus upfront fees and expenses totaling \$3.9 million, which are being amortized over the term of the agreement. These rates and fees may be adjusted according to a rate grid based upon LP's long-term debt ratings. This revolving credit facility contains five specific financial covenants (at December 31, 2001), as follows:

1. Minimum required Shareholders Equity, as defined, of approximately \$1 billion

2. Maximum debt to capitalization ratio, as defined, of 52.5%

3. Minimum earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined, for the prior four consecutive quarters of \$50 million
4. Minimum collateral coverage ratio, as defined, of two times the committed amount
5. The borrowing base under the receivables securitization facility described below must be at least \$50 million and the aggregate financing commitment thereunder must be at least \$100 million.

The maximum debt to capitalization ratio will decrease and the minimum EBITDA amounts will increase in future reporting periods. LP is also prohibited from certain transactions, including paying cash dividends on or purchasing shares of LP's common stock.

In November 2001, LP entered into an accounts receivable secured revolving credit facility providing for up to \$125 million of borrowing capacity. At December 31, 2001, approximately \$70 million was outstanding under this facility. The structure of this facility required LP to create a wholly owned nonqualifying special purpose entity, which is consolidated in accordance with SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This entity purchases receivables from LP and then borrows from a third party using receivables as collateral. The transaction is treated as a secured borrowing because the Company has the right to terminate early any borrowings outstanding, allowing LP to retain effective control over the receivables. The pledged receivables outstanding and the corresponding debt are included as Accounts Receivable and Long-term Debt on the accompanying balance sheet. At December 31, 2001, borrowings under this facility bore interest at commercial paper rates plus .55%. The maximum amount available for borrowing under this facility changes based upon the amount of eligible receivables, concentration of eligible receivables and other factors. The facility contains a provision under which specified downgrades of LP's long term unsecured senior debt rating could cause an amortization event under this facility and trigger cross-defaults in other debt agreements.

In December 2001, LPC entered into a \$25 million (Canadian) secured credit facility. This facility is secured by Canadian receivables and inventory. At December 31, 2001, no borrowings and \$3 million in letters of credit were outstanding (available credit at December 31, 2001 was \$22 million (Canadian)). Borrowings under this facility bear interest at LIBOR plus 3% or specified alternative rates selected by LPC. This interest rate may be adjusted according to a rate grid based upon LP's long-term debt ratings. Fees associated with this facility include a facility fee of .5% per annum on the amount by which the aggregate commitment of the lender exceeds the outstanding borrowings. The facility contains certain restrictive financial covenants, including a requirement that LPC maintain a minimum current ratio, as defined, of 1.15 to 1.0. Additionally, LP, as guarantor, must comply with covenants substantially similar to those contained in the \$190 million credit facility discussed above.

In connection with the unsecured installment notes payable by LPC to former Forex shareholders, LP entered into a standby purchase and note support agreement with two banks. LP would become obligated to purchase the installment notes from the two banks, upon the occurrence of a payment default under the installment notes or upon the occurrence of specified events of default that are generally comparable to those applicable to the \$190 million credit facility described above. This contingent purchase obligation is secured by LP's inventories held in the U.S. and a subordinated lien on a portion of LP's timberlands located in Texas.

LP has entered into forward contracts for the purchase of Canadian dollars to hedge fifty percent of LP's exposure to the Canadian currency for the notes payable to former Forex shareholders. These

forward contracts, which are recorded at fair value of \$2.9 million at December 31, 2001, is included in Other assets on the consolidated balance sheet. The terms of the forward contracts are the same as the related debt. Counterparties to the hedge agreements are major financial institutions who also participate in LP's bank credit facilities. Credit loss from counterparty nonperformance is not anticipated.

The weighted average interest rate for all long-term debt at December 31, 2001 and 2000 was approximately 7.4 percent and 7.6 percent. Required repayment of principal for long-term debt is as follows:

Year Ended December 31	Dollar Amounts in Millions
2002	\$ 37.7
2003	32.6
2004	93.4
2005	191.1
2006	69.7
2007 and after	765.2
Total	\$ 1,189.7

5. RETIREMENT PLANS AND POSTRETIREMENT BENEFITS

LP sponsors various defined benefit and defined contribution retirement plans that provide retirement benefits to substantially all of its employees. Vesting generally occurs after 3 to 5 years of service. Most regularly scheduled employees are eligible to participate in these plans except those covered by a collective bargaining agreement, unless the collective bargaining agreement specifically allows for participation in LP plans. LP contributes to multiple employer and multiemployer plans for certain employees covered by collective bargaining agreements.

Defined Benefit Plans

Contributions to the qualified defined benefit pension plans are based on actuarial calculations of amounts to cover current service costs and amortization of prior service costs over periods ranging from 10 to 20 years. Beginning in 2000, benefit accruals under the most significant plan, which accounts for

approximately 84% of the assets and benefit obligations in the tables below, are credited as 5% of eligible compensation with an interest credit based on the 30-year U.S. Treasury rate. Prior to 2000, this plan was frozen. There is a variety of benefit formulas in the remaining defined benefit pension plans.

LP also maintains a Supplemental Executive Retirement Plan (SERP), an unfunded non-qualified defined benefit plan intended to provide supplemental retirement benefits to key executives. Benefits are generally based on compensation in the years immediately preceding normal retirement. LP has established a grantor trust to informally provide funds for the benefits payable under the SERP and a separate executive deferred compensation plan. The deferred compensation plan was terminated late in 2001 and the participant contributions and Company matching contributions were distributed to participants in early 2002. The assets of the grantor trust are invested in corporate-owned life insurance policies. At December 31, 2001 and 2000, the trust assets were valued at \$17.4 million and \$17.0 million and are included in other assets in LP's consolidated balance sheet.

The following table sets forth the change in the benefit obligation, the change in plan assets, the plans' funded status and the amounts recognized in the consolidated balance sheet for LP sponsored plans:

December 31	2001	2000
	Dollar Amounts in Millions	
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation—January 1	\$ 218.1	\$ 211.3
Service cost	13.7	13.6
Interest cost	15.5	15.1
Amendments	—	(0.3)
Actuarial (gain) loss	11.4	(5.2)
Curtailments/settlements	(12.6)	(1.1)
Benefits paid	(21.7)	(15.3)
 Benefit obligation—December 31	 \$ 224.4	 \$ 218.1
 CHANGE IN ASSETS		
Fair value of assets—January 1	\$ 178.9	\$ 176.9
Actual return on plan assets	(15.2)	7.3
Employer contribution	19.0	11.1
Curtailments/settlements	(14.2)	(1.1)
Benefits paid	(21.7)	(15.3)
 Fair value of assets—December 31	 \$ 146.8	 \$ 178.9
 RECONCILIATION OF FUNDED STATUS		
Funded status	\$ (77.6)	\$ (39.2)
Unrecognized actuarial loss	67.4	28.9
Unrecognized prior service cost	14.4	16.9
Unrecognized asset at transition	(0.1)	(1.7)
 Prepaid benefit cost	 \$ 4.1	 \$ 4.9
 AMOUNTS RECOGNIZED IN THE BALANCE SHEET CONSIST OF:		
Prepaid benefit cost	\$ 0.8	\$ 5.89
Accrued benefit liability	(60.0)	(28.7)
Intangible asset	14.2	15.7
Accumulated other comprehensive income (pre-tax)	49.1	12.1
 Net amount recognized	 \$ 4.1	 \$ 4.9

The actuarial assumptions used to determine pension expense and the funded status of the plans were: a discount rate on benefit obligations of 7.00% in 2001, 7.75% in 2000 and 7.50% in 1999; an 8.75% expected long-term rate of return on plan assets for all three years; and a 3.0% to 5.0% annual increase in future compensation levels depending on the plan.

Net periodic pension cost included the following components:

Year Ended December 31	2001	2000	1999
	Dollar Amounts in Millions		
Service cost	\$ 13.7	\$ 13.6	\$ 2.8
Interest cost	15.5	15.1	10.9

Expected return on plan assets	(15.5)	(15.4)	(12.6)
Amortization of prior service cost and net transition asset	0.1	0.2	0.8
Recognized net actuarial loss	0.8	1.2	—
Net periodic pension cost	\$ 14.6	\$ 14.7	\$ 1.9

Defined Contribution Plans

In 2001 and 2000, these plans were primarily 401(k) plans for hourly and salaried employees in the U.S. which allow for pre-tax employee deferrals and a company match of up to 3.5% of an employee's eligible wages (subject to certain limits). Under the profit sharing feature of these plans, LP may elect to contribute a discretionary amount as a percentage of eligible wages. In 1999, LP sponsored Employee Stock Ownership Plans under which 10% of eligible wages were contributed to the plans and invested in LP common stock. Included in the assets of the 401(k) and profit sharing plans are 8.3 million shares of LP common stock that represented approximately 39.3% of the total market value of plan assets at December 31, 2001. As of January 1, 2002, employees were free to transfer all but 0.4 million of the LP shares to other investment options within the plans. Expenses related to defined contribution plans and multi-employer plans in 2001, 2000 and 1999 were \$7.0 million, \$12.1 million and \$26.6 million.

Postretirement Benefits

LP has several plans that provide minimal postretirement benefits other than pensions, primarily for salaried employees in the US and certain groups of Canadian employees. The accrued postretirement benefit cost at December 31, 2001 was \$5.6 million. Net expense related to these plans was not significant. LP does not generally provide postemployment benefits.

6. STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue up to 15,000,000 shares of preferred stock at \$1.00 par value. At December 31, 2001, no shares of preferred stock have been issued; however, 2,000,000 shares of Series A Junior Participating Preferred Stock have been reserved for issuance in connection with the Company's Shareholder Rights Plan. Additional series of preferred stock may be designated and the related rights and preferences fixed by action of the Board of Directors.

Shareholder Rights Plan

In May 1998, the Board of Directors approved a shareholder rights plan and declared a dividend of one preferred share purchase right for each outstanding common share. Each right represents the right to purchase one hundredth of a share of Preferred Stock, at an exercise price of \$100.00, subject to adjustment. The rights are only exercisable ten days after a person or group acquires, or commences a tender or exchange offer to acquire, beneficial ownership of 15% or more of the Company's outstanding common stock.

Subject to the terms of the shareholder rights plan and the discretion of the Board of Directors, each right would entitle the holder to purchase a number of additional shares of common stock of LP having a market value of twice the exercise price of each right. The rights expire in June 2006, but may be redeemed by action of the Board of Directors prior to that time at \$.01 per right.

Stock Compensation Plans

LP has several stock plans that provide for the granting of stock and stock options to officers and key employees. The objectives of these plans include attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the Company by providing employees the opportunity to acquire common stock.

LP grants options to key employees and directors to purchase LP common stock. The options are granted at 100 percent of market price at the date of grant. The options become exercisable over 3 years beginning one year after the grant date and expire 10 years after the date of grant. At December 31, 2001, 509,360 shares were available under the current stock award plan for future option grants and all other stock-based awards.

Changes in options outstanding and exercisable and weighted average exercise price were as follows:

Year Ended December 31	Number of Shares		
	2001	2000	1999
Share Amounts in Thousands			
OUTSTANDING OPTIONS			
Options outstanding at January 1	3,791	3,221	2,823
Options granted	1,730	1,124	1,235
Options exercised	(62)	(6)	(183)
Options cancelled	(530)	(548)	(654)
Options outstanding at December 31	4,929	3,791	3,221
Options exercisable at December 31	2,414	1,835	1,246
EXERCISE PRICE			

Options granted	\$ 11.27	\$ 12.29	\$ 19.13
Options exercised	\$ 10.76	\$ 11.80	\$ 16.92
Options cancelled	\$ 16.39	\$ 18.31	\$ 21.68
Options outstanding	\$ 15.77	\$ 17.82	\$ 19.79
Options exercisable	\$ 19.14	\$ 20.10	\$ 20.46
FAIR VALUE AT DATE OF GRANT			
Options granted	\$ 3.42	\$ 4.87	\$ 7.55

The Company continues to account for stock based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" under which no compensation cost for stock options is recognized for stock options granted at or above fair market value. As permitted, LP applies only the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" which establishes a fair value approach to measuring compensation expense related to employee stock plans. Had compensation expense for LP's stock-based compensation plans been determined based on the fair value at the grant dates under those

plans consistent with the fair value methodology of SFAS 123, LP's net income (loss) and net income (loss) per share would have been adjusted to the pro forma amounts indicated below:

Year Ended December 31	2001	2000	1999
Dollar Amounts in Millions, Except Per Share			
Net income (loss)			
As reported	\$ (171.6)	\$ (13.8)	\$ 216.8
Pro forma	(178.7)	(21.8)	209.4
Net income (loss) per share—basic and diluted			
As reported	\$ (1.64)	\$ (0.13)	\$ 2.04
Pro forma	(1.71)	(0.21)	1.97

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model using the actual option terms with the following assumptions: a 2.3 percent to 4.6 percent dividend yield; volatility of 42 percent in 2001, 34 percent in 2000 and 40 percent in 1999; and an average risk free interest rate of 5.3 percent in 2001, 6.8 percent in 2000 and 5.0 percent in 1999.

Summary information about the Company's stock options outstanding at December 31, 2001, is as follows:

Range of Exercise Prices	OUTSTANDING			EXERCISABLE	
	Outstanding December 31, 2001 (In Thousands)	Weighted Average Contractual Periods in Years	Weighted Average Exercise Price	Exercisable at December 31, 2001 (In Thousands)	Weighted Average Exercise Price
\$5.96-\$8.94	50	9.4	\$ 7.79	7	\$ 8.14
\$8.95-\$11.92	1,596	8.7	11.33	21	10.86
\$11.93-\$14.90	856	7.7	12.39	286	12.39
\$14.91-\$17.88	72	3.0	17.52	72	17.52
\$17.89-\$20.86	1,799	5.8	18.95	1,480	18.92
\$20.86-\$23.84	300	4.5	21.86	292	21.86
\$23.85-26.82	200	4.0	25.25	200	25.25
\$26.83-\$29.80	56	1.1	29.80	56	29.80
\$5.96-\$29.80	4,929	6.9	\$ 15.77	2,414	\$ 19.14

Performance-Contingent Stock Awards

LP has granted performance-contingent stock awards to senior executives as allowed under the current stock award plan. The awards entitle the participant to receive a number of shares of LP common stock determined by comparing LP's cumulative total stockholder return to the mean total stockholder return of five other forest products companies for the four-year period beginning in the year of the award. Awards are granted at a target share level. Depending on LP's four-year total stockholder return, the actual number of shares issued at the end of the four-year period could range from zero to 200 percent of this target. LP did not record any compensation expense related to these awards in 2001, 2000, or 1999, based on the cumulative stockholders return for the applicable periods.

6. STOCKHOLDERS' EQUITY (Continued)

Changes in performance-contingent stock awards were as follows:

Year Ended December 31	Number of Shares		
	2001	2000	1999
Target shares—awards outstanding at January 1	201,876	154,641	97,370
Target shares—awards granted	—	92,283	57,271
Target shares—awards cancelled	(57,028)	(45,048)	—
Target shares—awards outstanding at December 31	144,848	201,876	154,641

Incentive Share Awards

In 2001, LP granted incentive share stock awards to senior executives as allowed under the current stock award plan. The awards entitle the participant to receive a specified number of shares of LP common stock at no cost to the participant. Shares awarded under this program totaled 193,550 shares. These awards vest over a five-year period. However, if LP's stock trades at or above \$18.00 per share for at least five consecutive days prior to the end of the five-year period, fifty percent of the stock will automatically vest at that time. If LP's stock trades at or above \$22.00 per share for at least five consecutive days prior to the end of the five-year period, one hundred percent of the stock will automatically vest. LP recorded compensation expense related to these awards in 2001 of \$0.4 million.

Stock Purchase Plans

LP offers employee stock purchase plans to most employees. Under each plan, employees may subscribe to purchase shares of LP stock over 12 months (24 months prior to January 1, 2001) at 85 percent of the market price. During 2001, LP issued 142,987 shares to employees at an average price of \$7.49 under all Employee Stock Purchase Plans. No plans were open at December 31, 2001.

Executive Loan Program

In November 1999, the subcommittee of the Compensation Committee approved an Executive Loan Program under which up to 1,700,000 shares of Common Stock were offered by LP for purchase prior to January 23, 2000, by LP's executive officers, and other executives designated by its chief executive officer. In November 2000, this subcommittee of the Compensation Committee authorized additional loans under the Executive Loan Program during the 60-day period which ended January 23, 2001. During 2001, LP added one additional participant to the program. This participant purchased 38,275 shares of LP's stock with total loan proceeds of \$0.4 million. Also during 2001, two executives paid off their loans and accrued interest due to the termination of their employment with LP. The total loan principal of these two loans was \$1.1 million. As of December 31, 2001, the current balance of all loans outstanding was \$12.7 million covering 996,144 shares.

Each loan is initially recorded as an offset to paid-in capital. In anticipation of the loan forgiveness in 2006, LP amortizes each loan and its accrued interest to expense over the period between its inception and the anticipated forgiveness date. Therefore the balance remaining in paid-in capital

differs from the total amount outstanding on all loans discussed above. The following provides a summary of activity in paid-in capital related to the Executive Loan Program:

Year Ended December 31	2001			2000			1999		
	Dollar Amounts in Millions								
Beginning balance	\$	10.8	\$	11.0	\$	—			
New loans		0.4		1.9		11.1			
Charged to expense, net		(1.8)		(1.1)		(0.1)			
Repayments		(1.1)		(1.0)		—			
Ending balance	\$	8.3	\$	10.8	\$	11.0			

Participants were permitted to borrow up to 100 percent of the purchase price of the shares to be purchased, which was equal to the closing price of the Common Stock on the New York Stock Exchange (NYSE) on the date of delivery to LP of a participant's election to participate times the number of shares. The maximum amount an individual was permitted to borrow was three times his or her annual base pay. The loans bear interest at the annual rate of 6.02 percent.

Interest and principal are due and payable at the earlier of January 23, 2006, or 30 days following the executive's resignation or involuntary termination of employment. The loans are unsecured. With respect to loans outstanding on or entered into after November 24, 2000, if the executive remains continuously employed by LP through the following dates, the loan balance at that date will be forgiven in the following percentages: January 23, 2004, 50 percent of the original principal; January 23, 2005, an additional 25 percent of the principal plus 50 percent of the accrued interest; and January 23, 2006, all remaining principal and accrued interest. If an executive's employment is terminated due to death, disability, or termination by LP without cause, his or her loan was forgiven in a prorated amount of the percentages specified above based on the amount of time elapsed since January 23, 2001. If an executive's employment is terminated after

November 2, 2001, by reason of death, disability, involuntary termination by LP without cause or termination by the executive for good reason following a change in control of LP, an amount of original loan principal equal to the excess of the executive's cost basis in shares of Common Stock purchased under the program over the fair market value of such shares on the employment termination date (to the extent such amount exceeds loan forgiveness amounts under the program's other provisions plus any amounts paid as severance based on losses under the program), together with 100 percent of the executive's accrued loan interest, will be forgiven. In addition, if the Common Stock has traded on the NYSE for at least five consecutive trading days at specified price levels or above during the 12-month period immediately preceding January 23, 2004 or 2005 and the executive remains employed by LP, the following additional percentages of the loan balance will be forgiven: January 23, 2004, 25 percent of the principal and 50 percent of the accrued interest at a price level of \$16.00 per share or 50 percent of the principal and 100 percent of the accrued interest at a price level of \$20.00 per share; and January 23, 2005, all remaining principal and accrued interest at a price level of \$18.00 per share. No amount of a loan will be forgiven if the executive does not still own, as of the applicable date, all shares purchased under the Executive Loan Program.

7. OTHER OPERATING CREDITS AND CHARGES, NET

The major components of "Other operating credits and charges, net" in the statements of income for the years ended December 31 are reflected in the table below and described in the paragraphs following the table:

Year Ended December 31	2001	2000	1999
	Dollar Amounts in Millions		
Additions to contingency reserves	\$ (11.0)	\$ (9.7)	\$ (20.0)
Long-lived asset impairment charges	(44.6)	(62.7)	(7.6)
Gain on sale of pollution credits	6.1	—	—
Gain on asset sales	—	6.1	19.7
Gain on insurance recoveries	—	28.4	—
Mark to market on energy contracts	(6.3)	—	—
Gain (loss) on contract settlement	—	(11.4)	7.0
Severance	(9.4)	(8.2)	—
Other	(2.0)	(13.0)	(7.3)
	<hr/>	<hr/>	<hr/>
	\$ (67.2)	\$ (70.5)	\$ (8.2)
	<hr/>	<hr/>	<hr/>

2001

Contingency Reserves

In the first quarter of 2001, LP recorded a \$2.0 million charge related to increases in reserves associated with non-product litigation. In the fourth quarter of 2001, LP increased its environmental reserves by \$9.0 million. This increase was associated with the announcement of the indefinite closure of LP's Chetwynd, British Columbia pulp mill. Should the final disposition of the site be different than current expectation, additional environmental costs could be incurred.

Long-Lived Asset Impairments

LP recognized \$44.6 million in impairment charges on long-lived assets. These impairments included \$24.4 million related to the Chetwynd pulp mill, \$3.3 million related to a closed medium density fiber (MDF) facility, \$5.2 million related to an operating MDF facility, \$6.8 million related to the carrying value of certain manufacturing equipment and \$4.9 million associated with LP's Ireland OSB facility.

In the fourth quarter of 2001, LP recorded a \$24.4 million impairment charge related to the Chetwynd pulp mill coinciding with the announcement of the indefinite closure of this mill. The impairment recorded is the difference between the estimated fair value and the carrying value of this mill. The fair value was determined by an independent appraisal based upon specific assumptions as to the expected future use of the facility. Should the final disposition of these assets differ from the assumptions used in the appraisal, an additional impairment charge could be required. For the year ended December 31, 2001, LP recorded operating losses on this facility of \$19 million. At December 31, 2001, the carrying value of this asset was \$10 million.

During 2000, LP recorded an impairment charge associated with the permanent closure of a MDF facility. Due to changes in MDF market conditions in the first quarter of 2001, management determined that the mill equipment would be sold individually at auction, rather than as an operating facility. This decision resulted in an additional impairment charge for this facility of \$3.3 million to reduce the carrying value of the mill to the estimated auction value of the equipment and the property.

During 2000, LP entered into a contract with a third party to sell certain OSB manufacturing equipment. Due to the decline in OSB prices in early 2001 and the inability of the third party to obtain financing, this contract was terminated in the first quarter of 2001. In the absence of this contract, LP reduced its estimate of the fair value of the equipment. An impairment charge of \$6.8 million was recorded in the first quarter of 2001 to reduce the carrying values of the equipment to its estimated sales value less selling costs.

LP's remaining MDF facility is currently operating due to requirements under an agreement with the State of Louisiana. In the fourth quarter of 2001, LP recorded a \$5.2 million impairment charge on this facility based upon the difference between the discounted cash flows expected over the remaining term of the agreement (based upon forecasted industry pricing) and the then current carrying value.

In the fourth quarter of 2001, LP recognized an impairment charge of \$4.9 million associated with its interest in a joint venture OSB operation in Ireland. LP has been actively marketing its interest in this venture over several years. This charge reduces the carrying value of the fixed assets to be sold to their estimated fair value based upon a signed nonbinding letter of intent to sell LP's interest in the joint venture.

Mark To Market On Energy Contracts

In 2001, LP entered into two forward contracts with Enron Corporation (Enron) for the purchase of energy through 2007. Due to Enron's recent bankruptcy filing, delivery of the energy to LP under the contracts was no longer deemed probable. As a result, the contracts no longer met the definition of "normal purchases" under SFAS No. 133, as amended. LP was required to record the contracts at fair value that resulted in a \$6.1 million charge in the fourth quarter of 2001. The contracts will continue to be recorded at fair value until delivery is deemed probable.

Gain On Sale Of Pollution Credits, Equity Investment And Severance Charges

LP recorded a gain of \$6.1 million from the sale of pollution credits associated with closed mills of which \$1.6 was recorded in the third quarter of 2001 and the remaining amount in the fourth quarter of 2001. In the second quarter of 2001, LP recorded a loss of \$2.0 million associated with the impairment of an equity investment in an e-commerce company that has ceased operations.

In 2001, LP announced and began to implement a series of actions intended to reduce operating costs through involuntarily termination of employees that should enhance the Company's ability to manage effectively through a slowing economy. These actions included a net reduction of approximately 300 mid-to-high-level corporate positions. Total amount charged to other operating credits and charges in the income statements were \$9.4 million at December 31, 2001 of which \$3.0 million had been paid out to 210 of these employees, with the remaining employees to be paid severance of approximately \$6.4 under contract through 2002. No other adjustments have been made to this liability. The remaining amount is included in the caption Accounts payable and accrued liabilities on the accompanying balance sheet as of December 31, 2001.

2000

Contingency Reserves

In 2000, LP recorded \$4.3 million in the third quarter related to adjustment of environmental reserves at a number of sites to reflect current estimates of remediation costs (see Note 8 below for further details). An additional \$5.4 million was related to increases in reserves associated with non-product litigation recorded in the fourth quarter.

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Long-Lived Asset Impairments

LP recognized \$62.7 million in impairment charges on long-lived assets. Of this total, \$40 million was recorded in the second quarter related to the Samoa pulp mill to reduce the carrying value of the fixed assets to be sold to their estimated fair value based upon the estimated sales price. See Note 11 for a discussion of a 2001 transaction related to this facility. During the third and fourth quarter, impairment charges were recognized on the permanent closure or disposition of a plywood plant, two MDF facilities, a veneer facility and a hardboard facility. In connection with this decision, management estimated the fair value of these facilities by taking into account relevant factors such as the continuing decline in commodity priced products, the fair value of the real estate and the numerous mills being offered for sale by others. These valuations resulted in impairment charges of \$22.7 million. The operating losses of these facilities in 2000 were approximately \$9.6 million. Although management continues to pursue the disposal of these facilities, the timing of such disposal is not presently determinable. With regard to one of the MDF facilities mentioned above, refer to additional impairments charges recorded in 2001.

Interest Rate Hedge

In anticipation of a public debt offering, LP entered into an interest rate hedge. Due to the significant decrease in treasury rates, LP incurred a loss of \$11.4 million on this hedge, which was recorded in the second and third quarters of 2000.

Asset Sales, Insurance Settlements And Severance

In the third quarter of 2000, LP recorded total gains on asset sales of \$6.1 million, including a \$2.7 million gain on the sale of a hardwood veneer facility and a \$3.4 million gain on the sale of a non-operating facility.

During 2000, LP recognized \$28.4 million in insurance settlements. This amount is primarily comprised of \$10.6 million related to the 1999 fire at the Athens, Georgia OSB facility recorded in the third quarter and \$17.2 million associated with insurance recoveries related to OSB siding litigation, of which \$5 million was recorded in the first quarter and \$12.2 million was recorded in the second quarter.

Charges for severance totaled \$8.2 million in 2000 and were fully paid in 2000. These charges were primarily related to closures of mills discussed above and \$2.3 million associated with reorganization of administrative functions recorded in the fourth quarter.

Additionally, in the fourth quarter of 2000, LP recorded a \$7.0 million loss in connection with the write off of a note receivable associated with the sale of certain assets of Ketchikan Pulp Company.

Restructuring Charges at GreenFiber

Also, LP recognized a loss of \$5.3 million associated with its share of restructuring charges at GreenFiber, the joint venture between LP and Casella Waste Systems, Inc. This loss is reported on the line item "Equity in earnings of unconsolidated affiliate" in LP's income statement and was recorded in the fourth quarter.

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Contingency Reserves

In the third quarter of 1999, LP's Ketchikan Pulp Company (KPC) subsidiary increased its reserves for environmental liabilities by \$20.0 million as a result of changes in facts and circumstances at KPC sites and as a result of additional facts discovered, largely during activities to prepare for the sale of the majority of KPC assets. This is an estimate primarily for costs of remediation of hazardous or toxic substances on various sites owned or used by KPC and for closing and monitoring activities.

Long-Lived Asset Impairments

In the third quarter 1999, LP recorded a \$7.6 million asset impairment charge primarily in relation to the sale of the KPC facilities to reduce the carrying value of the fixed assets sold to fair value at the date of sale. The sale of KPC assets for approximately \$11.5 million in cash and promissory notes was completed in November 1999 (as discussed above, the notes were written off in the fourth quarter of 2000).

Asset Sales

In 1999, LP recorded total gains on the sale of assets of \$19.7 million. In the second quarter, LP sold timber and approximately 5,500 acres of timberlands in Texas and recorded a \$5.2 million gain on the sale. In December 1999, LP sold the assets of its Associated Chemists, Inc. (ACI) subsidiary, and recorded a gain of \$14.5 million. ACI is a manufacturer of coatings and chemicals.

Contract Settlement And Other

In the third quarter 1999, KPC recorded a \$5.0 million gain under a 1997 agreement with the U.S. government based on satisfaction of requirements under the agreement. KPC also received \$2.0 million from a local government agency upon satisfaction of certain obligations with that agency. Other losses of \$7.3 million are primarily due to the write off of a note receivable associated with the sale of assets in 1998.

8. CONTINGENCIES

Environmental Proceedings

In November 2000, LP's subsidiary Ketchikan Pulp Company ("KPC") finalized a consent decree with the federal government to complete remediation activities at KPC's former pulp mill site and of Ward Cove, a body of water adjacent to the mill site. Total costs for the investigation and remediation of Ward Cove are estimated to cost approximately \$7.5 million (of which approximately \$5.7 million had been spent at December 31, 2001).

In connection with the remediation of KPC's former log transfer facilities; the United States Forest Service (the "USFS") has asserted that KPC is obligated to adhere to more stringent remediation standards than those imposed by the Alaska Department of Environmental Conservation. The USFS has also asserted that previously closed-out facilities may need to be re-evaluated. LP disputes the authority of the USFS to require KPC to adhere to the more stringent standards, or to re-evaluate closed-out facilities. Adherence to the more stringent standards and/or re-evaluation of closed-out facilities, if ultimately required, could substantially increase the cost of the remediation.

LP is involved in a number of other 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 resulting from these matters will not have a material adverse effect on the financial position, results of operations, cash flows or liquidity of LP.

LP maintains a reserve for estimated environmental loss contingencies. The balance of the reserve was \$40.5 million and \$40.1 million at December 31, 2001 and 2000, of which \$7.5 million and \$12.9 million related to matters associated with the operations formerly conducted by KPC. The remainder of these balances was primarily for estimated future costs of remediation of hazardous or toxic substances at numerous sites currently or previously owned by the Company and closing and monitoring landfills. LP's estimates of its environmental loss contingencies are based on various assumptions and judgments, the specific nature of which varies in light of the particular facts and circumstances surrounding each environmental loss contingency. These estimates typically reflect assumptions and judgments as to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect assumptions and judgments as to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities. Due to the numerous uncertainties and variables associated with these assumptions and judgments, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. LP regularly monitors its estimated exposure to environmental loss contingencies and, as additional information becomes known, may change its estimates significantly. However, no estimate of the range of any such change can be made at this time. LP's estimates of its environmental loss contingencies do not reflect potential future recoveries from insurance carriers except to the extent that recovery may from time to time be deemed probable as a result of a carrier's agreement to payment terms. In those instances in which LP's estimated exposure reflects actual or anticipated cost-sharing arrangements with third parties, LP does not believe that it will be exposed to additional material liability as a result of non-performance by such third parties.

The activity in LP's reserve for estimated environmental loss contingency reserves for the last three years is summarized in the following table.

Year Ended December 31	Dollar Amounts in Millions		
	2001	2000	1999
Beginning balance	\$ 40.1	\$ 48.2	\$ 27.9
Accrued to expense during the year, net of reversals	8.4	10.0	24.7
Liabilities of acquired companies	—	(1.0)	7.5
Payments made	(8.1)	(17.9)	(18.3)
Other	0.1	0.8	6.4

Ending balance	\$ 40.5	\$ 40.1	\$ 48.2
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During 2001, LP adjusted its reserves to reflect the estimated remediation costs at manufacturing sites permanently closed during the year. This increase in reserves is primarily related to the indefinite closure of LP's Chetwynd, British Columbia pulp mill. Should the ultimate disposition of this facility be different than expected, additional costs for environmental remediation may be required.

During 2000, LP adjusted its reserves at a number of sites to reflect current estimates of remediation costs, including estimated remediation costs at manufacturing sites permanently closed during the year and newly discovered contamination sites requiring remediation. The most significant

adjustment occurred at sites in Quebec that LP acquired in the Forex transaction in 1999. As the sites were cleaned up, initial liability estimates that were recorded in the Forex purchase price proved inadequate due to the discovery of additional material requiring remediation and the determination that higher cost methods of remediation were required. LP therefore accrued an additional \$3.6 million to reflect the updated estimated costs of remediation. The reserve adjustments at other sites were not individually significant.

In 1999, KPC increased its reserves for environmental liabilities by \$23.7 million (including \$20.0 million charged to Other operating credits and charges, net) as a result of changes in facts and circumstances at KPC sites and as a result of additional facts discovered, largely during activities to prepare for the sale of the majority of KPC assets. This is an estimate primarily for future costs of remediation of hazardous or toxic substances on various sites owned or used by KPC and for closing and monitoring activities. The remaining 1999 accruals related to revisions of estimates at other sites.

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 December 31, 2001 through cash payments on a discounted basis of approximately \$263 million. LP's remaining mandatory contributions to the settlement fund are due in June 2002 (approximately \$2 million). In addition to its mandatory contributions, at December 31, 2001, LP had paid, on a discounted basis, approximately \$97 million of

its two \$50 million optional contributions, at a cost to LP of approximately \$68 million, and LP has committed to the court that it will make the balance of these two optional contributions when they become due in August 2002. LP was entitled to make its mandatory and optional contributions to the settlement fund on a discounted basis as a result of a court-approved early payment program (the "Early Payment Program").

During 2000, LP offered eligible claimants the opportunity to receive a pro rata share of a court approved second settlement fund (the "Second Settlement Fund") in satisfaction of their claims. Pursuant to this offer, LP paid approximately \$115 million from the Second Settlement Fund in satisfaction of approximately \$319 million in claims. All of the payments under the Second Settlement Fund has been completed. Claimants who accepted payment from the Second Settlement Fund may not file additional claims under the settlement. Claimants who elected not to participate in the Second Settlement Fund remain bound by the terms of the original settlement.

At December 31, 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 and committed optional contributions to the settlement fund by approximately \$117 million. Approximately 8,700 new claims were filed during 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 described in the immediately preceding paragraph, 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. Under the settlement, LP established a claims procedure pursuant to which members of the settlement class could report problems with LP's OSB siding and have their properties inspected by an independent adjuster, who would measure the amount of damage and also determine the extent to which improper design, construction, installation, finishing, painting, and maintenance may have contributed to any damage. The maximum payment for damaged siding was \$3.40 per square foot for lap siding and \$2.82 per square foot for panel siding, subject to reduction by up to 75 percent for damage resulting from improper design, construction, installation, finishing, painting, or maintenance, and also subject to reduction for age of siding more than three years old. LP has agreed that the deduction from the payment to a member of the Florida class will not be greater

than the deduction computed for a similar claimant under the national settlement agreement described above. Class members were entitled to make claims until October 4, 2000. By December 31, 2001, approximately 27,000 Florida class action claims had been paid. No further claims will be accepted or paid under this settlement.

Throughout the period the above described 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 these settlements and the various alternatives available to LP makes the process of estimating these accruals difficult. In connection with the national settlement, the liability recorded at December 31, 2001 represents management's best estimate of the future liability related to eligible siding claims based upon the most current information available. Inherent in the \$78 million of reserve for these claims is the assumption that LP will settle them for less than the calculated value. There can be no assurance that the ultimate liability will not significantly exceed the recorded liability.

ABT Hardboard Siding Matters

Between 1995 and 1999, ABT Building Products Corporation ("ABT"), ABTco, Inc., a wholly owned subsidiary of ABT ("ABTco" and, together with ABT, the "ABT Entities"), Abitibi- Price Corporation ("Abitibi"), a predecessor of ABT, and certain affiliates of Abitibi (the "Abitibi Affiliates" and, together with Abitibi, the "Abitibi Entities") 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 have purchased or installed hardboard siding manufactured or sold by the defendants. In general, the plaintiffs in these actions have claimed unfair business practices, breach of warranty, fraud, misrepresentation, negligence, and other theories related to alleged defects, deterioration, or other failure of such hardboard siding, and seek unspecified compensatory, punitive, and other damages (including consequential damage to the structures on which the siding was installed), attorneys' fees and other relief).

LP acquired ABT in February 1999 and ABT was merged into LP in January of 2001.

On September 21, 2000, the Circuit Court of Choctaw County, Alabama, under the caption *Foster, et al. v. ABTco, Inc., ABT Building Products Corporation, Abitibi-Price, Inc. and Abitibi-Price Corporation* (No. CV95-151-M), approved a settlement agreement among the defendants and attorneys representing a nationwide class composed of all persons who own or formerly owned homes or, subject to limited exceptions, other buildings or structures on which hardboard siding manufactured by the defendants was installed between May 15, 1975 and May 15, 2000. Except for approximately 30 persons who timely opted out, the settlement includes and binds all members of the settlement class and resolves all claims asserted in the various proceedings described above. Under the settlement agreement, class members who previously made a warranty claim or already repaired or replaced their siding had until May 15, 2001 to file a claim; class members whose siding was installed between May 15, 1975 and May 15, 1976 to file their claims; and all other class members will have twenty-five years after their siding was installed to file a claim.

8. CONTINGENCIES (Continued)

Under the settlement agreement, the defendants will be entitled to elect to make an offer of settlement to an eligible claimant based on the information set forth in the claim submitted by such claimant, and such claimant will be entitled to accept or reject the offer. If an eligible claimant declines the offer, or if no offer is made, such claimant will be entitled to a payment based on an independent inspection. Such payments will be based on a specified dollar amount (calculated on the basis of statewide averages and ranging from \$2.65 to \$6.21, depending upon the state) per square foot of covered siding that has experienced specified types of damage, subject to reduction based on the age of the damaged siding and any failure to paint the damaged siding within stated intervals (except in the case of damaged siding installed on mobile homes, as to which a uniform 50% reduction will apply in all circumstances). If applicable, payments under the settlement will also be subject to reduction to reflect any warranty payments or certain other payments previously recovered by a claimant on account of the damaged siding. Under the settlement agreement, LP (as a successor to ABT) will be required to pay the expenses of administering the settlement and certain other costs.

ABT and Abitibi were parties to an agreement of an allocation of liability with respect to claims related to siding sold prior to October 22, 1992. On June 13, 2001, in exchange for a cash payment from Abitibi of approximately \$19 million which was received in July 2001, LPC, a wholly owned subsidiary of LP, agreed

to accept a transfer of all of Abitibi's rights and obligations under the settlement agreement and the allocation agreement; and LP and LPC agreed to indemnify and hold harmless Abitibi from any cost of liability arising from its sale of hardboard siding in the United States. From the date of the agreement, Abitibi has no further rights, obligations or liabilities under either the class action settlement agreement or the allocation agreement. All of such rights, obligations and liabilities having been assigned to and accepted and assumed by LPC.

Based on the information currently available and previously recorded reserves, management believes that the resolution of the foregoing ABT hardboard siding matters will not have a material adverse effect on the financial position, results of operations, cash flows or liquidity of LP.

Nature Guard Cement Shakes Matters

LP has been named in three putative class action proceedings filed 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*; Superior Court of California, County of San Francisco, on July 30, 2001 captioned *Mahleon R. Oyster and George Sousa v. Louisiana-Pacific Corporation*; and Superior Court of California, County of Stanislaus, on September 7, 2001, captioned *Angel H. Jasso and Angela Jasso v. Louisiana-Pacific Corporation*. These actions were filed on behalf of a purported national class of persons nationwide owning structures on which LP's Nature Guard Fiber 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 on June 13, 2001 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 national class of persons owning structures on which LP's Nature Guard Fiber 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

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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, and disgorgement of profits or restitution.

LP no longer manufactures or sells fiber cement shakes, but established and maintains a claims program for the Nature Guard shakes previously sold. 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 actions.

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 loss contingency reserves in addition to the environmental reserves discussed above. The balance of these reserves, exclusive of the environmental reserves discussed above, was \$114.6 million and \$121.5 million at December 31, 2001 and 2000, respectively (of which \$78.2 million and \$90.4 million, respectively, related to OSB siding contingencies). LP's estimates of its non-environmental loss contingencies are based on various assumptions and judgments. In the case of the OSB siding contingency reserves, these assumptions and judgments relate to, among other things: the timing and magnitude (in terms of both the number of claims and the square footage of damaged siding) of additional claims; the extent to which claims may be resolved through means other than those provided for in the applicable settlement; and the costs associated with the administration of the settlement and the resolution of disputes and other legal matters. Due to the numerous uncertainties and variables associated with these assumptions and judgments, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. LP regularly monitors its estimated exposure to non-environmental loss contingencies and, as additional information becomes known, may change its estimates significantly. While no estimate of the range of any such change can be made at this time, the amount that LP may ultimately pay in connection with these matters could materially exceed, in either the near term or the longer term, the amounts accrued to date. LP's estimates of its loss contingencies do not reflect potential future recoveries from insurance carriers except to the extent that recovery may from time to time be deemed probable as a result of a carrier's agreement to payment terms.

The activity in the portion of LP's loss contingency reserves relating to OSB siding contingencies for the last three years is summarized in the following table.

Year Ended December 31	2001	2000	1999
Dollar Amounts in Millions			
Beginning balance	\$ 90.4	\$ 226.5	\$ 323.9
Payments made	(12.2)	(136.1)	(97.4)
Ending balance	\$ 78.2	\$ 90.4	\$ 226.5

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9. COMMITMENTS

LP is obligated to purchase timber under certain cutting contracts that extend to 2008. LP's best estimate of its commitment at current contract rates under these contracts at December 31, 2001 is approximately \$21.6 million for approximately 139 million board feet of timber.

LP is obligated to purchase electricity in several Western states under certain electricity contracts which extend to 2007. LP's best estimate of its commitment at current contract rates under these contracts at December 31, 2001 is approximately 449 thousand megawatts at an average cost of \$48.50 per megawatt. See Note 7 above for discussion of mark-to-market accounting for these contracts.

The Company and its subsidiaries lease certain manufacturing, warehousing and other facilities and equipment. The leases generally provide for the lessee to pay taxes, maintenance, insurance and certain other operating costs of the leased properties. At December 31, 2001, future minimum annual rent commitments are as follows:

Year Ended December 31	Dollar Amounts in Millions	
2002	\$	8.1
2003		7.2
2004		7.8
2005		6.4
2006		5.7
2007 and after		25.7
 Total	 \$	 60.9

Rental expense for operating leases amounted to \$36.3 million, \$35.3 million and \$28.2 million in 2001, 2000 and 1999, respectively.

10. ACQUISITIONS

2001

During 2001, LP acquired a sawmill in Northern Idaho for approximately \$7 million in cash and the assumption of an operating lease covering the majority of the assets related to this facility. This acquisition was accounted for as a purchase and assumption of an operating lease and the results of operations of the acquired assets were included in LP's Consolidated Statements of Income for the year ended December 31, 2001 from the date of acquisition. No goodwill was recorded in connection with this acquisition.

2000

During 2000, LP acquired selected assets of Sawyer Lumber Company and the assets of Hoff Companies for approximately \$55 million in cash. These acquisitions were accounted for as purchases and the results of operations of the acquired assets were included in LP's Consolidated Statements of Income for the years ended December 31, 2000 and 2001 from the dates of acquisition. No goodwill was recorded in connection with these acquisitions.

1999

On February 25, 1999, LP acquired the capital stock of ABT Building Products Corporation (ABT) for approximately \$164 million in cash. Concurrent with the acquisition, LP also paid off approximately \$49 million of ABT debt. The acquisition was accounted for as a purchase and ABT's results of operations for the period subsequent to the acquisition have been included in LP's Consolidated

Statements of Income for the years ended December 31, 1999, 2000 and 2001. The purchase price was allocated to the assets and liabilities of ABT based on their estimated fair values. Based on these estimates, LP recorded \$53 million of goodwill in its Consolidated Balance Sheet at December 31, 1999, which was being amortized using the straight-line method over 15 years.

On September 14, 1999, LP acquired the capital stock of Forex for a total purchase price of approximately \$516.5 million. Approximately \$376.6 million of this amount was paid in cash and approximately \$139.9 million was paid through the issuance of promissory notes to Forex shareholders. Concurrent with the acquisition, LP also paid off approximately \$101.5 million of Forex debt. In connection with the acquisition of Forex, LP borrowed \$426.6 million under new uncommitted bank credit facilities. The acquisition was accounted for as a purchase and Forex's results of operations for the period subsequent to the acquisition have been included in LP's Consolidated Statements of Income for the years ended December 31, 1999, 2000 and 2001. The purchase price was allocated to the assets and liabilities of Forex based on their estimated fair values. Based on these estimates, LP recorded \$271.0 million of goodwill in its Consolidated Balance Sheet at December 31, 1999, which was being amortized using the straight-line method over 15 years.

The following unaudited pro forma financial information gives effect to the acquisitions of ABT and Forex as if they had been consummated at the beginning of each period presented.

Year Ended December 31 1999	Dollar Amounts in Millions Except Per Share	
Net sales	\$	3,110.5
Net income		235.2
Net income per share—basic and diluted	\$	2.21

The principal pro forma adjustments reflected above are adjustments to record interest expense on indebtedness incurred in connection with the acquisitions, increased depreciation expense resulting from the allocation of purchase price to acquired fixed assets at their estimated fair value, increased depletion expense resulting from the allocation of purchase price to acquired timber contracts at their estimated fair value and the amortization of goodwill. The foregoing pro forma information is provided for illustrative purposes only and does not purport to be indicative of results that actually would have been achieved had the acquisitions been consummated at the beginning of the periods presented or of future results.

On November 30, 1999, LP acquired the assets of Evans for approximately \$98 million in cash. The acquisition was accounted for as a purchase and the results of operations of the acquired assets for the period subsequent to the acquisition have been included in LP's Consolidated Statements of Income for the years ended December 31, 1999, 2000 and 2001. No goodwill was recorded related to this acquisition.

11. DISPOSITIONS

In February 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 a fair value of \$29 million and retained preferred stock of SPC valued at a fair value of approximately \$9 million. Management believed the fair value of the consideration received approximated the carrying value of the assets at that time. The preferred stock is pledged as collateral against SPC's senior borrowing. The term of the promissory notes is longer than five years. Additionally, LP has agreed to provide SPC an \$18 million credit facility secured by accounts receivable and inventory. At

December 31, 2001, the balance owed to LP under the credit facility was \$15.1 million. If SPC defaults on this line of credit and the security does not cover the outstanding balance due to LP, additional losses could be incurred.

Due to its continuing financial interest in SPC, LP did not record the transaction as a sale. In compliance with Staff Accounting Bulletin No. 30—Accounting For Divestiture Of A Subsidiary Or Other Business Operation, LP recorded the assets and the liabilities of SPC on LP's balance sheet under the captions "Assets transferred under contractual arrangement" and "Liabilities transferred under contractual arrangement." During 2001, LP recorded a valuation allowance equal to its non-secured, net investment in SPC due to SPC's substantial losses from operations due to weak pulp markets. This valuation allowance is reflected on LP's Consolidated Statements of Income under the caption "Loss related to assets and liabilities transferred under contractual arrangement."

In addition, there are several contingent liabilities (primarily environmental in nature) associated with these operations that, under certain circumstances, could become liabilities of LP. LP has not recorded an accrual for these liabilities, as it does not believe it is probable that it will incur these liabilities, although it is possible that LP may be required to record such an accrual in the future.

12. SEGMENT INFORMATION

LP operates in five major business segments: Structural Products, Exterior Products, Industrial Panel Products, Other Products, and Pulp. LP's business units have been aggregated into these five reportable segments based on the similarity of economic characteristics, customers, distributions methods and manufacturing processes. Segment information was prepared in accordance with the same accounting principles as those described in Note 1 above. LP evaluates the performance of its business segments based on operating profits excluding other operating credits and charges, general corporate and other expenses, interest, equity in earnings of unconsolidated affiliate and income taxes.

The Structural Products segment includes North American OSB, plywood, lumber, engineered wood products (EWP), (primarily laminated veneer lumber (LVL) and I-joists) and timberlands. The Exterior Products segment includes wood and vinyl siding and related accessories, composite decking and specialty OSB products. The Industrial Panel Products segment includes particleboard, medium density fiberboard (MDF), hardboard and decorative panels. The Other Products segment includes distribution facilities, plastic moldings, wood chips, coatings and specialty chemicals (sold in December of 1999), cellulose insulation (contributed to a joint venture in August of 2000), Ireland OSB operations, Chile OSB operations, Alaska lumber and logging operations (sold in November of 1999) and other products. The Pulp segment includes the wood pulp products of LP's two pulp mills (controlling interest of one of which was transferred in February of 2001 as described in Note 11 and the indefinite closure of the other of which was announced in October 2001).

Export sales are primarily to customers in Asia and Europe. Information about LP's geographic segments is as follows:

Year Ended December 31	2001	2000	1999
	Dollar Amounts in Millions		
TOTAL SALES—POINT OF ORIGIN			
U.S.	\$ 1,895	\$ 2,331	\$ 2,743
Canada and other	705	832	455
Intersegment sales to US	(240)	(230)	(126)
Total sales	\$ 2,360	\$ 2,933	\$ 3,072
Export Sales (included above)	\$ 76	\$ 152	\$ 193
OPERATING PROFIT (LOSS)			
U.S.	\$ (17)	\$ 210	\$ 391
Canada and other	(16)	78	89
Other operating credits and charges, net	(67)	(71)	(8)
Loss related to assets and liabilities transferred under contractual arrangement	(43)	—	—
General corporate expense and interest, net	(146)	(235)	(115)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	\$ (289)	\$ (18)	\$ 357
IDENTIFIABLE ASSETS			

U.S.	\$ 2,024	\$ 2,274	\$ 2,335
Canada and other	993	1,101	1,153
Total assets	\$ 3,017	\$ 3,375	\$ 3,488

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Information about LP's product segments is as follows:

Year Ended December 31	2001	2000	1999
	Dollar Amounts in Millions		
TOTAL SALES			
Structural products	\$ 1,520	\$ 1,817	\$ 1,876
Exterior products	359	329	276
Industrial panel products	199	287	300
Other products	235	348	477
Pulp	47	152	143
Total sales	\$ 2,360	\$ 2,933	\$ 3,072
OPERATING PROFIT (LOSS)			
Structural products	\$ (1)	\$ 176	\$ 440
Exterior products	16	19	53
Industrial panel products	(19)	2	13
Other products	(2)	(12)	(11)
Pulp	(27)	13	(15)
Other operating credits and charges, net	(67)	(71)	(8)
Loss related to assets and liabilities transferred under contractual arrangement	(43)	—	—
General corporate and other expense, net	(86)	(99)	(103)
Interest, net	(60)	(43)	(12)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	\$ (289)	\$ (15)	\$ 357

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Year Ended December 31	2001	2000	1999
	Dollar Amounts in Millions		
IDENTIFIABLE ASSETS			
Structural products	\$ 1,559	\$ 1,689	\$ 1,738
Exterior products	227	203	199
Industrial panel products	114	142	160
Other products	162	228	174
Pulp	24	143	176
Non-segment related	931	970	1,041
Total assets	\$ 3,017	\$ 3,375	\$ 3,488
DEPRECIATION, AMORTIZATION AND COST OF TIMBER HARVESTED			
Structural products	\$ 144	\$ 167	\$ 123
Exterior products	22	20	14
Industrial panel products	9	14	14
Other products	6	14	17
Pulp	3	10	11
Non-segment related	11	11	23
Total depreciation, amortization and cost of timber harvested	\$ 195	\$ 236	\$ 202
CAPITAL EXPENDITURES			
Structural products	\$ 38	\$ 146	\$ 94
Exterior products	14	27	3
Industrial panel products	5	7	6
Other products	8	20	8
Pulp	1	2	4
Non-segment related	3	18	3
Total capital expenditures	\$ 69	\$ 220	\$ 118

(1) See Note 7 above for an explanation of other operating credits and charges, net.

Independent Auditors' Report

To the Board of Directors and Stockholders of Louisiana-Pacific Corporation:

We have audited the accompanying consolidated balance sheets of Louisiana-Pacific Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Louisiana-Pacific Corporation and subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

Portland, Oregon
January 30, 2002

REPORT ON MANAGEMENT'S RESPONSIBILITIES

Louisiana-Pacific Corporation and Subsidiaries

Management of Louisiana-Pacific Corporation is responsible for the preparation, integrity and fair presentation of the consolidated financial statements and the estimates and judgments upon which certain amounts in the financial statements are based. Management is also responsible for preparing other information included in this annual report on Form 10-K. In our opinion, the accompanying financial statements have been prepared in conformity with generally accepted accounting principles in all material respects, and the other information in this annual report on Form 10-K has been prepared on a basis consistent with the financial statements.

Management is also responsible for establishing and maintaining a system of internal control over financial reporting, including policies, procedures and controls designed to provide reasonable assurance as to the safeguarding of assets and the reliability of the published financial statements. The Corporation's internal audit staff regularly performs an independent assessment of this system in order to confirm that the system is adequate and operating effectively. The Corporation's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements. Management has considered any significant recommendations regarding the internal control system that have been brought to its attention by the internal audit staff or independent public accountants and has taken steps it deems appropriate to maintain a cost-effective internal control system. The Finance and Audit Committee of the Board of Directors, consisting entirely of independent directors who meet or exceed all criteria established by the SEC, provides oversight to the financial reporting process.

The Corporation's management, internal auditors and independent public accountants meet regularly with the Finance and Audit Committee to discuss financial reporting and internal control issues and have full and free access to the Finance and Audit Committee at all times.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of an internal control system can vary over time due to changes in conditions.

Management believes that as of December 31, 2001, the internal control system over financial reporting is adequate and effective in all material respects.

Mark A. Suwyn

Mark A. Suwyn
Chairman and CEO

Curtis M. Stevens

Curtis M. Stevens
Vice President, Treasurer and CFO

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III**ITEM 10. Directors and Executive Officers of the Registrant**

Information regarding LP's directors is incorporated herein by reference to the material included under the caption "Item 1—Election of Directors" in the definitive proxy statement filed by LP for its 2001 annual meeting of stockholders (the "2002 Proxy Statement"). Information regarding LP's executive officers is located in Item 1 of this report under the caption "Executive Officers of Louisiana-Pacific Corporation." Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the material included under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2002 Proxy Statement.

ITEM 11. Executive Compensation

Information regarding executive compensation is incorporated herein by reference to the material under the captions "Compensation Committee—Interlocks and Insider Participation," "Compensation of Executive Officers," "Retirement Benefits," "Directors' Compensation," and "Agreements with Executive Officers" in the 2002 Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference to the material under the caption "Holders of Common Stock" in the 2002 Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions

Information regarding management transactions is incorporated herein by reference to the material under the captions "Compensation Committee—Interlocks and Insider Participation" and "Management Loans and Other Transactions" in the 2002 Proxy Statement.

PART IV**ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K****A. Financial Statements and Financial Statement Schedules**

The following financial statements of LP are included in this report:

Consolidated Balance Sheets—December 31, 2001, and 2000.
Consolidated Statements of Income—years ended December 31, 2001, 2000, and 1999.
Consolidated Statements of Cash Flows—years ended December 31, 2001, 2000, 1999.
Consolidated Statements of Stockholders' Equity—years ended December 31, 2001, 2000 and 1999.
Notes to Financial Statements.
Independent Auditors' Report.

No financial statement schedules are required to be filed.

B. Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter 2001.

C. Exhibits

The exhibits filed as part of this report or incorporated by reference herein are listed in the accompanying exhibit index. Each management contract or compensatory plan or arrangement is identified in the index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Louisiana-Pacific Corporation, a Delaware corporation (the "Registrant"), has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Curtis M. Stevens
*Vice President, Treasurer and
Chief Financial Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date

Signature and Title

March 14, 2002

/s/ MARK A. SUWYN

Mark A. Suwyn
*Chief Executive Officer, Chairman of the Board, Director
(Principal Executive Officer)*

March 14, 2002

/s/ CURTIS M. STEVENS

Curtis M. Stevens
*Vice President, Treasurer and Chief Financial Officer
(Principal Financial & Accounting Officer)*

March 14, 2002

/s/ COLIN D. WATSON

Colin D. Watson
Director

March 14, 2002

/s/ WILLIAM C. BROOKS

William C. Brooks
Director

March 14, 2002

/s/ ARCHIE W. DUNHAM

Archie W. Dunham
Director

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March 14, 2002

/s/ PAUL W. HANSEN

Paul W. Hansen
Director

March 14, 2002

/s/ BRENDA LAUDERBACK

Brenda Lauderback
Director

March 14, 2002

/s/ PATRICK F. MCCARTAN

Patrick F. McCartan
Director

March 14, 2002

/s/ E. GARY COOK

E. Gary Cook
Director

March 14, 2002

/s/ LEE C. SIMPSON

Lee C. Simpson
Director

EXHIBIT INDEX

On written request, Louisiana-Pacific Corporation (LP) will furnish to any record holder or beneficial holder of its common stock any exhibit to this report upon the payment of a fee equal to LP's costs of copying such exhibit plus postage. Any such request should be sent to: Ward Hubbell, Vice President Corporate Affairs, Louisiana-Pacific Corporation, 805 SW Broadway, Suite 700, Portland, Oregon 97005-3303.

Items identified with an asterisk (*) are management contracts or compensatory plans or arrangements.

- 3.1 Restated Certificate of Incorporation of LP. Incorporated herein by reference to Exhibit 3(a) to LP's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993.
- 3.2 Bylaws of LP. Incorporated herein by reference to Exhibit 3.1 to LP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
- 4.1 Rights Agreement dated as of May 26, 1998, between LP and First Chicago Trust Company of New York as Rights Agent. Incorporated herein by reference to Exhibit 1 to LP's Registration Statement on Form 8-A filed May 26, 1998.
- 4.2 Amendment to Rights Agreement dated as of October 17, 2001, between LP and First Chicago Trust Company of New York as Rights Agent.
- 4.3 Indenture, dated as of September 14, 1999, among Louisiana-Pacific Acquisition Inc., LP and Laurentian Trust of Canada Inc. Incorporated herein by reference to Exhibit 4.3 to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
- 4.4 Indenture, dated as of April 2, 1999, between LP and First National Bank of Chicago, N.A., as trustee (predecessor to Bank One Trust Company, N.A., as trustee). Incorporated herein by reference to Exhibit 4.2 to LP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
- 4.5 First Supplemental Indenture, dated August 18, 2000, between LP and Bank One Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 4.1 to LP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
- 4.6 Second Supplemental Indenture, dated August 18, 2000, between LP and Bank One Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 4.2 to LP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
- 4.7 Third Supplemental Indenture, dated August 13, 2001, between LP and Bank One Trust Company, N.A., as trustee. Incorporated herein by reference to Exhibit 4.1 to LP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
- 10.1 Credit Agreement, dated November 15, 2001, among LP, Bank of America, N.A., and the other financial institutions that are parties thereto.
- 10.2 2001 LP Canada Credit Agreement, dated November 30, 2001, among LP, Louisiana-Pacific Canada Ltd. and Royal Bank of Canada.
- 10.3 Receivables Sale Agreement, dated as of November 15, 2001, as amended December 15, 2001, among LP, LP Wood Polymers, Inc. and LP Receivables Corporation.
- 10.4 Credit and Security Agreement, dated as of November 15, 2001, among LP, LP Receivables Corporation, Blue Ridge Asset Funding Corporation, Wachonia Bank, N.A., and the other financial institutions that are parties thereto.

- 10.5 Standby Purchase and Note Support Agreement dated August 16, 1999, as amended as of July 18, 2001, among LP, Bank of America, N.A. and Canadian Imperial Bank of Commerce. Incorporated herein by reference to Exhibit 10.1 to LP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
- 10.6 Second amendment, dated November 15, 2001, to Standby Purchase and Note Support Agreement amount LP, Bank of America, N.A., and Canadian Imperial Bank of Commerce.
- 10.7 Note Purchase Agreement, dated June 30, 1998, among LP, LP SPV2, LLC, and the Purchasers listed therein. Incorporated herein by reference to Exhibit 4 to LP's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.
- 10.8 Settlement Agreement, dated October 18, 1995, between LP and counsel for plaintiffs in nationwide siding class action litigation. Incorporated herein by reference to Exhibit 10 to LP's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
- 10.9 Amendment to Settlement Agreement, dated April 26, 1996, between LP and counsel for plaintiffs in nationwide siding class action litigation. Incorporated herein by reference to Exhibit 10.A to LP's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.
- 10.10 Supplemental Funding Agreement, dated October 26, 1998, between LP and counsel for plaintiffs in siding class action litigation. Incorporated herein by reference to Exhibit 10.1 to LP's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.
- 10.11 Settlement Agreement, dated May 3, 2000 among ABT Building Products Corporation, ABTco, Inc., Abitibi-Price Corporation, attorneys representing plaintiffs in hard board siding class action litigation and the other parties named therein. Incorporated herein by reference to Exhibit 10.2 to LP's Quarterly Report on Form 10-Q for the quarter ended March 30, 2000.
- 10.12 Assignment, Assumption, Release, and Indemnity Agreement, dated June 25, 2001, among LP, Louisiana-Pacific Canada, Ltd., Abitibi-Price Corporation and Abitibi-Consolidated Inc.

- 10.13 1984 Employee Stock Option Plan as amended. Incorporated herein by reference to Exhibit 10.A to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.*
- 10.14 1991 Employee Stock Option Plan. Incorporated herein by reference to Exhibit 10.B to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.*
- 10.15 1992 Non-Employee Director Stock Option Plan (restated as of May 1, 2000) and Related Forms of Option Agreements. Incorporated herein by reference to Exhibit 10.3 to LP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.*
- 10.16 1997 Incentive Stock Award Plan as restated as of May 6, 2001. Incorporated herein by reference to Exhibit 10.1 to LP's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.*
- 10.17 Form of Award Agreement for Non-Qualified Stock Options under the 1997 Inventive Stock Award Plan. Incorporated herein by reference to Exhibit 10.F(2) to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.*
- 10.18 Form of Award Agreement for Incentive Shares under the 1997 Incentive Stock Award Plan. Incorporated herein by reference to Exhibit 10.4 to LP's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.*
- 10.19 Annual Cash Incentive Award Plan effective March 1, 1997. Incorporated herein by reference to Exhibit 10.F(3) to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.*

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- 10.20 Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2000. Incorporated herein by reference to Exhibit 10.14 to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.*
- 10.21 Executive Loan Program, as amended and restated November 3, 2001.*
- 10.22 2000 Employee Stock Purchase Plan, as amended and restated effective October 1, 2001.*
- 10.23 2000 Non-Employee Director Restricted Stock Plan. Incorporated herein by reference to Exhibit 10.2 to LP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.*
- 10.24 Employment Agreement between LP and Mark A. Suwyn dated January 2, 1996. Incorporated herein by reference to Exhibit 10.L to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.*
- 10.25 Restricted Stock Award Agreement between LP and Mark A. Suwyn dated January 31, 1996. Incorporated herein by reference to Exhibit 10.J to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.*
- 10.26 1997 Cash Incentive Award for Mark A. Suwyn adopted March 11, 1997. Incorporated herein by reference to Exhibit 10.K to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.*
- 10.27 Letter agreement dated July 16, 1997, relating to the employment of Curtis M. Stevens. Incorporated herein by reference to Exhibit 10.0 to LP's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.*
- 10.28 Form of Change of Control Employment Agreement between LP and each of Mark A. Suwyn, Curtis M. Stevens, Richard W. Frost, Joseph B. Kastelic, J. Keith Matheney, Michael J. Tull, Walter M. Wirfs, Jeff Duncan, Jr., W. Lee Kuhre, and M. Ward Hubbell. Incorporated herein by reference to Exhibit 10.2 to LP's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.*
- 21 List of LP's subsidiaries.
- 23 Consent of Deloitte & Touche LLP
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Pursuant to Item 601(b)(4)(iii) of Regulation S-K, LP is not filing certain instruments with respect to its long-term debt because the amount authorized under any such instrument does not exceed 10 percent of LP's total consolidated assets at December 31, 2001. LP agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

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AMENDMENT TO RIGHTS AGREEMENT

1. **General Background.** In accordance with Section 27 of the Rights Agreement between First Chicago Trust Company of New York (the "Rights Agent") and Louisiana Pacific Corporation dated May 26, 1998, (the "Agreement"), the Rights Agent and Louisiana Pacific Corporation desire to amend the Agreement.
2. **Effectiveness.** This Amendment shall be effective as of October 17, 2001 (the "Amendment") and all defined terms and definitions in the Agreement shall be the same in the Amendment except as specifically revised by the Amendment.
3. **Revision.** The section in the Agreement entitled "Change of Rights Agent" is hereby deleted in its entirety and replaced with the following:

Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares or Preferred shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit such holder's Right Certificate for inspection by the company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation or trust company organized and doing business under the laws of the United States, in good standing, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has individually or combined with an affiliate at the time of its appointment as Rights Agent a combined capital and surplus of at least \$100 million dollars. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as

Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

4. Except as amended hereby, the Agreement and all schedules or exhibits thereto shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed in their names and on their behalf by and through their duly authorized officers, as of this 17th day of October, 2001.

Louisiana Pacific Corporation

By: Curtis M. Stevens
Title: Vice President, Treasurer

First Chicago Trust Co. of New York

By: Michael J. Foley
Title: Chief Marketing Officer

CREDIT AGREEMENT

This CREDIT AGREEMENT (“Agreement”) is entered into as of November 15, 2001, among LOUISIANA-PACIFIC CORPORATION, a Delaware corporation (the “Borrower”), each lender from time to time party hereto (collectively, the “Lenders” and individually, a “Lender”), and BANK OF AMERICA, N.A., as the Administrative Agent and an L/C Issuer.

The Borrower has requested that the Lenders provide a revolving credit facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I. DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms.

As used in this Agreement, the following terms shall have the meanings set forth below:

“Administrative Agent” means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

“Affiliate” means, as to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“Agent/Arranger Fee Letter” has the meaning specified in Section 2.09(b).

“Agent-Related Persons” means the Administrative Agent (including any successor administrative agent), together with its Affiliates (including, in the case of Bank of America in its capacity as the Administrative Agent, the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

“Aggregate Commitments” has the meaning set forth in the definition of “Commitment.”

“Agreement” means this Credit Agreement.

“Applicable Rate” means 3.000% per annum for Eurodollar Rate Loans and 2.000% per annum for Base Rate Loans, provided, that if Borrower’s long-term unsecured senior debt rating falls to a level equal to or below BB- by S&P and Ba3 by Moody’s, then “Applicable Rate” shall thereafter mean 3.750% per annum for Eurodollar Rate Loans and 2.750% per annum for Base Rate Loans.

“Arrangers” means Banc of America Securities LLC, in its capacity as joint lead arranger and sole book manager (“BAS”) and Wachovia Securities, in its capacity as joint lead arranger.

“Assignment and Assumption Agreement” means an Assignment and Assumption Agreement substantially in the form of Exhibit D.

“Attorney Costs” means and includes all fees and disbursements of any law firm or other external counsel and the allocated cost of internal legal services and all disbursements of internal counsel.

“Attributable Indebtedness” means, on any date, without duplication (a) in respect of any capital lease of any Person, the implied principal component of Capital Lease Obligations as of such date, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

“Audited Financial Statements” means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2000, and the related consolidated statements of income and cash flows for such fiscal year of the

Borrower and its Subsidiaries.

“Bank of America” means Bank of America, N.A.

“BAS” has the meaning set forth in the definition of “Arrangers.”

“Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate.” Such “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrower” has the meaning set forth in the introductory paragraph hereto.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type and having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

“Business Day” means any day other than a Saturday, Sunday, or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the applicable offshore Dollar interbank market.

“Canadian Credit Facility” means (a) a working capital credit facility for Louisiana-Pacific Canada Ltd. from Royal Bank of Canada in the principal amount of \$25,000,000 (Canadian); and (b) a credit line up to \$35,000,000 (Canadian) for Louisiana-Pacific Canada Ltd., and its Subsidiaries, from Royal Bank of Canada to cover principal, interest, overdrafts, fees and Swap Termination Values, and transaction risk (including, but not limited to electronic funds transfer and payment distribution services); each backed by a guarantee by the Borrower, guarantees by the Subsidiaries of Louisiana-Pacific Canada Ltd., Liens upon the accounts receivable and inventory of Louisiana-Pacific Canada Ltd. and its Subsidiaries, and any refinancing, refunding, renewal or extension thereof, provided that the amount of Indebtedness thereunder is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder.

“Capital Lease Obligations” means all obligations under capital leases of Borrower and its Subsidiaries determined on a consolidated basis, in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

“Cash” means, in the context of consideration received or to be received by the Borrower or any Subsidiary pursuant to a transaction that constitutes a Disposition, (i) any liabilities of the Borrower or such Subsidiary, as shown on its most recent balance sheet, that are assumed by the transferee in such transaction, other than contingent liabilities and liabilities that are by their terms subordinated to the Obligations and (ii) any securities, notes or other obligations received by the Borrower or such Subsidiary from such transferee that are converted into cash within 30 days following the consummation of such Disposition to the extent of the cash received by the Borrower or such Subsidiary in that conversion. The term non-Cash in the context of any such consideration shall mean all consideration that is not “Cash” under this definition.

“Cash Collateral” has the meaning specified in Section 2.14(b).

“Cash Collateralize” means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of (i) in the case of L/C Obligations, the Administrative Agent, the L/C Issuers and the Lenders, as collateral for the L/C Obligations and (ii) in the case of Eurodollar Rate Loans, the Administrative Agent and the Lenders, in each case as collateral for the L/C Obligations or certain Eurodollar Rate Loans, as the case may be, cash or deposit account

balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and, if applicable, the L/C Issuers (which documents are hereby consented to by the Lenders). Derivatives of such term shall have corresponding meaning. If a Default or Event of Default has occurred and is continuing, Cash Collateral shall be maintained in blocked non-interest bearing deposit accounts at Bank of America. If no Default or Event of Default has occurred and is continuing, Cash

Collateral shall be, at the Borrower's option, (x) maintained in blocked interest bearing deposit accounts at Bank of America or (y) invested in such other Cash Equivalents as directed by the Borrower and for which the Borrower shall have provided evidence reasonably satisfactory to the Administrative Agent that the Administrative Agent shall have a perfected, first priority security interest in such Cash Collateral.

"Cash Equivalents" means (a) Dollars; (b) securities issued or directly and fully guaranteed or insured by the United States government or any Governmental Authority thereof (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than six months from the date of acquisition; (c) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any Lender or with any domestic commercial bank having capital and surplus in excess of \$500,000,000 and a Thomson Bank Watch Rating of "B" or better; (d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b) and (c) above entered into with any financial institution meeting the qualifications in clause (c) above; (e) commercial paper having the highest rating obtainable from either Moody's or S&P and, in each case maturing within six months after the date of acquisition; and (f) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (e) above.

"Change of Control" means, with respect to any Person, an event or series of events by which:

- (a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 30% or more of the Stock of such Person entitled to vote for members of the board of directors or equivalent governing body of such Person on a partially diluted basis (i.e., taking into account all such securities that such person or group has the right to acquire pursuant to any option rights in both the dividend and divisor used in calculating such percentage); or
- (b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be

composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

"Closing Date" means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 4.01 (or, in the case of Section 4.01(b), waived by the Person entitled to receive the applicable payment).

"Code" means the Internal Revenue Code of 1986.

"Collateral" means (a) all Cash Collateral and (b) all property covered by the Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that is subject to a security interest or Lien in favor of the Administrative Agent, on behalf of itself and the Lenders, to secure the Obligations.

"Collateral Coverage Ratio" means, at any date of determination, the ratio of (a) the Deemed Mortgaged Property Value to (b) the Aggregate Commitments

"Collateral Documents" means, collectively, all documents with respect to Cash Collateral, the Deed of Trust, the Security Agreement, the Pledge Agreement, and all other security agreements, mortgages, deeds of trust, patent, trademark and copyright assignments, lease assignments, guarantees and other similar agreements between the Borrower, any of its Subsidiaries and the Lenders, or the Administrative Agent for the benefit of the Lenders, now or hereafter delivered (pursuant to Section 6.13 or otherwise) to the Lenders or the Administrative Agent pursuant to or in connection with the transactions contemplated hereby, and all financing statements (or comparable documents now or hereafter filed in accordance with the UCC or comparable law) against the Borrower or any of its Subsidiaries, as debtor, in favor of the Lenders, or the Administrative Agent for the benefit of itself and the Lenders, as secured party.

"Commitment" means, as to each Lender, its obligation to (a) make Loans to the Borrower pursuant to Section 2.01, and (b) purchase participations in L/C Obligations, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.01, as such amount may be reduced or adjusted from time to time in accordance with this Agreement (collectively, the "Aggregate Commitments").

“Commitment Fee Percentage” means 0.750% per annum, provided, that if Borrower’s long-term unsecured senior debt rating falls to a level equal to or below BB- by S&P and Ba3 by Moody’s, then “Commitment Fee Percentage” shall thereafter mean 0.875%.

“Compliance Certificate” means a certificate substantially in the form of Exhibit C.

“Consolidated EBITDDA” means, as measured quarterly on the last day of each fiscal quarter for the four quarters then ending, for the Borrower and its Subsidiaries on a consolidated basis, an amount equal to the sum of (a) Consolidated Net Income, (b) Consolidated Interest Charges, (c) the amount of taxes, based on or measured by income, used or included in the determination of such Consolidated Net Income, and (d) the amount of depreciation, depletion and amortization expense deducted in determining such Consolidated Net Income.

“Consolidated Funded Indebtedness” means, as of any date of determination, for the Borrower and its Subsidiaries on a consolidated basis, (a) the sum, without duplication, of (i) the outstanding principal amount of all obligations, whether current or long-term, for borrowed money (including Obligations hereunder, under the Permitted Securitization, and under the Indentures) and all obligations evidenced by bonds, debentures, notes, loan agreements or other similar instruments (excluding contingent reimbursement obligations for undrawn letters of credit and outstanding surety bonds, each in the ordinary course of business), (ii) Attributable Indebtedness in respect of capital leases and Synthetic Lease Obligations, (iii) unfunded reserves maintained with respect to pending or threatened disputes or settlement thereof, and (iv) all Guaranty Obligations with respect to Indebtedness of the types specified in subsections (i), (ii) and (iii) above of Persons other than the Borrower or any Subsidiary, minus (b) all such Indebtedness (other than Indebtedness under the Permitted Securitization) included in subsection (a) above that is (x) Non-Recourse to the Borrower and its Subsidiaries or (y) recourse to L-P SPV, Inc., L-P SPV2, LLC, or any other Subsidiary of the Borrower that is a special purpose subsidiary created for the consummation of a financing transaction on terms and conditions satisfactory to the Administrative Agent and the Required Lenders, but only to the extent that such Indebtedness is Non-Recourse to the Borrower and its Subsidiaries other than L-P SPV, Inc., L-P SPV2, LLC, or such other Subsidiary, as applicable.

“Consolidated Interest Charges” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, (a) the sum of (i) all interest and the amortization of all premium payments, fees, charges and related expenses of the Borrower and its Subsidiaries, determined on a consolidated basis, in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (ii) the portion of rent expense of the Borrower and its Subsidiaries, determined on a consolidated basis, with respect to such period under capital leases that is treated as interest in accordance with GAAP minus (b) interest income on the Timber Notes Receivable, up to the amount, if any, that the interest expense in such period on the senior notes secured by the Timber Notes Receivable is treated as interest in accordance with GAAP.

“Consolidated Net Income” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, the net income of the Borrower and its Subsidiaries from continuing operations for that period, including gains or losses from Dispositions of assets, but excluding (i) up to \$50,000,000 (in the aggregate) in other non-cash extraordinary items and non-cash gains or losses arising from (A) the pulp mill located in Samoa, California, (B) the pulp mill located in Chetwynd, British Columbia, (C) the 65% interest in a joint venture in Ireland that has an oriented strand board (OSB) mill, and (D) the Borrower’s industrial panel products segment and

(ii) up to \$10,000,000 in cash losses associated with the closure of the pulp mill located in Chetwynd, British Columbia.

“Contractual Obligation” means, as to any Person, any provision of any outstanding Stock issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Credit Extension” means each of the following: (a) a Borrowing, and (b) an L/C Credit Extension.

“Debt to Capitalization Ratio” means, as of any date of determination, for the Borrower and its Subsidiaries on a consolidated basis, the ratio, expressed as a percentage, of (a) Consolidated Funded Indebtedness, to (b) the sum of (i) Consolidated Funded Indebtedness and (ii) Shareholders’ Equity.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States of America or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Deed of Trust” means, collectively, each of the thirteen Deeds of Trust, substantially in the form attached hereto as Exhibit E, dated as of the Closing Date, executed by the Borrower in favor of the Administrative Agent, for the benefit of itself and the

Lenders, and each deed of trust, mortgage or similar instrument executed and delivered to the Administrative Agent pursuant hereto or otherwise in connection therewith.

“Deemed Mortgaged Property Value” means the value of the Mortgaged Property that is covered by title insurance with exceptions reasonably acceptable to the Administrative Agent, according to the most recent appraisal conducted pursuant to either **Section 4.01(a)(viii), 6.01(d), or 6.01(e)** or, if the most recent Quarterly Timber Report is more recent, the sum of (a) 70% of the Retail Timberlands Value plus (b) the product of (i) the Mortgaged Property Per-Acre Value times (ii) the number of acres of Mortgaged Property that is covered by title insurance with exceptions reasonably acceptable to the Administrative Agent.

“Default” means any event that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to (a) the Base Rate plus (b) the Applicable Rate, if any, applicable to Base Rate Loans plus (c) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, in each case to the fullest extent permitted by applicable Laws; and further provided, that in no event shall the Default Rate exceed the Maximum Rate.

“Disposition” or **“Dispose”** means, with respect to any Person, the sale, transfer, license or other disposition (including any sale and leaseback transaction) of any property (other than the Stock of such Person) by such Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Dissolving Subsidiary” has the meaning specified in **Section 3.08**.

“Dollar” and **“\$”** means lawful money of the United States of America unless otherwise specified.

“Domestic Subsidiary” means a Subsidiary organized under the laws of one of the United States or subdivision thereof.

“EBIT” means, with respect to any Person, as measured in accordance with GAAP and quarterly on the last day of each fiscal quarter for the four quarters then ending, an amount equal to, without duplication, the sum of (i) consolidated net income (or net loss) for such period, plus (ii) consolidated interest charges to the extent included in the determination of such consolidated net income (or loss), plus (iii) all accrued taxes on or measured by income to the extent included in the determination of such consolidated net income (or loss); provided, that consolidated net income (or loss) shall be computed for these purposes without giving effect to extraordinary losses or extraordinary gains or to any gains or losses associated with the sale or write-down of assets outside the ordinary course of business.

“Eligible Assignee” has the meaning specified in **Section 10.07(h)**.

“Environmental Laws” means all Laws relating to environmental, health, safety and land use matters applicable to any property.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any other Loan Party directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment, or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974 and any regulations issued pursuant thereto.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA which could reasonably be expected to give rise to any liability with respect to such withdrawal; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections

4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

“Eurodollar Base Rate” has the meaning set forth in the definition of “Eurodollar Rate.”

“Eurodollar Rate” means for any Interest Period with respect to any Eurodollar Rate Loan, a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

“Eurodollar Base Rate” means, for such Interest Period:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) in the event the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) in the event the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of

interest (rounded upward to the next 1/100th of 1%) at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America’s London Branch to major banks in the offshore Dollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period.

“Eurodollar Rate Loan” means a Loan that bears interest at a rate based on the Eurodollar Rate.

“Eurodollar Reserve Percentage” means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”). The Eurodollar Rate for each outstanding Eurodollar Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

“Event of Default” means any of the events or circumstances specified in Article VIII.

“Evergreen Letter of Credit” has the meaning specified in Section 2.03(b)(iii).

“Excess Proceeds” has the meaning specified in Section 7.05(j)(iv).

“Existing Credit Facility” means the Credit Agreement dated as of January 31, 1997 among the Borrower, Bank of America, as agent, and a syndicate of lenders.

“Existing Hedging Obligations” of any Person means all liabilities of such Person under the Swap Contracts existing as of the Closing Date and identified on Schedule 1.01.

“Existing Letters of Credit” has the meaning specified in Section 2.03(l).

“Federal Funds Rate” means, for any day, the rate per annum (rounded upwards to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day;

provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

“Foreign Lender” has the meaning specified in Section 10.15.

“Foreign Subsidiary” means a Subsidiary that is not a Domestic Subsidiary.

“Forex Agreement” means the Standby Purchase and Note Support Agreement dated August 16, 1999 by and among the Borrower, Bank of America, and Canadian Imperial Bank of Commerce, as amended by (a) the Waiver and First Amendment to Standby Purchase and Note Support Agreement dated July 18, 2001 and (b) the Second Amendment to Standby Purchase and Note Support Agreement dated as of the date hereof.

“Forex Obligation” means the Borrower’s obligations under the Forex Agreement.

“GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Guarantors” means any Person required under Section 6.13(a) to execute a Guaranty.

“Guaranty” means any guaranty executed pursuant to Section 6.13(a).

“Guaranty Obligation” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guarantying or having the economic effect of guarantying any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (to the extent of the greater of book and fair market value of such assets); provided, however, that the term “Guaranty Obligation” shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guaranty Obligation is made or, if not stated or determinable,

the maximum reasonably anticipated liability in respect thereof as determined by the guarantying Person in good faith.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Hedging Lender” shall mean any Affiliate of any Lender that is a party to Swap Contracts evidencing Hedging Obligations but is not a signatory to this Agreement.

“Hedging Obligations” of any Person means the Existing Hedging Obligations of such Person and all other liabilities of such Person under Swap Contracts entered into with any Lender or an Affiliate of any Lender with the written consent of the Administrative Agent, including in any case termination obligations thereunder; provided, however, that such liabilities under a Swap Contract (a) with an Affiliate of a Lender shall not constitute Hedging Obligations hereunder unless and until such liabilities

are certified as such in writing to the Administrative Agent by the Borrower and such Lender Affiliate and (b) shall constitute Hedging Obligations hereunder only up to an aggregate notional amount of \$25,000,000 (excluding the Existing Hedging Obligations).

"Honor Date" has the meaning specified in Section 2.03(c)(i).

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;
- (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;
- (c) net obligations under any Swap Contract in an amount equal to the Swap Termination Value thereof;
- (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business);
- (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

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- (f) Capital Lease Obligations and Synthetic Lease Obligations; and
- (g) all Guaranty Obligations of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, unless (i) such Indebtedness is Non-Recourse to such Person subject only to customary exceptions reasonably acceptable to the Administrative Agent or (ii) such Indebtedness is Non-Recourse to such Person as a matter of law by virtue of the organizational structure of the partnership or joint venture. The amount of any Capital Lease Obligation or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"Indemnified Liabilities" has the meaning set forth in Section 10.05.

"Indemnitees" has the meaning set forth in Section 10.05.

"Indentures" means, collectively, the Senior Note Indentures and the Senior Subordinated Note Indenture.

"Intercreditor Agreement" means the intercreditor agreement, substantially in the form attached hereto as Exhibit G, dated as of the Closing Date, between the Administrative Agent on behalf of the Lenders, on the one hand, and Bank of America and Canadian Imperial Bank of Commerce, a Canadian chartered bank, on the other hand.

"Interest Payment Date" means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the last Business Day of each March, June, September and December and the Maturity Date.

"Interest Period" means, with respect to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Loan Notice; provided that:

- (i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Rate Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;
- (ii) any Interest Period pertaining to a Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

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(iii) no Interest Period shall extend beyond the scheduled Maturity Date.

“Investment” means, as to any Person, any acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, guaranty of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, net of payment, redemption, dividends and other distributions on account of such Investment received by such Person, but without adjustment for subsequent increases or decreases in the value of such Investment and without giving effect to any write-downs with respect to such Investment on such Person’s balance sheet.

“IRS” means the United States Internal Revenue Service.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“L/C Advance” means, with respect to each Lender, such Lender’s participation in any L/C Borrowing in accordance with its Pro Rata Share.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Borrowing.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the renewal or increase of the amount thereof.

“L/C Issuer” means (a) Bank of America in its capacity as issuer of Letters of Credit (other than Existing Letters of Credit) hereunder, or any successor issuer of Letters of Credit (other than Existing Letters of Credit) hereunder and (b) subject to the limitations contained in Section 2.03(l), Wachovia, or any successor to Wachovia, in its capacity as the issuer of the Existing Letters of Credit.

“L/C Obligations” means, as at any date of determination, the aggregate undrawn face amount of all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings, but excluding any Unreimbursed Amounts to the extent that they have been refinanced by Borrowings of Base Rate Loans as of such date.

“Lender” has the meaning specified in the introductory paragraph hereto and, as the context requires, shall include the L/C Issuers and any Affiliate of a Lender to the extent it is owed Hedging Obligations as provided in the definition thereof.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such on Schedule 10.02, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

“Letter of Credit” means any letter of credit issued hereunder and shall include the Existing Letters of Credit.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a letter of credit in the form from time to time in use by the relevant L/C Issuer.

“Letter of Credit Expiration Date” means the day that is seven days prior to the Maturity Date (or, if such day is not a Business Day, the immediately preceding Business Day).

“Letter of Credit Sublimit” means an amount equal to the lesser of the Aggregate Commitments and \$100,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the due filing of any financing statement under the Uniform Commercial Code or comparable Laws of any jurisdiction), including the interest of a purchaser of accounts receivable.

“Loan” has the meaning specified in Section 2.01.

“Loan Documents” means this Agreement, each Collateral Document, the Agent/Arranger Fee Letter, each Request for Credit Extension, each Compliance Certificate, each Guaranty, the Intercreditor Agreement, any Swap Contracts evidencing Hedging Obligations, and all other documents executed by a Loan Party and delivered to the Administrative Agent or any Lender pursuant thereto.

“Loan Notice” means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Loans as the same Type, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

“Loan Parties” means, collectively, the Borrower, each Guarantor, and each Subsidiary whose Stock is pledged under any Pledge Agreement.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects

of the Borrower or the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party.

“Maturity Date” means (a) January 31, 2004, or (b) such earlier date upon which the Commitments may be terminated in accordance with the terms hereof.

“Maximum Rate” has the meaning specified in Section 10.10.

“Merchantable Timber Inventory” means, as of the Closing Date, the number of thousands of board feet of merchantable timber inventory as set forth in the appraisal conducted pursuant to Section 4.01(a)(viii), as thereafter adjusted for purchases and sales, timber harvests and growth, all with respect to growing timber on the Mortgaged Property as set forth in the most recent of (a) the most recent Quarterly Timber Report and (b) the most recent appraisal conducted pursuant to either Section 4.01(a)(viii), 6.01(d), or 6.01(e).

“Moody’s” means Moody’s Investors Service, Inc.

“Mortgaged Property” means, at any time, all property subject to a Lien pursuant to the Deed of Trust at such time.

“Mortgaged Property Per-Acre Value” means an average Dollar value per acre of the land comprising the Mortgaged Property as determined pursuant to the most recent of (a) the most recent Quarterly Timber Report and (b) the most recent appraisal conducted pursuant to either Section 4.01(a)(viii), 6.01(d), or 6.01(e).

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding three calendar years, has made or been obligated to make contributions.

“Net Disposition Proceeds” means, as to any Disposition, proceeds in cash, checks or other Cash Equivalents as and when received by such Person, net of: (a) the direct costs relating to such Disposition excluding amounts payable to such Person or any Affiliate of such person, (b) sales, use or other transaction taxes paid or payable by such Person as a direct result thereof, (c) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on Indebtedness secured by the asset which is the subject of such Disposition, and (d) income taxes payable on account of such Disposition.

“Net Issuance Proceeds” means, as to any issuance of equity or incurrence of Indebtedness by any Person, cash proceeds received by such Person in connection therewith, net of out-of-pocket costs and expenses paid or incurred in connection therewith.

“Non-Recourse” means, with respect to Indebtedness of any Person, Indebtedness: (a) as to which neither such Person, a Subsidiary of such Person, nor any Person of which such Person

is a Subsidiary, (i) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness but excluding any agreement to provide managerial support), (ii) is directly or indirectly liable as a guarantor or otherwise, or (iii) constitutes the lender; and (b) in respect of which no default would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Obligations) of such Person, a Subsidiary of such Person, or any Person of which such Person is a Subsidiary, to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

“Nonrenewal Notice Date” has the meaning specified in Section 2.03(b)(iii).

“Obligations” means the Hedging Obligations and all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest that accrues after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws; (b) with respect to any limited liability company, the articles of formation and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation with the secretary of state or other department in the state of its formation, in each case as amended from time to time.

“Other Taxes” has the meaning specified in Section 3.01(b).

“Outstanding Amount” means (i) with respect to Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Loans occurring on such date; and (ii) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

“Participant” has the meaning specified in Section 10.07(d).

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of

a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

“Permitted Business” means any business conducted by the Borrower on the Closing Date and any reasonable extension thereof.

“Permitted Securitization” means the securitization of the accounts receivable of the Borrower and its Subsidiaries up to an amount of approximately \$125,000,000 at any time outstanding on terms and conditions set forth in the “Transaction Documents” as defined in the Permitted Securitization Credit and Security Agreement and any refinancings, refundings, renewals or extensions thereof; provided that the amount of Indebtedness thereunder is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder.

“Permitted Securitization Credit and Security Agreement” means the Credit and Security Agreement, dated on or about the date hereof, among the Borrower, the Securitization Subsidiary, Blue Ridge Asset Funding Corporation, and the other parties thereto.

“Person” means any individual, trustee, corporation, general partnership, limited partnership, limited liability company, unlimited liability company, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture or Governmental Authority.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Borrower or any ERISA Affiliate.

“Pledge Agreement” means the Pledge Agreement, substantially in the form attached hereto as Exhibit H, dated as of the Closing Date, executed by the Borrower in favor of the Administrative Agent for the benefit of itself and the Lenders.

“Pledged Collateral” shall have the meaning specified in the Pledge Agreement, which shall at all such times include the Stock of 3047525 Nova Scotia Company and 3047526 Nova Scotia Company.

“Pro Rata Share” means, with respect to each Lender, the percentage of the Aggregate Commitments specified set forth opposite the name of such Lender on Schedule 2.01, as such share may be adjusted (carried out to the ninth decimal place) as contemplated herein.

“Quarterly Timber Report” has the meaning specified in Section 6.01(d).

“Register” has the meaning specified in Section 10.07(c).

“Replacement Assets” means either (a) long-term assets that will be used or useful in a Permitted Business, (b) substantially all of the assets of another Permitted Business, or (c) a

majority of the Stock entitled to vote (determined without regard to any voting power that has been or may be conferred by any class or classes of Stock by reason of the occurrence of any contingency) at such time in the election of the Board of Directors of any Person engaged in a Permitted Business that will become on the date of acquisition thereof a Subsidiary as a result of such acquisition.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Request for Credit Extension” means (a) with respect to a Borrowing, conversion or continuation of Loans, a Loan Notice, and (b) with respect to an L/C Credit Extension, a Letter of Credit Application.

“Required Lenders” means, as of any date of determination, Lenders whose Voting Percentages aggregate more than 66 2/3%.

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of a Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or of any option, warrant or other right to acquire any such capital stock.

“Retail Timberlands Value” means, for any date, the product of (a) the arithmetic average price per thousand board feet of sawlogs weighted by grade and species (as reported by an outside index or reporting service acceptable to the Administrative Agent and the Required Lenders) for the twelve months preceding such date (net of any applicable log and haul costs per thousand board feet during such twelve months); and (b) the Merchantable Timber Inventory of the Borrower and its Subsidiaries as adjusted on or most recently before such date pursuant to the definition thereof in this Section 1.01.

“S&P” means Standard and Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc.

“Securitization Subsidiary” means the Subsidiary created by the Borrower as a special purpose vehicle in order to carry out the Permitted Securitization.

“Security Agreement” means the Security Agreement, substantially in the form attached hereto as Exhibit I, dated as of the Closing Date, executed by the Borrower in favor of the Administrative Agent for the benefit of itself and the Lenders.

“Senior Note Indentures” means, collectively, (a) the First Supplemental Trust Indenture, dated as of August 18, 2000, between the Borrower and Bank One Trust Company, N.A. as Trustee, supplementing the Indenture dated as of April 2, 1999, authorizing the issuance and delivery of up to \$190,000,000 aggregate principal amount of 8.500% senior notes due 2005, and (b) the Second Supplemental Trust Indenture, dated as of August 18, 2000, between the Borrower and Bank One Trust Company, N.A. as Trustee, supplementing the Indenture dated as of April 2, 1999, authorizing the issuance and delivery of up to \$200,000,000 aggregate principal amount of 8.875% senior notes due 2010.

“Senior Subordinated Note Indenture” means the Third Supplemental Trust Indenture, dated as of August 13, 2001, between the Borrower and Bank One Trust Company, N.A. as Trustee, supplementing the Indenture dated as of April 2, 1999, authorizing the issuance and delivery of up to \$300,000,000 aggregate principal amount of 10.875% senior subordinated notes due 2008.

“Shareholders’ Equity” means, as of any date of determination for the Borrower and its Subsidiaries on a consolidated basis, shareholders’ equity as of that date determined in accordance with GAAP, but excluding (a) up to \$10,000,000 in cash losses associated with the closure of the pulp mill located in Chetwynd, British Columbia, and (b) up to \$50,000,000 in non-cash gains or

losses arising from (i) the pulp mill located in Samoa, California, (ii) the pulp mill located in Chetwynd, British Columbia, (iii) the 65% interest in a joint venture in Ireland that has an oriented strand board (OSB) mill, and (iv) the Borrower's industrial panel products segment.

"Solvent" means, as to any Person at any time, that (a) the fair value of the property of such Person on a going concern basis is greater than the amount of such Person's liabilities (including contingent liabilities), as such value is established and such liabilities are evaluated for purposes of Section 101(32) of the Bankruptcy Code and, in the alternative, for purposes of the New York Uniform Fraudulent Conveyance Act or any similar state statute applicable to such Person or any of its Subsidiaries; (b) the present fair salable value of the property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including contingent liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Stock" means all shares, options, warrants, general or limited partnership interests, units or other equivalents (regardless of how designated) of or in a corporation, general partnership,

limited partnership, limited liability company, unlimited liability company, joint stock company, or equivalent entity whether voting or nonvoting, including common stock and preferred stock.

"Stock Option Plan" means any stock option, stock purchase or other equity-based compensation plan or arrangement established or entered into for the benefit of any employee, director or consultant of the Borrower or any Subsidiary.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity (a) of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person and (b) the financial statements of which are consolidated with those of such Person in accordance with GAAP. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower; provided, that the term "Subsidiary" shall not include any Dissolving Subsidiary unless the dissolution of such Dissolving Subsidiary has not been completed by July 31, 2002.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a **"Master Agreement"**), including any such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include any Lender).

"Synthetic Lease Obligation" means the monetary obligation of a Person under any synthetic lease, tax retention operating lease, or similar financing product under which the Indebtedness is considered borrowed money indebtedness for tax purposes but is classified as an operating lease under GAAP.

"Taxes" has the meaning specified in **Section 3.01(a)**.

"Threshold Amount" means \$25,000,000.

“Timber Notes Receivable” means, collectively, (i) the promissory notes in the principal amount of approximately \$50,000,000 by Sierra Pacific Industries in favor of L-P SPV, Inc., a Delaware corporation, and (ii) the promissory notes in the principal amount of approximately \$354,000,000 by Simpson Timber Company in favor of L-P SPV2, LLC, a Delaware limited liability company.

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“UCC” means the Uniform Commercial Code.

“Unfunded Pension Liability” means the excess of a Pension Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

“Unreimbursed Amount” has the meaning specified in Section 2.03(c)(i).

“Voting Percentage” means, as to any Lender, (a) at any time when the Commitments are in effect, such Lender’s Pro Rata Share and (b) at any time after the termination of the Commitments, the percentage (carried out to the ninth decimal place) which (i) the sum of (A) the Outstanding Amount of such Lender’s Loans, plus (B) such Lender’s Pro Rata Share of the Outstanding Amount of L/C Obligations, then constitutes of (ii) the Outstanding Amount of all Loans and L/C Obligations; provided, however, that if any Lender has failed to fund any portion of the Loans or participations in L/C Obligations required to be funded by it hereunder, until cure of such failure, such Lender’s Voting Percentage shall be deemed to be —0—, and the respective Pro Rata Shares and Voting Percentages of the other Lenders shall be recomputed for purposes of this definition and the definition of “Required Lenders” without regard to such Lender’s Commitment or the outstanding amount of its Loans and L/C Advances, as the case may be.

“Wachovia” means Wachovia Bank, N.A.

1.02 Other Interpretive Provisions.

With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words “herein” and “hereunder” and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Unless otherwise specified, Article, Section, Exhibit and Schedule references are to the Loan Document in which such reference appears.

(iii) The term “including” is by way of example and not limitation.

(iv) The term “documents” includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, and whether in physical or electronic form.

(c) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(d) Section headings herein and the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Accounting Terms.

(a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably

requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding.

Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 References to Agreements and Laws.

Unless otherwise expressly provided herein, (a) references to agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

ARTICLE II. THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 Loans.

Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each such loan, a “Loan”) to the Borrower from time to time on any Business Day during the period from the Closing Date to the Maturity Date, in an aggregate amount not to exceed at any time outstanding the amount of such Lender’s Commitment; provided, however, that after giving effect to any Borrowing, (i) the aggregate Outstanding Amount of all Loans and L/C Obligations shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Loans of any Lender, plus such Lender’s Pro Rata Share of the Outstanding Amount of all L/C Obligations shall not exceed such Lender’s Commitment. Within the limits of each Lender’s Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under Section 2.04, and reborrow under this Section 2.01. Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.02 Borrowings, Conversions and Continuations of Loans.

(a) Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Loans as the same Type shall be made upon the Borrower’s irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than (i) 9:00 a.m., San Francisco time, three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans, and (ii) 9:00 a.m., San Francisco time, on the requested date of any Borrowing of Base Rate Loans. Each such telephonic notice must be confirmed promptly by delivery to the Administrative

Agent of a written Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Each Borrowing of Base Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Loans as the same Type, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or in the case of a non-requested conversion or continuation, continued as or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Loan Notice, the Administrative Agent shall promptly notify each Lender of its Pro Rata Share of the applicable Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in the

preceding subsection. In the case of a Borrowing, each Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 10:00 a.m., San Francisco time, on the Business Day specified in the applicable Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Credit Extension, Section 4.01), the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to the Administrative Agent by the Borrower; provided, however, that if, on the date of the Borrowing (whether an initial Borrowing, or a conversion or continuation of a Loan) there are L/C Borrowings outstanding, then the proceeds of such Borrowing shall be applied, first, to the payment in full of any such L/C Borrowings, and second, to the Borrower as provided above.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of the Interest Period for such Eurodollar Rate Loan. During the existence of a Default or Event of Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders. During the existence of a Default, the Required Lenders may demand that any or all of the then outstanding Eurodollar Rate Loans be converted, in the case of each such Loan, at the last day of the Interest Period for such Loan then in effect, to Base Rate Loans. During the existence of an

Event of Default, the Required Lenders may demand that any or all of the then outstanding Eurodollar Rate Loans be converted immediately to Base Rate Loans.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Eurodollar Rate Loan upon determination of such interest rate. The determination of the Eurodollar Rate by the Administrative Agent shall be conclusive in the absence of manifest error. The Administrative Agent shall notify the Borrower and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) At any one time, after giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type as of such time, there shall not be more than seven Interest Periods covering different periods of time in effect with respect to Loans.

2.03 Letters of Credit.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) each L/C Issuer agrees, in reliance upon the agreements of the other Lenders set forth in this Section 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue standby Letters of Credit for the account of the Borrower, for the benefit of the Borrower or any of its Subsidiaries, and to amend or renew Letters of Credit previously issued by it, in accordance with subsection (b) below, and (2) to honor drafts under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower; provided that the L/C Issuers shall not be obligated to make any L/C Credit Extension with respect to any Letter of Credit, and no Lender shall be obligated to participate in, any Letter of Credit if as of the date of such L/C Credit Extension, (x) the Outstanding Amount of all L/C Obligations and all Loans would exceed the Aggregate Commitments, (y) the aggregate Outstanding Amount of the Loans of any Lender, plus such Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations would exceed such Lender's Commitment, or (z) the Outstanding Amount of the L/C Obligations would exceed the Letter of Credit Sublimit. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. With respect to each Existing Letter of Credit, (i) all undrawn face amounts thereof shall constitute L/C Obligations, (ii) all drawings thereunder not reimbursed by the Borrower as required in the second sentence of Section 2.03(c)(i) shall constitute Unreimbursed Amounts, and (iii) the reimbursement obligations with respect thereto shall be governed by the terms and conditions hereof.

(ii) No L/C Issuer shall be under any obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such L/C Issuer from issuing such Letter of Credit, or any Law applicable to such L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such L/C Issuer shall prohibit, or request that such L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which

such L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which such L/C Issuer in good faith deems material to it;

(B) subject to Section 2.03(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last renewal, unless the Required Lenders have approved such expiry date;

(C) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders have approved such expiry date;

(D) the issuance of such Letter of Credit would violate one or more policies of such L/C Issuer; or

(E) such Letter of Credit is in a face amount less than \$50,000, or is to be denominated in a currency other than Dollars.

(iii) No L/C Issuer shall be under any obligation to amend any Letter of Credit if (A) such L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit; Evergreen Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to an L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such Letter of Credit Application must be received by such L/C Issuer and the Administrative Agent not later than 8:00 a.m., San Francisco time, at least two Business Days (or such later date and time as such L/C Issuer may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to such L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the L/C Issuer may require. In the case

of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the L/C Issuer may require.

(ii) Promptly after receipt of any Letter of Credit Application, the relevant L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Upon receipt by the L/C Issuer of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a participation in such Letter of Credit in an amount equal to the product of such Lender's Pro Rata Share times the amount of such Letter of Credit.

(iii) If the Borrower so requests in any applicable Letter of Credit Application, the relevant L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an "Evergreen Letter of Credit"); provided that any such Evergreen Letter of Credit must permit the L/C Issuer to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Nonrenewal Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, the Borrower shall not be required to make a specific request to the L/C Issuer for any such renewal. Once an Evergreen Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the renewal of such Letter of Credit at any time to a date not later than the Letter of Credit Expiration Date; provided, however, that the L/C Issuer shall not permit any such renewal if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof, or (B) it has received notice (which may be by telephone or in writing) on or before the Business Day immediately preceding the Nonrenewal Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such renewal or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 4.02 is not then satisfied. Notwithstanding anything to the contrary contained herein, the L/C Issuer shall have no obligation to permit the renewal of any Evergreen Letter of Credit at any time.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the relevant L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon any drawing under any Letter of Credit, the L/C Issuer that issued such Letter of Credit shall notify the Borrower and the Administrative Agent thereof. Not later than 9:00 a.m., San Francisco time, on the date of any payment by such L/C Issuer under a Letter of Credit (each such date, an "Honor Date"), the Borrower shall reimburse such L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and such Lender's Pro Rata Share thereof. In such event, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.02 (other than the delivery of a Request for Credit Extension). Any notice given by an L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender (including any Lender acting as L/C Issuer) shall upon any notice pursuant to Section 2.03(c) (i) make funds available to the Administrative Agent for the account of the relevant L/C Issuer at the Administrative Agent's Office in an amount equal to its Pro Rata Share of the Unreimbursed Amount not later than 10:00 a.m., San Francisco time, on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the relevant L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Base Rate Loans because the conditions set forth in Section 4.02 cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the relevant L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of such L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.

(iv) Until each Lender funds its Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the L/C Issuers for any amounts drawn under any Letters of Credit, interest in respect of such Lender's Pro Rata Share of each such amount shall be solely for the account of the respective L/C Issuer.

(v) Each Lender's obligation to make Loans or L/C Advances to reimburse the L/C Issuers for amounts drawn under Letters of Credit, as contemplated by this

Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against any L/C Issuer, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default or Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Loans, but not L/C Advances, pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.02 (other than the delivery of a Request for Credit Extension). Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse each L/C Issuer for the amount of any payment made by such L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of any L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), such L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after any L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of such L/C Issuer any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), or any payment of interest thereon, the Administrative Agent will distribute to such Lender its Pro Rata Share thereof in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of any L/C Issuer pursuant to Section 2.03(c)(i) is required to be returned, each Lender shall pay to the Administrative Agent for the account of such L/C Issuer its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect, but in no event to exceed the Maximum Rate.

(e) Obligations Absolute. The obligation of the Borrower to reimburse any L/C Issuer for each drawing under each Letter of Credit, and to repay each L/C Borrowing and each drawing under a Letter of Credit that is refinanced by a Borrowing, shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

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(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by such L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by such L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will immediately notify the relevant L/C Issuer. The Borrower shall be conclusively deemed to have waived any such claim against such L/C Issuer and its correspondents unless such notice is given as aforesaid.

(f) Role of L/C Issuers. Each Lender and the Borrower agree that, (i) in paying any drawing under a Letter of Credit, each L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document, (ii) the L/C Issuers may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and (iii) the L/C Issuers shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason. No Agent-Related Person nor any of the respective correspondents, participants or assignees of any L/C Issuer shall be liable to any Lender for (x) any action taken or omitted in connection

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herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (y) any action taken or omitted in the absence of gross negligence or willful misconduct; or (z) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. No Agent-Related Person, nor any of the respective correspondents,

participants or assignees of any L/C Issuer, shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e); provided, however, that anything in such clauses or this Section 2.03(f) to the contrary notwithstanding, the Borrower may have a claim against an L/C Issuer, and such L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by such L/C Issuer's willful misconduct or gross negligence or such L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit.

(g) Cash Collateral. Upon the request of the Administrative Agent, (i) if any L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted, after the Honor Date thereof, in an L/C Borrowing, or (ii) if, as of the Letter of Credit Expiration Date, any Letter of Credit may for any reason remain outstanding and partially or wholly undrawn, the Borrower shall immediately Cash Collateralize the then Outstanding Amount of all L/C Obligations (in an amount equal to such Outstanding Amount).

(h) Applicability of ISP98. Unless otherwise expressly agreed by the L/C Issuer and the Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each Letter of Credit.

(i) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share a Letter of Credit fee for each Letter of Credit equal to the Applicable Rate for Eurodollar Rate Loans times the actual daily maximum amount available to be drawn under each Letter of Credit. Such fee for each Letter of Credit shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, and on the Letter of Credit Expiration Date.

(j) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuers. The Borrower shall pay directly to any L/C Issuer that has issued any Letters of Credit, for such L/C Issuer's own account, a fronting fee in an amount with respect to each such Letter of Credit equal to the greater of (i) \$1,500 per annum and (ii) 1/8 of 1% per annum on the daily maximum amount available to be drawn thereunder, calculated as of the last day of each March, June, September and December, and shall be due and payable quarterly in arrears on each such

day (unless such day is not a Business Day, in which case the payment date shall be extended to the next succeeding Business Day), commencing with the first such date to occur after the issuance of such Letter of Credit (or in the case of any Existing Letter of Credit, the first such date to occur after the Closing Date) and on the Letter of Credit Expiration Date. In addition, the Borrower shall pay directly to each L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such L/C Issuer relating to letters of credit as from time to time in effect. Such fees and charges are due and payable on demand and are nonrefundable.

(k) Conflict with Letter of Credit Application. In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

(l) Existing Letters of Credit. The outstanding standby letters of credit issued for the Borrower by Wachovia identified on Schedule 2.03(l), to which copies of such letters of credit are attached, shall be "Existing Letters of Credit" hereunder and Wachovia shall have the rights and obligations of an L/C Issuer under all the provisions of the Loan Documents, except that Wachovia shall not and shall not be obligated thereby to issue Letters of Credit. Wachovia shall exercise any rights or remedies it may have under any reimbursement agreements executed in connection with the Existing Letters of Credit and otherwise act in respect of such Existing Letters of Credit at the direction of the Administrative Agent (at the request of the Required Lenders to the extent required hereunder). In any such exercise or action, Wachovia shall be subject to, and entitled to the benefits of, Section 9.01.

2.04 Optional Prepayments.

The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty other than as required under Section 3.05; provided that (i) such notice must be received by the Administrative Agent not later than 8:00 a.m., San Francisco time, (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans, and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 (or the total amount of such Loans outstanding, if less than \$5,000,000) or a whole multiple of \$1,000,000 in excess thereof; and (iii) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 (or the total amount of such Loans outstanding, if less than \$500,000) or a whole multiple of \$100,000 in excess thereof. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of such Lender's Pro Rata Share of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be

accompanied by all accrued interest thereon, together with any additional amounts required pursuant to Section 3.05. Each such prepayment shall be applied to the Loans of the Lenders in accordance with their respective Pro Rata Shares.

2.05 Mandatory Prepayments.

(a) If for any reason the Outstanding Amount of all Loans and L/C Obligations at any time exceeds the Aggregate Commitments then in effect, the Borrower shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess.

(b) If the Borrower or any of its Subsidiaries shall at any time or from time to time consummate a Disposition permitted by Section 7.05(j), then (i) the Borrower shall promptly notify the Administrative Agent of the consummation of such Disposition (including the amount of the estimated Net Disposition Proceeds to be received by the Borrower in respect thereof), (ii) subject to Section 2.05(g), the Borrower shall prepay the Loans in an amount equal to 50% of the Net Disposition Proceeds received by the Borrower in respect of such Disposition, until the aggregate amount of prepayments under this Section 2.05(b)(ii) equals \$50,000,000 and (iii) subject to Section 2.05(g), if, at any time, the aggregate Excess Proceeds held by the Borrower pursuant to Section 7.05(j)(iv)(B) exceeds \$10,000,000 at such time or if the Borrower holds any Excess Proceeds pursuant to the last proviso of Section 7.05(j)(iv), the Borrower shall prepay the Loans in the amount equal to such aggregate Excess Proceeds.

(c) If the Borrower or any of its Subsidiaries shall at any time or from time to time receive Net Issuance Proceeds from the issuance of equity securities to any Person other than (i) from any such issuance to the Borrower or any other Subsidiary, (ii) in the case of any non-wholly owned Subsidiary, from any such issuance to the Borrower, any Subsidiary and any other owner *pro rata* based on such Persons' ownership interests prior to such issuance, and (iii) from any such issuance pursuant to a Stock Option Plan, then within three Business Days after receipt of the Net Issuance Proceeds therefrom, subject to Section 2.05(g), the Borrower shall prepay the Loans in an aggregate principal amount equal to 50% of such Net Issuance Proceeds.

(d) Subject to Section 2.05(e), any prepayment made under Section 2.05(b) or 2.05(c), or that would have been required to be made thereunder but was not because there were no Loans outstanding, shall result in a permanent reduction of the Aggregate Commitments by the amount of such prepayment that was made or that would have been made. Once reduced in accordance with this Section, the Commitments may not be increased. The Administrative Agent shall promptly notify the Lenders of any such reduction of Commitments. Any reduction of the Aggregate Commitments shall be applied to the Commitment of each Lender according to its Pro Rata Share.

(e) If a reduction of the Aggregate Commitments as a result of any prepayment would result in the Aggregate Commitments being less than the aggregate undrawn face amount of all outstanding Letters of Credit, then such prepayment shall be Cash Collateralized but the Commitments shall be permanently reduced under this Section 2.05(e) only after such Letters of Credit are cancelled or expire in accordance with their terms.

(f) Prepayment of the Loans pursuant to this Section 2.05 shall be applied, first, to the payment in full of any L/C Borrowings outstanding, second, to the payment of Loans constituting Base Rate Loans or matured Eurodollar Rate Loans, as selected by the Borrower,

and third, at the Borrower's option (which option will not be available if an Event of Default has occurred and is continuing), to Cash Collateralize Loans constituting unmatured Eurodollar Rate Loans (which Cash Collateral shall be applied on the maturity date of the relevant Interest Periods to prepay such Loans in order of their maturities) or to prepay any Loans constituting unmatured Eurodollar Rate Loans in the order of the maturity of their Interest Periods and all accrued interest and amounts payable pursuant to Section 3.05.

(g) If under the mandatory prepayment formulas in Sections 2.05(b) or (c) the Borrower would otherwise be required to prepay the Loans in an amount equal to or greater than \$25,000,000 with respect to any individual Disposition or equity issuance, then the Borrower shall be required instead to prepay the Loans in an amount equal to \$24,999,999 and Cash Collateralize the remainder of such amount. If and to the extent any proposed Disposition or equity issuance would result in the prepayments under this Section 2.05 to exceed \$24,999,999 in the aggregate, then the Borrower shall prepay the Loans until such aggregate prepayments under this Section 2.05 equal \$24,999,999, and shall either, at its option, (i) Cash Collateralize the excess, or (ii) subject to the first sentence of this Section 2.05(g), apply the excess to prepay the Loans and concurrently deliver to the Administrative Agent an opinion of counsel, reasonably satisfactory to the Administrative Agent, to the effect that the mandatory prepayment required as a result of such Disposition or equity issuance does not violate any Contractual Obligations.

2.06 Voluntary Reduction or Termination of Commitments.

The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitments, or permanently reduce the Aggregate Commitments to an amount not less than the then Outstanding Amount of all Loans and L/C Obligations; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m., five Business Days prior to the date of termination or reduction, and (ii) any such partial reduction shall be in an aggregate amount of \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof. The Administrative Agent shall promptly notify the Lenders of any such notice of reduction or termination of the Aggregate Commitments. Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Aggregate Commitments shall be applied to the Commitment of each Lender according to its Pro Rata Share. All commitment fees accrued until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

2.07 Repayment of Loans.

The Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of Loans outstanding on such date.

2.08 Interest.

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from

the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate. However, in no event shall the rate of interest payable pursuant to this Section 2.08 exceed the Maximum Rate.

(b) While any Event of Default exists or after acceleration, the Borrower shall pay interest on the principal amount of all outstanding Obligations (other than any Hedging Obligations, which shall be governed by the applicable agreement between the Borrower and the applicable Lender or the applicable Affiliate of a Lender, and without duplication of the Default Rate of interest on any L/C Borrowings due under Section 2.03(c)(iii)) at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Law. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 Fees.

In addition to certain fees described in subsections (i) and (j) of Section 2.03:

(a) Commitment Fee. The Borrower shall pay a commitment fee to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share, a commitment fee equal to the Commitment Fee Percentage times the actual daily amount by which the Aggregate Commitments exceed the sum of (i) the Outstanding Amount of Loans and (ii) the Outstanding Amount of L/C Obligations. The commitment fee shall accrue at all times from the Closing Date until the Maturity Date, including at any time during which one or more of the conditions in Article IV is not met. The commitment fee shall be calculated, and due and payable, quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date.

(b) Arrangement, Administrative, and Upfront Fees. The Borrower shall pay an arrangement fee to Bank of America for the Arrangers' accounts, and shall pay an administrative fee to the Administrative Agent for the Administrative Agent's own account, in the amounts and at the times specified in the letter agreement, dated June 29, 2001 (the "Agent/Arranger Fee Letter"), between the Borrower and Bank of America, as an Arranger and the Administrative Agent. On the Closing Date, the Borrower shall pay to the Administrative Agent, for the account of the Lenders in accordance with their respective Pro Rata Shares, an upfront fee in the amount agreed to among each Lender, the Arrangers and the Borrower. Such upfront fees are for the credit facilities committed by the Lenders under this Agreement and are fully earned on the date paid. The upfront fee paid to each Lender is solely for its own account. All fees shall be fully earned when paid and are nonrefundable for any reason whatsoever.

2.10 Computation of Interest and Fees.

Interest on Base Rate Loans shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Computation of all other types of interest and all fees shall be calculated on the basis of a year of 360 days

and the actual number of days elapsed, which results in a higher yield to the payee thereof than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall bear interest for one day.

2.11 Evidence of Debt.

(a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Loans or L/C Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(b) In addition to the accounts and records referred to in subsection (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control.

2.12 Payments Generally.

(a) All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 12:00 noon, San Francisco time, on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 12:00 noon, San Francisco time, shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the definition of "Interest Period," if any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(c) Except as provided in Section 9.11, if at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, L/C Borrowings, interest and fees then due hereunder, such funds shall be applied (i) first, toward costs and expenses then owed under Section 10.04 and amounts payable under Article III, (ii) second, toward repayment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (iii) third, toward repayment of principal and L/C Borrowings then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and L/C Borrowings then due to such parties.

(d) Unless the Borrower or any Lender has notified the Administrative Agent prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds, at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at a rate per annum equal to the Federal Funds Rate from time to time in effect. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in the applicable Borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the

Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable Borrowing, but in no event to exceed the Maximum Rate. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender with respect to any amount owing under this subsection (d) shall be conclusive, absent manifest error.

(iii) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(e) The obligations of the Lenders hereunder to make Loans and to fund participations in Letters of Credit are several and not joint. The failure of any Lender to make any Loan or to fund any such participation on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or purchase its participation.

(f) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.13 Sharing of Payments.

If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans made by it, or the participations in L/C Obligations held by it, any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in such Loans made by them and/or such subparticipations in the participations in L/C Obligations held by them, as the case may be, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Loans or such participations, as the case may be, pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment including the right of set-off, but subject to Section 10.09 with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to

the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

2.14 Security.

(a) At all times after the Closing Date, the Obligations shall be secured in accordance with the Collateral Documents.

(b) The Borrower hereby grants to the Administrative Agent, for the benefit of the Administrative Agent, the L/C Issuers and the Lenders, a Lien upon all cash, Cash Equivalents and deposit account balances at any time used to Cash Collateralize any of the Borrower's Obligations hereunder (collectively, the "Cash Collateral"), and authorizes the Administrative Agent to apply such Cash Collateral to the payment of L/C Obligations pursuant to Section 9.11(c) or to the payment of Eurodollar Rate Loans pursuant to Section 2.05(f), in each case as and when due. The Borrower authorizes and directs the Administrative Agent to apply amounts Cash Collateralized under Section 2.05(g) to Obligations as and when they become due.

3.01 Taxes.

(a) Any and all payments by the Borrower to or for the account of the Administrative Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of the Administrative Agent and each Lender, taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which the Administrative Agent or such Lender, as the case may be, is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, (i) subject to the last sentence of Section 10.15(a), the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), the Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, the Borrower shall furnish to the Administrative Agent (which shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery,

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performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) Subject to the last sentence of Section 10.15(a), if the Borrower shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, the Borrower shall also pay to the Administrative Agent (for the account of such Lender) or to such Lender, at the time interest is paid, such additional amount that such Lender specifies (in reasonable detail) as necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) such Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) The Borrower agrees to indemnify the Administrative Agent and each Lender for (i) the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by the Administrative Agent and such Lender (other than for any withholding permitted by clause (x) of the last sentence of Section 10.15(a)), (ii) amounts payable under Section 3.01(c) and (iii) any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, in each case whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Payment under this subsection (d) shall be made within 30 days after the date the Lender or the Administrative Agent makes a demand therefor and provides reasonable evidence of payment.

(e) Each Lender that is not an export credit agency hereby represents that, as of the date it became a Lender under this Agreement, it was not subject to any Taxes applicable to payments made by the Borrower hereunder.

3.02 Illegality.

If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or materially restricts the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the applicable offshore Dollar market, or to determine or charge interest rates based upon the Eurodollar Rate, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period thereof, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay interest on the amount so prepaid or converted. Each Lender agrees, to the extent permitted by applicable law, to designate a

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different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

3.03 Inability to Determine Rates.

If the Administrative Agent determines in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for such Eurodollar Rate Loan, or (c) the Eurodollar Rate for such Eurodollar Rate Loan does not adequately and fairly reflect the cost to the Lenders of funding such Eurodollar Rate Loan, the Administrative Agent will promptly notify the Borrower and all Lenders. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing, conversion or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Cost and Reduced Return; Capital Adequacy; Reserves on Eurodollar Rate Loans.

(a) If any Lender determines that as a result of the introduction of or any change in or in the interpretation of any Law, or such Lender's compliance therewith (as so introduced or changed), there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans or (as the case may be) issuing or participating in Letters of Credit, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this subsection (a) any such increased costs or reduction in amount resulting from (i) Taxes or Other Taxes (as to which Section 3.01 shall govern), (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or any foreign jurisdiction or any political subdivision of either thereof under the Laws of which such Lender is organized or has its Lending Office, and (iii) reserve requirements utilized, as to Eurodollar Rate Loans, in the determination of the Eurodollar Rate), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender determines that the introduction of any Law regarding capital adequacy or any change therein or in the interpretation thereof (as so introduced or changed), or compliance by such Lender (or its Lending Office) therewith, has the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and such Lender's desired return on capital), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

3.05 Funding Losses.

Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Base Rate used in determining the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the applicable offshore Dollar interbank market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 Matters Applicable to all Requests for Compensation.

(a) A certificate of the Administrative Agent or any Lender claiming compensation under this Article III and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Administrative Agent or such Lender may use any reasonable averaging and attribution methods.

(b) If the Borrower becomes obligated to make any additional or increased payment with respect to any Lender by reason of Section 3.01(a), or upon any Lender making a claim for compensation under Section 3.01 or 3.04 or having its

obligations with respect to Eurodollar Rate Loans suspended under Section 3.02, the Borrower may remove or replace such Lender in accordance with Section 10.16.

3.07 Survival.

All of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations.

3.08 Dissolving Subsidiaries.

Each of ABT Canada Limited., L-P Foreign Sales Corporation, Louisiana-Pacific, S.A. de C.V. and Louisiana-Pacific Acquisition Inc. (each, a "Dissolving Subsidiary") is in the process of, or has been, dissolved, and each such Person has no material assets and no material direct or contingent liabilities.

ARTICLE IV. CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 Conditions of Initial Credit Extension.

The obligation of each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) Unless waived by all the Lenders (or by the Administrative Agent with respect to immaterial matters or immaterial items (which shall not include the incumbency certificate, resolutions, articles or bylaws of the Borrower) specified in clause (iii) or (iv) below with respect to which the Borrower has given assurances satisfactory to the Administrative Agent that such items shall be delivered promptly following the Closing Date), the Administrative Agent's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and its legal counsel:

- (i) executed counterparts of this Agreement and the Intercreditor Agreement, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower;
- (ii) executed Pledge Agreement, Security Agreement and Deed of Trust in appropriate form for recording, as applicable, together with

(A) UCC-1 financing statements executed by the Borrower or the Subsidiaries, as applicable, to be filed, registered or recorded as necessary or advisable to perfect the Liens of the Administrative Agent for the benefit of the Lenders under the Collateral Documents in accordance with applicable law;

(B) written advice relating to such Lien and judgment searches as the Administrative Agent shall have reasonably requested with respect to any of the Collateral, and such termination statements or other documents, including payoff letters, as may be necessary to release any Lien not permitted by Section 7.01;

(C) evidence that all other actions necessary or, in the reasonable opinion of the Administrative Agent, desirable, have been taken to perfect and protect the first priority security interest created by the Collateral Documents other than the Security Agreement,

subject only to Liens permitted under Section 7.01(c), (d) and (h), and the security interest created by the Security Agreement, subject only to Liens permitted under Section 7.01(b), (c), (d), (h), (j) and (o);

(D) evidence that adequate arrangements have been made for payment by the Borrower of any filing or recording tax or fee in connection with the Deed of Trust;

(E) with respect to the Mortgaged Property, standard A.L.T.A. or comparable policies of title insurance or a binder or binders issued by Fidelity National Title insuring or undertaking to insure, in the case of a binder, that the applicable Deed of Trust creates and constitutes valid Liens against such Mortgaged Property in favor of the Administrative Agent, for the benefit of the Lenders, subject only to exceptions reasonably acceptable to the Administrative Agent and the Required Lenders, with such endorsements and affirmative insurance as the Administrative Agent or the Required Lenders may reasonably request;

(F) proof of payment of all title insurance premiums, documentary stamp or intangible taxes, recording fees and mortgage taxes payable in connection with the recording of the Deed of Trust or the issuance of the title insurance policies, including sums, if any, due in connection with any future advances that may be in the form of disbursement instructions and associated payoff letters approved by the relevant title insurers and reasonably acceptable to the Administrative Agent;

(G) all certificates and instruments representing Pledged Collateral and such stock transfer powers executed in blank as the Administrative Agent may specify; and

(H) evidence that the Administrative Agent has been named loss payee under applicable policies of casualty insurance covering the Collateral under the Security Agreement, and additional insured under all policies of liability insurance required by the Collateral Documents;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require to establish the identities of and verify the authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) such evidence as the Administrative Agent may reasonably require to verify that each Loan Party is duly organized or formed, validly existing, in good standing and qualified to engage in business in each jurisdiction in which it is required to be qualified to engage in business, including certified copies of each Loan Party's Organization Documents, certificates of good standing and/or qualification to engage in business and tax clearance certificates;

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(v) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that other than as disclosed in the quarterly financial statements of the Borrower for the period ended June 30, 2001 or in other public disclosures made by the Borrower or as disclosed in writing to the Lenders on or before October 16, 2001, there has been no event or circumstance since the date of the Audited Financial Statements which has or could be reasonably expected to have a Material Adverse Effect;

(vi) opinions of counsel to each Loan Party substantially in the forms of Exhibits E-1, E-2, and E-3;

(vii) evidence that the Existing Credit Facility has been or concurrently with the Closing Date is being terminated and that satisfactory arrangements have been made for the payment in full of all obligations thereunder;

(viii) a copy of (A) summary appraisal reports with respect to all of the timberlands owned by the Borrower and its Subsidiaries in Texas and Louisiana, and (B) detailed appraisal reports with respect to all of the Mortgaged Property, each in form and substance satisfactory to the Administrative Agent and the Lenders and prepared by an independent appraiser retained by the Administrative Agent at the Borrower's expense, and with respect to the appraisal of the Mortgaged Property, showing that the Collateral Coverage Ratio is at least 2.0:1.0;

(ix) evidence that the Permitted Securitization has closed and that the Borrower has a Borrowing Base (as defined in the Permitted Securitization Credit and Security Agreement) of at least \$70,000,000;

(x) executed copies of the Second Amendment to Standby Purchase and Note Support Agreement, in form and substance acceptable to the Required Lenders; and

(xi) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the L/C Issuers or the Required Lenders reasonably may require.

(b) Any fees required to be paid on or before the Closing Date pursuant to the Loan Documents shall have been paid.

(c) The Borrower shall have paid all Attorney Costs of the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute its reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

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4.02 Conditions to all Credit Extensions and Conversions and Continuations.

The obligation of each Lender to honor any Request for Credit Extension (other than a Loan Notice requesting only a conversion of a Loan from a Eurodollar Rate Loan to a Base Rate Loan) is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower in Article V, of the Borrower or any Loan Party in any Loan Document, and of the Borrower or any Loan Party in any document executed and delivered at any time under or in connection herewith, shall be true and correct in all material respects on and as of the date of such Credit Extension, conversion or continuation, except to the extent that such representations and warranties provide that they are made as of an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

(b) No Default or Event of Default shall exist, or would result from such proposed Credit Extension, conversion or continuation.

(c) The Administrative Agent and, if applicable, the relevant L/C Issuer shall have received a Request for Credit Extension in accordance with the requirements hereof.

(d) The Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as the Administrative Agent or the Required Lenders reasonably may require.

Each Request for Credit Extension submitted by the Borrower (other than a Loan Notice requesting only a conversion of a Loan from a Eurodollar Rate Loan to a Base Rate Loan) shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

5.01 Existence, Qualification and Power; Compliance with Laws.

It is duly qualified and is licensed and in good standing under the Laws of the State of Texas and has complied with all other conditions prerequisite to its lawfully doing business in each such State. Each Loan Party (a) is a corporation duly organized or formed, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business and to execute, deliver, and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and has complied with all other conditions prerequisite to its lawfully doing business in each such

jurisdiction, (d) is in compliance with all Laws applicable to such Loan Party or its properties, and (e) has all requisite corporate power and all government certificates of authority, licenses, permits, qualifications, and documentation to own, lease and operate its properties and to carry on its business as now being, and as proposed to be, conducted, except in each case referred to in clauses (c), (d) or (e), to the extent that failure to be so qualified, licensed, in good standing, in compliance, or to have such power, certificates, qualification or documentation, as applicable, could not reasonably be expected to have a Material Adverse Effect.

5.02 Authorization; No Contravention.

The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under (other than the Liens created under the Loan Documents), any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or (c) violate any Law applicable to such Loan Party.

5.03 Governmental Authorization.

No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document, except, with respect to the perfection of the Liens granted to the Administrative Agent under the Loan Documents for the benefit of the Lenders, such recordings and filings described in Section 5.09.

5.04 Binding Effect.

This Agreement has been, and each other Loan Document, when delivered hereunder, will have been duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of each Loan Party that is party thereto, enforceable against such Loan Party in

accordance with its terms, except as enforceability may be limited by Debtor Relief Laws or by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.05 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) reflect all material indebtedness and other liabilities,

direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness, in each case to the extent required to be so reflected under GAAP consistently applied throughout the period covered thereby.

(b) Since the date of the Audited Financial Statements, other than as disclosed in the quarterly financial statements of the Borrower for the period ended June 30, 2001 or in other public disclosures made by the Borrower or as disclosed in writing to the Lenders on or before October 16, 2001, there has been no event or circumstance that has or could reasonably be expected to have a Material Adverse Effect.

5.06 Litigation.

Except as disclosed on Schedule 5.06 there are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, threatened, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower or any of its Subsidiaries or against any of their properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions provided for herein, or (b) could reasonably be expected to have a Material Adverse Effect.

5.07 No Default.

Neither the Borrower nor any Subsidiary is in default under or with respect to any Contractual Obligation which could be reasonably expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing or would be reasonably expected to result from the consummation of the transactions provided for in this Agreement or any other Loan Document.

5.08 Ownership of Property; Liens.

The Borrower and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect. The property of the Borrower and its Subsidiaries is subject to no Liens other than Liens permitted by Section 7.01. The Borrower has good record and marketable title to all of the Land and standing Timber (as defined in the Deed of Trust), subject to Liens permitted by Section 7.01(h). As of the Closing Date, there is no financing statement or other document creating or evidencing a Lien now on file in any public office covering any of such Land or standing Timber except with respect to Liens permitted under Section 7.01(g) and (h).

5.09 Collateral Documents.

(a) The provisions of each of the Collateral Documents are effective to create in favor of the Administrative Agent for the benefit of the Lenders a legal, valid and enforceable security interest in all right, title and interest of the Borrower in the personal property Collateral; and, upon (i) the filing of financing statements in the appropriate governmental offices in the

jurisdictions listed on Schedule 5.09(a) (other than any such governmental offices that refuse to accept such financing statements because the states in which such offices are located have modified their laws governing the filing of such financing statements), (ii) the recording of the Deed of Trust in the Texas counties identified in Schedule 5.09(b), and (iii) the delivery to the Administrative Agent of the Pledged Collateral, the Administrative Agent for the benefit of the Lenders shall have a perfected first priority security interest in all right, title and interest of the Borrower in the personal property Collateral other than the Collateral under the Security Agreement and the Pledge Agreement, subject only to Liens permitted under Section 7.01(c), (d), (h), and (j) and a perfected security interest in all right, title and interest of the Borrower in the Collateral under the Security Agreement and the Pledge Agreement, subject in priority only to Liens permitted under Section 7.01(b), (c), (d), (h), and (j), and, with respect to the Collateral

under the Security Agreement, subject in priority to Liens permitted under Section 7.01(g), in each case to the extent such perfection may be effected through the filing of a financing statement under the UCC or a recording of a deed of trust.

(b) The Deed of Trust when delivered will be effective to grant to the Administrative Agent for the benefit of the Lenders a legal, valid and enforceable deed of trust lien on all the right, title and interest of the trustor under the Deed of Trust in the Mortgaged Property described therein. When the Deed of Trust is duly recorded in the official real property records of the counties in which the real property described in the Deed of Trust is located, and the recording fees and taxes in respect thereof are paid and compliance is otherwise had with the formal requirements of state law applicable to the recording of deeds of trust generally, (i) the Land and standing Timber (as each such term is defined in the Deed of Trust) will be subject to a legal, valid, enforceable and perfected first priority deed of trust or mortgage, as applicable, subject to no Liens except Liens permitted under Section 7.01(h) and (ii) the other Mortgaged Property will be subject to a legal, valid, enforceable and perfected first priority security interest, subject to no Liens except Liens permitted under Section 7.01(c), (d), (h) and (j).

(c) No person other than the Borrower has any mineral estate or any similar interest in or related to the Mortgaged Property that could, through the exercise of any right to use the surface of the land constituting Mortgaged Property for the extraction or development of such minerals or similar interest, interfere with the growing of timber thereon or the harvest of timber therefrom, or decrease the value of the Mortgaged Property as currently used, which interference or decrease could reasonably be expected to have a Material Adverse Effect.

(d) All representations and warranties of the Borrower in the Collateral Documents and all other Loan Documents (i) are true and correct in all material respects, except to the extent that such representations and warranties provide that they are made as of an earlier date, in which case they are true and correct in all material respects as of such earlier date and (ii) shall at all times be construed to be for the benefit of the Administrative Agent and the Lenders, and they shall remain in full force and effect, notwithstanding the assignment of any of the Collateral Documents or the foreclosure or the partial release of the Liens created thereunder, in each case, until the occurrence of the events described in Section 9.11(b)(i).

5.10 Environmental and Zoning Compliance.

The Borrower conducts, in the ordinary course of business, for itself and its Subsidiaries, a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Borrower has reasonably concluded that such Environmental Laws and claims could not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect. The Borrower's use and operation of the Mortgaged Property are in compliance with all applicable Laws, including all applicable land use and zoning laws, except to the extent that non-compliance could not be reasonably expected to have a Material Adverse Effect.

5.11 Insurance.

The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or its Subsidiaries operate.

5.12 Taxes.

The Borrower and its Subsidiaries have filed all Federal, state and other material tax returns and reports required to be filed, and have paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are not yet delinquent (giving effect to any applicable grace or cure period) or are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. To the Borrower's knowledge, there is no proposed tax assessment against the Borrower or any Subsidiary that could, if made, be reasonably expected to have a Material Adverse Effect.

5.13 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being or will be processed by the IRS with respect thereto and such application is or will be within a remedial amendment period and, to the Borrower's knowledge, nothing has occurred which would prevent, or cause the loss of, such qualification which is not correctable without cost or at a cost that is immaterial. The Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the Borrower's knowledge, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could be reasonably expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could be reasonably expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred within the past 12 years or is reasonably expected to occur; (ii) except as specifically disclosed in Schedule 5.13, no Pension Plan has any Unfunded Pension Liability; (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, could be reasonably expected to result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

5.14 Subsidiaries.

As of the Closing Date, the Borrower has no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 5.14 and has no equity investments in any other corporation or entity other than those specifically disclosed in Part(b) of Schedule 5.14.

5.15 Margin Regulations; Investment Company Act; Public Utility Holding Company Act.

(a) The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Section 6.12 and Section 7.13. Neither the Borrower nor any of its Subsidiaries is engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Borrower, any Person controlling the Borrower, or any Subsidiary (i) is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, or (ii) is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

5.16 Solvency.

The Borrower and each of its Subsidiaries is Solvent.

5.17 Disclosure.

No statement, information, report, representation, or warranty made by any Loan Party in any Loan Document or furnished to the Administrative Agent or any Lender by or on behalf of

any Loan Party in connection with any Loan Document contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ARTICLE VI. AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment, or any Loan or other Obligation for the payment of money that has accrued and is payable shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, 6.03, 6.11, and 6.13) cause each Subsidiary to:

6.01 Financial Statements and Timber Reports.

Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Administrative Agent, which report and opinion shall be prepared in

accordance with GAAP and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any qualifications and exceptions not reasonably acceptable to the Administrative Agent; and

(b) as soon as available, but in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income and cash flows for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Borrower as presenting fairly in all material respects the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes; and

(c) as soon as practicable and in any event within 30 days after the end of each calendar month, internal monthly consolidated financial statements of the Borrower and its Subsidiaries by business segment, in reasonable detail and certified by a Responsible Officer of the Borrower as presenting, in all material respects, fairly and in a manner consistent with other such financial statements delivered under this Section 6.01(c), the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries; and

(d) as soon as practicable and in any event within 60 days after the end of each fiscal quarter, either (i) an appraisal report from the same independent appraiser that produced the initial report provided under Section 4.01(a)(viii)(B), prepared at the Borrower's expense, as of the end (or approximately the end) of the immediately preceding fiscal quarter, and in the form of and using the same appraisal methods and approaches as such initial report, or (ii) a certificate duly executed by a Responsible Officer of the Borrower, certifying and setting forth a complete report of all timber harvesting operations from the Mortgaged Property for such fiscal quarter (the "Quarterly Timber Report"), including the following:

(A) a summary of all locations of, and the number of acres constituting, the Mortgaged Property;

(B) a calculation of the Retail Timberlands Value as of the end of such fiscal quarter;

(C) a summary of activity, including a breakdown of harvesting under stumpage agreements and under other types of agreements, under (A) all outstanding timber cutting contracts or log sale agreements or auctions or sales of logs conducted orally on the Mortgaged Property whereby the Borrower, as seller, is or may become obligated to cut, harvest or otherwise remove timber from the timberlands and to sell or deliver such timber to third Persons, and (B) all stumpage and other timber cutting contracts, including Scaling Bureau summaries of log deliveries under all such contracts or agreements;

(D) a summary of the total amount of timber cut from the Mortgaged Property since the Closing Date and during the previous fiscal quarter classified by species, total volumes removed and acreage Disposed of with such additional details as the Required Lenders may reasonably request;

(E) an estimate of timber growth during the previous fiscal quarter, provided that, regardless of the actual amount of such estimate, the addition to Merchantable Timber Inventory for any consecutive four fiscal quarters based upon such estimate shall not exceed 4% of Merchantable Timber Inventory at the end of the fiscal quarter immediately preceding such four fiscal quarters;

(F) all proceeds received and revenues generated by such cutting, harvesting, sale, exchange, or disposition during the previous fiscal quarter and any other receipts from operation of the timberlands such as wood use fees;

(G) a summary of operating costs incurred in connection with such cutting, harvesting, or removal during the previous fiscal quarter; and

(H) a summary of the status of timber harvesting and similar permits applied for and received by the Borrower.

(e) upon 45 days after notice to the Borrower by the Administrative Agent of its determination, in its sole discretion, or at the request of the Required Lenders, that the Mortgaged

Property Per-Acre Value may no longer accurately reflect the average Dollar value per acre of the land comprising the Mortgaged Property or that the Deemed Mortgaged Property Value may no longer accurately reflect the value of the Mortgaged Property, a detailed appraisal report with respect to all of the land comprising Mortgaged Property, in form and substance reasonably satisfactory to the Administrative Agent and the Required Lenders and prepared by an independent appraiser retained by the Administrative Agent at the Borrower's expense and approved by the Borrower (which approval shall not be unreasonably

withheld or delayed), setting forth such appraiser's determination of the average Dollar value per acre of the Mortgaged Property and the Deemed Mortgaged Property Value.

6.02 Certificates; Other Information.

Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

- (a) concurrently with the delivery of the financial statements referred to in Section 6.01(a), a certificate of its independent certified public accountants certifying such financial statements and stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default or, if any such Default or Event of Default shall exist, stating the nature and status of such event;
- (b) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower;
- (c) no later than 3 Business Days after requested by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the accounts or books of the Borrower or any Subsidiary, or any audit of any of them;
- (d) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower filed with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto; and
- (e) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary as the Administrative Agent, at the reasonable request of any Lender, may from time to time request.

6.03 Notices.

Promptly (and in any event, with respect to Section 6.03(a), no later than 5 Business Days after knowledge thereof by a Responsible Officer) notify the Administrative Agent and each Lender:

- (a) of the occurrence of any Default or Event of Default;
- (b) of any matter that has resulted or could be reasonably expected to have a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Borrower or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary, including pursuant to any applicable Environmental Laws;
- (c) of any litigation, investigation or proceeding affecting any the Borrower or any Subsidiary in which the amount involved exceeds the Threshold Amount, or in which injunctive relief or similar relief is sought, which relief, if granted, could be reasonably expected to have a Material Adverse Effect;
- (d) of the occurrence of any ERISA Event;
- (e) of any amendment, restatement, extension, supplement, refinancing, refunding, renewal or other modification of, or waiver or consent with respect to, the Canadian Credit Facility; and
- (f) of any material change in accounting policies or financial reporting practices by the Borrower or any Subsidiary.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement or other Loan Document that have been breached.

6.04 Payment of Obligations.

Pay and discharge as the same shall become due and payable or before they become delinquent (giving effect to any applicable grace or cure period), as the case may be, all its obligations and liabilities, the nonpayment or nondischarge of which could reasonably be expected to have a Material Adverse Effect, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets; (b) all lawful claims which, if unpaid, would by law become a Lien upon its

property not permitted hereunder; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing or governing such Indebtedness; except to

the extent that any of the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary.

6.05 Preservation of Existence and Rights.

Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization; take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, and preserve or renew all of its registered patents, trademarks, trade names and service marks, except, in each case, in a transaction permitted by Section 7.04 or 7.05 or to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Properties.

(a) Maintain, preserve and protect all of its properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof; (c) use the standard of care typical in the industry in the operation and maintenance of its facilities; and (d) not cause or permit any of the Personal Property (as defined in the Deed of Trust) to be removed from the county in which it was located on the Closing Date, except items that have become obsolete or worn beyond practical use and that have been replaced by adequate substitutes having a value equal to, or greater than, the replaced items when new; except in each case to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.07 Maintenance of Insurance.

Maintain with financially sound and reputable insurance companies not Affiliates of the Borrower, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

6.08 Compliance with Laws.

Comply in all material respects with the requirements of all Laws applicable to it or to its business or property, except in such instances in which (i) such requirement of Law is being contested in good faith or a bona fide dispute exists with respect thereto; or (ii) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.09 Books and Records.

Maintain proper books of record and account, in which, in each case, in conformity with GAAP consistently applied, full, true and correct entries shall be made of all financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be.

6.10 Inspection Rights.

Permit representatives and independent contractors of the Administrative Agent to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

6.11 Compliance with ERISA.

Do, and cause each of its ERISA Affiliates to do, each of the following: (a) maintain each Plan in compliance with the applicable provisions of ERISA, the Code and other Federal or state law; (b) cause each Plan that is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the Code; except, in each case, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.12 Use of Proceeds.

Use the proceeds of the Credit Extensions for working capital, capital expenditures, to refinance Indebtedness under the Existing Credit Facility and Indebtedness permitted hereunder, and other general corporate purposes not in contravention of any applicable Law or of any Loan Document.

6.13 Guaranties; Stock Pledges; Collateral Documents. At any time:

(a) Cause the following Subsidiaries to execute a guaranty of payment of the Obligations, substantially in the form of Exhibit B:

(i) each existing and future Domestic Subsidiary that holds assets (excluding intercompany assets) with book value constituting 5% or more of the aggregate consolidated book value of the assets (excluding intercompany assets) of the Borrower and its Subsidiaries; and

(ii) if the aggregate book value of the assets (excluding intercompany assets) held by the Borrower and the Subsidiaries that have executed a Guaranty pursuant to clause (i) of this Section 6.13(a) consists of 35% or less of the aggregate consolidated book value of assets (excluding intercompany assets) of the Borrower and its Subsidiaries, then all Domestic Subsidiaries.

Notwithstanding the foregoing, neither the Securitization Subsidiary nor any Subsidiary identified on Schedule 6.13(a) shall be required to execute a guaranty under this Section 6.13(a).

(b) Take all actions that the Administrative Agent reasonably deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority Lien in all right, title and interest of the Borrower in the following percentages of the Borrower's Stock in the following Subsidiaries, subject only to Liens permitted under Section 7.01, including the execution of amendments or other documentation in form and substance reasonably satisfactory to the Administrative Agent in order to add such percentages of Stock as pledged collateral under the Pledge Agreement, and the taking of all actions that the Administrative Agent reasonably deems necessary or advisable to perfect its Lien in such new Pledged Collateral, including the delivery of all certificates and instruments representing such new Pledged Collateral and such corresponding stock transfer powers executed in blank as the Administrative Agent may specify:

(i) 100% of the Stock of each Domestic Subsidiary that is a Guarantor;

(ii) 65% of the Stock of each Foreign Subsidiary that is owned by either the Borrower or by a Domestic Subsidiary of the Borrower and that holds assets (excluding intercompany assets) with book value constituting 5% or more of the aggregate consolidated book value of the assets (excluding intercompany assets) of the Borrower and its Subsidiaries; and

(iii) if the aggregate book value of the assets (excluding intercompany assets) held by the Borrower and the Subsidiaries that have executed a Guaranty pursuant to clause (i) of Section 6.13(a) consists of 35% or less of the aggregate consolidated book value of assets (excluding intercompany assets) of the Borrower and its Subsidiaries, then 65% of the Stock of each other Foreign Subsidiary that is owned by either the Borrower or by a Domestic Subsidiary of the Borrower.

(c) If at any time the Collateral Coverage Ratio is not at least 2:00 to 1:00, promptly take all actions and provide such documents in order to grant a Lien upon such additional timberlands acceptable to the Administrative Agent and in any event sufficient to cause the Collateral Coverage Ratio to equal or exceed 2:00 to 1:00, and take all actions and provide such documents with respect to the perfection of such Lien that were required under Section 4.01(a)(ii) with respect to such Collateral and any other actions and documents reasonably requested by the Administrative Agent in connection therewith.

(d) Do all things necessary or proper to defend title to the Mortgaged Property, except that defense of a challenge or dispute with respect to such title shall not be required if the aggregate value of all Mortgaged Property for which title is being challenged or disputed has an aggregate fair market value of less than \$3,000,000 (as determined in the most recent appraisal of such Mortgaged Property conducted pursuant to either Section 4.01(a)(viii), 6.01(d), or 6.01(e)), and if exclusion of the Mortgaged Property in question in such challenge or dispute from the calculation of the Collateral Coverage Ratio would not cause the Collateral Coverage Ratio to be less than 2.0 to 1.0. The Administrative Agent shall have the right, at any time, to intervene in any suit affecting such title and to employ independent counsel in connection with any such suit

to which it may be a party by intervention or otherwise; and upon demand Borrower agrees to pay the Administrative Agent all reasonable costs and expenses paid or incurred by the Administrative Agent in respect of any such suit affecting title to any such property or affecting the Liens or rights of the Administrative Agent, for the benefit of the Lenders, under the Deed of Trust, including reasonable Attorney Costs, and the Borrower shall indemnify and hold harmless the Administrative Agent from and

against any and all costs and expenses, including any and all cost, loss, damage or liability that the Administrative Agent may suffer or incur by reason of the failure or inability of the Borrower, for any reason, to convey the rights, titles and interests that the Deed of Trust purports to mortgage or assign, and all amounts at any time so payable by the Borrower under this Section 6.13(d) shall be secured by the Lien of the Deed of Trust and by the said assignment.

(e) Subject to the exception set forth in the first sentence of Section 6.13(d), protect, warrant and forever defend title to (i) the Land and standing Timber under and as defined in the Deed of Trust, and (ii) the other Mortgaged Property, unto the Administrative Agent and the Lenders and their respective successors and assigns, at the Borrower's expense, against all persons whomsoever lawfully having or claiming an interest therein or a Lien thereon, other than, with respect to such Land or standing Timber, Liens permitted under Section 7.01(h), and with respect to the other Mortgaged Property, Liens permitted under Sections 7.01(c), (d), (h) and (j).

(f) Promptly upon the written request by the Administrative Agent or the Required Lenders, do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register, any and all such further acts, deeds, conveyances, security agreements, mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments the Administrative Agent or such Lenders, as the case may be, may reasonably require from time to time in order (i) to carry out more effectively the purposes of this Agreement or any other Loan Document, (ii) to subject to the Liens created by any of the Collateral Documents any of the properties, rights or interests covered by any of the Collateral Documents, (iii) to perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Liens intended to be created thereby, subject, in priority, only to Liens permitted under Sections 7.01(c), (d), (h) and (j) (and, with respect to the Liens under the Security Agreement, Sections 7.01(b) and (o)) and (iv) to better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Administrative Agent and Lenders the rights granted or now or hereafter granted to the Lenders under any Loan Document.

ARTICLE VII. NEGATIVE COVENANTS

So long as any Lender shall have any Commitment, or any Loan or other Obligation for the payment of money that has accrued and is payable shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly:

7.01 Liens.

Create, incur, assume or suffer to exist, any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens existing on the Closing Date and listed on Schedule 7.01 and any renewals or extensions thereof, provided that the property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.03(b);

(c) Liens for taxes, assessments or governmental charges or claims not yet due or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's, loggers' or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(f) Liens to secure (i) the non-delinquent (giving effect to any applicable grace or cure period) performance of bids, trade contracts (other than for borrowed money), leases, or statutory obligations, (ii) contingent obligations on surety, appeal, or performance bonds or letters of credit posted in lieu thereof and (iii) other non-delinquent (giving effect to any applicable grace or cure period) obligations of a like nature; in each case, incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(h) Liens described in Schedule B of the title insurance policies delivered to and approved by the Administrative Agent under Section 4.01(a)(ii)(E) or Section 6.13(c) in respect of the Mortgaged Property;

(i) Liens securing judgments for the payment of money (except to the extent fully bonded or covered by independent third-party insurance as to which the insurer has acknowledged in writing its obligation to cover) in an aggregate amount not in excess of the Threshold Amount, unless any such judgment remains undischarged for a period of more than 30 consecutive days during which execution is not effectively stayed;

(j) Liens securing Indebtedness permitted under Section 7.03(e) and Liens arising under operating leases; provided that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness or proceeds thereof or in which an interest is acquired pursuant to such operating lease, as applicable, and (ii) any Indebtedness secured thereby does not exceed the cost of acquiring, improving or constructing the property so being financed;

(k) Liens arising pursuant to the Permitted Securitization;

(l) Liens on assets of a Person existing at the time such Person is merged into, consolidated with, or acquired by the Borrower or any Subsidiary pursuant to a transaction permitted hereunder; provided, that such Liens were not incurred in contemplation of such transaction and do not extend to any assets other than those of the Person merged into, consolidated with, or acquired by the Borrower or Subsidiary;

(m) Liens on assets existing at the time of acquisition of the assets by the Borrower or any Subsidiary pursuant to an acquisition permitted hereunder; provided, that such Liens were not incurred in contemplation of such acquisition and do not extend to any other assets owned by the Borrower or its Subsidiaries;

(n) Liens upon the accounts receivable, inventory, books and records related thereto, and proceeds thereof of Louisiana-Pacific Canada Ltd. and its Subsidiaries securing their obligations under the Canadian Credit Facility;

(o) Liens upon the Borrower's accounts receivable, inventory, books and records related thereto, and proceeds thereof, and Liens upon the Mortgaged Property subordinate to those of the Administrative Agent for the benefit of the Lenders, each securing the Forex Obligation; and

(p) Liens in favor of Louisiana Agricultural Finance Authority ("LAFA") and its assignees on up to 1,000 acres of timberlands and standing timber thereon in Louisiana, and proceeds thereof, in connection with a release by LAFA and its assignees of certain liens against the Borrower.

7.02 Investments.

Make any Investments, except:

(a) Investments other than those permitted by subsections (b) through (m) of this Section 7.02 that exist on the Closing Date and are listed on Schedule 7.02;

(b) Investments held by the Borrower or such Subsidiary in the form of Cash Equivalents or short-term marketable securities;

(c) advances for travel, entertainment, relocation and analogous ordinary business purposes to officers, directors and employees of the Borrower and Subsidiaries outstanding on

the Closing Date, or additional such advances made after the Closing Date in an aggregate amount not to exceed \$7,500,000 at any time outstanding;

(d) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility and worker's compensation, performance and other similar deposits provided to third parties in the ordinary course of business;

(e) Investments of any Subsidiary in the Borrower or by the Borrower or any Subsidiary in a wholly owned Domestic Subsidiary other than a Subsidiary identified on Schedule 6.13(a);

(f) Guaranty Obligations permitted by Section 7.03;

(g) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business, and Investments received in satisfaction or partial satisfaction of claims against any Person, including pursuant to any plan of reorganization or similar arrangement pursuant to Debtor Relief Laws;

(h) Investments made as a result of the receipt of non-Cash consideration from a sale of assets permitted under Section 7.05(j);

(i) Investments made in transactions permitted by Section 7.04;

(j) Investments in any wholly owned Foreign Subsidiary; provided, that (i) immediately after any such Investment, the aggregate book value of assets (excluding intercompany assets) held by the Borrower and its Domestic Subsidiaries other than Subsidiaries identified on Schedule 6.13(a) consists of 35% or more of the aggregate consolidated book value of assets (excluding intercompany assets) of the Borrower and its Subsidiaries and (ii) the aggregate amount of such Investments during the term of this Agreement does not exceed \$50,000,000;

(k) Investments consisting of acquisitions, by Borrower or any of its wholly owned Domestic Subsidiaries, of Stock of another Person engaged solely in a Permitted Business pursuant to which such Person becomes a wholly owned Subsidiary of Borrower, or of assets constituting a business unit of a Permitted Business; provided, that: (i) such Person holds no liabilities, in the case of a Stock acquisition, and no liabilities are assumed, in the case of an asset acquisition, in each case excluding working capital liabilities; (ii) no Default or Event of Default shall have occurred and be continuing at the time of the consummation of such proposed Investment or immediately after giving effect thereto; (iii) the consideration paid by the Borrower or such Subsidiary consists solely of its capital Stock; (iv) such Investments shall not exceed \$400,000,000 in the aggregate during the term of this Agreement, valued at fair market value of the Stock used as consideration; (v) the entity to be acquired had a positive EBIT for the preceding fiscal year and for the 12 month period ending on the fiscal quarter immediately prior to the date of such proposed Investment, as demonstrated by such entity's audited financial statements or other financial statements satisfactory to the Administrative Agent that are true and

correct in all material respects based on the Borrower's knowledge and due diligence, and for the portion of the current fiscal year ended with the most recent fiscal quarter, and (vi) the Borrower delivers to the Administrative Agent (1) financial statements, in form and substance satisfactory to the Administrative Agent, demonstrating compliance with clause (v) above, and (2) a pro forma Compliance Certificate giving effect to and including the financial information of the entity to be acquired for the most recent four (4) fiscal quarters, demonstrating that no Default or Event of Default exists;

(l) Investments constituting obligations under Swap Contracts permitted under Section 7.03(d) or payments or advances thereunder; and

(m) additional Investments not otherwise permitted hereunder that are made at any time during the term of this Agreement; provided, that (i) immediately after any such Investment, the aggregate book value of assets (excluding intercompany assets) held by the Borrower and its Domestic Subsidiaries other than Subsidiaries identified on Schedule 6.13(a) consists of 35% or more of the aggregate consolidated book value of assets (excluding intercompany assets) of the Borrower and its Subsidiaries and (ii) the aggregate amount of such Investments during the term of this Agreement does not exceed \$17,600,000.

7.03 Indebtedness.

Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness outstanding on the Closing Date and listed on Schedule 7.03 and any refinancings, refundings, renewals or extensions thereof; provided that the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder;

(c) the Forex Obligation and Guaranty Obligations of the Borrower or any Subsidiary in respect of Indebtedness otherwise permitted hereunder of the Borrower or any Subsidiary;

(d) obligations (contingent or otherwise) of the Borrower or any Subsidiary existing or arising under any Swap Contract, provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person and not for purposes of speculation or taking a "market view;" and (ii) such Swap Contract does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party;

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- (e) Indebtedness in respect of Capital Lease Obligations and Synthetic Lease Obligations and purchase money obligations for fixed or capital assets provided that any Lien securing such Indebtedness is permitted under Section 7.01;
- (f) Indebtedness of the Borrower or any Subsidiary as a result of an Investment by the Borrower or any Subsidiary permitted under Section 7.02;
- (g) Indebtedness of a Subsidiary incurred and outstanding on or prior to the date on which such Subsidiary was acquired by the Borrower or another Subsidiary pursuant to an acquisition permitted hereunder; provided, however, that on the date of such acquisition, after giving *pro forma* effect thereto and any related transactions as if the same had occurred at the beginning of the most recent four fiscal quarters for which financial statements were delivered pursuant to Section 6.01, the Borrower would be permitted to incur at least \$1.00 of additional Indebtedness without violating the Debt to Capitalization Ratio test in Section 7.16(b);
- (h) Indebtedness of the Borrower or any Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of incurrence;
- (i) Indebtedness consisting of contingent obligations under letters of credit, surety bonds or similar instruments provided that any Lien securing such Indebtedness is permitted under Section 7.01(f);
- (j) Indebtedness arising under the Permitted Securitization; and
- (k) Indebtedness of Louisiana-Pacific Canada Ltd. and its Subsidiaries under the Canadian Credit Facility.

7.04 Fundamental Changes.

Merge, consolidate with or into, or convey, transfer, lease or otherwise Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default or Event of Default exists or would result therefrom:

- (a) any Subsidiary may merge with (i) the Borrower, provided that the Borrower shall be the continuing or surviving Person, or (ii) any one or more Subsidiaries, provided, that when any wholly owned Subsidiary is merging with another Subsidiary, the wholly owned Subsidiary shall be the continuing or surviving Person, and provided further, that immediately after such merger, consolidation, conveyance, transfer, lease or Disposition, the aggregate book value of assets (excluding intercompany assets) held by the Borrower and its Domestic Subsidiaries other than Subsidiaries identified on Schedule 6.13(a) consists of 35% or more of the aggregate consolidated book value of assets (excluding intercompany assets) of the Borrower and its Subsidiaries; and

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- (b) any Subsidiary may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to the Borrower or to a Domestic Subsidiary; provided that if the seller in such a transaction is a wholly owned Subsidiary, then the purchaser must also be a wholly owned Subsidiary.

7.05 Dispositions.

Make any Disposition or enter into any agreement to make any Disposition, except the following Dispositions, which other than those described in Sections 7.05(a) and (b) shall be for fair market value:

- (a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business, along with related real property other than Mortgaged Property, if any, up to a maximum amount during the term of this Agreement of \$10,000,000;
- (b) Dispositions of inventory in the ordinary course of business;
- (c) Dispositions of Cash Equivalents in the ordinary course of business;
- (d) exchanges by the Borrower of timberlands for other timberlands in the ordinary course of business if:
- (i) at the time of such exchange, no Event of Default exists or shall result from such exchange; and
 - (ii) if the exchange includes Mortgaged Property:

(A) the aggregate fair market value of all Mortgaged Property so exchanged by the Borrower does not exceed on a cumulative basis \$50,000,000 during the term of this Agreement;

(B) the timberlands to be received in exchange are of at least an equivalent fair market value to the timberlands that constitute Mortgaged Property to be exchanged;

(C) the Administrative Agent has received, in form and substance satisfactory to it, copies of appraisals or valuations for the Mortgaged Property to be exchanged and the other timberlands to be received in the exchange, which appraisals or valuation shall, in the case of any exchange where the Borrower is transferring properties (in one or a series of related transactions) having a fair market value in excess of \$10,000,000 to be prepared by an independent appraiser reasonably acceptable to the Administrative Agent, and in all other cases the appraisal or other valuation may be prepared by the Borrower in such form and content as is usual and customary in accordance with past practices of the Borrower; and

(D) all steps required under Section 6.13(c) have been completed in order to cause any replacement timberlands required thereunder to become Mortgaged Property;

(e) Any Disposition to the extent it constitutes the granting of a Lien permitted under Section 7.01, an Investment permitted by Section 7.02, a transaction permitted by Section 7.04, a Restricted Payment permitted by Section 7.07, or a sale and leaseback transaction permitted by Section 7.11;

(f) Dispositions by the Borrower and its Subsidiaries pursuant to the Permitted Securitization;

(g) Dispositions of assets other than the Collateral between or among the Borrower and one or more Subsidiaries (including any Person that becomes a Subsidiary in connection with such transaction) or between or among two or more Subsidiaries (including any Person that becomes a Subsidiary in connection with such transaction);

(h) Dispositions constituting leases or subleases of property of the Borrower or any Subsidiary in the ordinary course of business and not materially interfering with the business of the Borrower and the Subsidiaries;

(i) Dispositions constituting licenses of intellectual property of the Borrower or any Subsidiary; and

(j) Dispositions not otherwise permitted hereunder of assets that are not Collateral if:

(i) at the time of such Disposition no Default or Event of Default exists or shall result from such Disposition;

(ii) if such Disposition includes timberlands in the State of Texas, then after such Disposition the Collateral Coverage Ratio will be at least 2:00 to 1:00;

(iii) at least 75% of the consideration received in such Disposition is in the form of (A) Cash or Cash Equivalents or (B) Replacement Assets, or a combination of both; provided, that non-Cash consideration (other than Cash Equivalents or Replacement Assets) in excess of the 25% limit may be received by the Borrower and its Subsidiaries in such a Disposition in an aggregate amount, when taken together with all such other non-Cash consideration in excess of the 25% limit received by the Borrower and its Subsidiaries in Dispositions under this Section 7.05(j) during the term of this Agreement, does not exceed either (x) \$25,000,000 for Dispositions of any interest in the pulp mill located in Chetwynd, British Columbia or the 65% interest in a joint venture in Ireland that has an oriented strand board (OSB) mill or (y) \$25,000,000 for all other Dispositions (with such non-Cash consideration being valued at its fair market value on the date of its receipt by the Borrower and its Subsidiaries, without giving effect to subsequent changes in value); and

(iv) (A) the portion of Net Disposition Proceeds of such Disposition required to be prepaid or Cash Collateralized under Section 2.05(b)(ii) is held for application in accordance therewith, and (B) the remaining Net Disposition Proceeds of such Disposition are either (1) applied within 360 days after receipt to the purchase of Replacement

Assets; provided, that immediately after such purchase, the aggregate book value of assets (excluding intercompany assets) held by the Borrower and its Domestic Subsidiaries other than Subsidiaries identified on Schedule 6.13(a) consists of 35% or more of the aggregate consolidated book value of assets (excluding intercompany assets) of the Borrower and its Subsidiaries, (2) applied to reduce Indebtedness under any Indenture or Indebtedness falling under section (a)(iii) of the definition of "Consolidated Funded Indebtedness" hereunder, or (3) to the extent Net Disposition Proceeds of such Disposition are not applied in accordance with Section 7.05(j)(iv)(B)(1) or 7.05(j)(iv)(B)(2) (the amount of such unapplied Net Disposition Proceeds, "Excess Proceeds"), the Borrower holds such Excess Proceeds for application in accordance with Section 2.05(b); provided, that the aggregate amount that

the Borrower and its Subsidiaries may receive in the form of Replacement Assets (valued at fair market value on the date of receipt by the Borrower and its Subsidiaries, without giving effect to subsequent changes in value) under Section 7.05(j)(iii), plus the amount of Net Disposition Proceeds reinvested under Section 7.05(j)(iv)(B)(1), shall not exceed \$300,000,000 during the term of this Agreement (all Net Disposition Proceeds received in violation of such restriction and all amounts exceeding such restriction as a result of the receipt of Replacement Assets shall be treated as Excess Proceeds to be applied pursuant to the mandatory prepayment provisions of Section 2.05(b)).

7.06 Lease Obligations.

Create, suffer to exist, or commit to incur any obligations for the payment of rent for any property under any operating lease if such creation, sufferance or commitment would cause the aggregate annual rents for the Borrower and its Subsidiaries to exceed \$50,000,000 in any fiscal year.

7.07 Restricted Payments.

Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Subsidiary may make Restricted Payments to the Borrower and to wholly owned Subsidiaries (and, in the case of a Restricted Payment by a non-wholly owned Subsidiary, to the Borrower and any Subsidiary and to each other owner of capital stock of such Subsidiary on a *pro rata* basis based on their relative ownership interests);

(b) the Borrower and each Subsidiary may declare and make dividend payments or other distributions payable solely in the common stock of such Person;

(c) the Borrower and each Subsidiary may purchase, redeem or otherwise acquire shares of its common stock or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issue of new shares of its common stock;

(d) the Borrower or any Subsidiary may purchase, redeem, or otherwise acquire or retire any of its Stock pursuant to a Stock Option Plan; provided that the aggregate price so paid may not exceed \$3,000,000 in any calendar year; and

(e) the Borrower may redeem any share purchase rights issued pursuant to its share purchase rights plan existing as of the Closing Date (as the same may be amended from time to time) or any similar successor or replacement share purchase rights plan, for a redemption price not to exceed \$0.01 per share purchase right, provided that the aggregate price so paid may not exceed \$2,000,000 in any calendar year.

7.08 ERISA.

At any time engage in a transaction which could be subject to Section 4069 or 4212(c) of ERISA, or permit any Plan to (a) engage in any non-exempt “prohibited transaction” (as defined in Section 4975 of the Code); (b) fail to comply with ERISA or any other applicable Laws; or (c) incur any material “accumulated funding deficiency” (as defined in Section 302 of ERISA), which, with respect to each event listed above, could be reasonably expected to have a Material Adverse Effect.

7.09 Change in Nature of Business.

Engage in any material line of business other than any business conducted by the Borrower and its Subsidiaries on the Closing Date and any reasonable extension thereof.

7.10 Transactions with Affiliates.

Enter into any transaction of any kind with any Affiliate of the Borrower (other than a Domestic Subsidiary besides a Subsidiary listed on Schedule 6.13(a)), except

(a) any employment, compensation, benefit or indemnification arrangement entered into by the Borrower or any Subsidiary in the ordinary course of business with directors or employees;

(b) loans or advances to directors, employees and consultants in the ordinary course of business or guarantees in respect thereof or otherwise made on their behalf (including any payments on such guarantees);

(c) sales of Stock to Affiliates of the Borrower;

(d) arm's-length transactions for fair value with Affiliates that are otherwise permitted hereunder.

7.11 Sale and Leaseback Transactions.

Enter into any sale and leaseback transaction unless (a) the Borrower or such Subsidiary, as applicable, can incur any Indebtedness arising from such transaction without violating Section 7.03, (b) the Borrower or such Subsidiary, as applicable, can incur any Lien to secure Indebtedness arising from such transaction without violating Section 7.01, and (c) the gross cash proceeds of such sale and leaseback transaction are at least equal to the fair market value of the property that is the subject of the transaction, and (d) the transfer of assets in that sale and

leaseback transaction is permitted by, and the proceeds of the transaction are applied in compliance with, Section 7.05.

7.12 Burdensome Agreements.

Enter into any Contractual Obligation after the Closing Date that limits the ability (a) of any Subsidiary to make Restricted Payments to the Borrower, except for (i) limitations on dividends by any Subsidiary that is a special purpose vehicle created for the consummation of a financing transaction that is on terms and conditions satisfactory to the Administrative Agent and the Required Lenders (it being acknowledged that the Permitted Securitization is satisfactory) and (ii) limitations on Restricted Payments by documents governing acquisition transactions permitted hereunder, or (b) of the Borrower or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person pursuant to (i) the pledge of any Stock by the Borrower under Section 6.13(b) or (ii) the grant of a Lien on additional timberlands of the Borrower under Section 6.13(c), or (c) of any Domestic Subsidiary other than the Securitization Subsidiary or a Subsidiary identified on Schedule 6.13(a) to execute a Guaranty; in each case, whether or not circumstances giving rise to the requirement to pledge Stock, grant Liens on additional timberlands, or execute a Guaranty has occurred or is likely to occur.

7.13 Use of Proceeds.

Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the Board) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.14 Indentures; Payments on Indebtedness.

Make any prepayment on account of, or redemption or acquisition for value of any portion of, in each case on a voluntary basis, any Indebtedness where the total principal amount of such Indebtedness exceeds \$10,000,000 (except pursuant to the Permitted Securitization), or otherwise agree to amend or modify the payment terms or other terms thereof or of any term of the Forex Agreement or any Indenture, without the prior written consent of the Administrative Agent and the Required Lenders, except that only the consent of the Administrative Agent shall be required for amendments to any Indenture for the purpose of (a) complying with the requirements of the Securities and Exchange Commission in order to effect or maintain the qualification of such Indenture under the Trust Indenture Act of 1939, (b) adding or changing any of the provisions of such Indenture to the extent necessary to permit or facilitate the issuances of unsecured debentures, notes, and other evidences of indebtedness thereunder in bearer form, registrable or not registrable as to principal, and with or without interest coupons, or to permit or facilitate the issuance of any such unsecured debentures, notes, and other evidences of indebtedness in uncertificated form, or (c) evidencing or providing for the acceptance of appointment thereunder by a successor trustee with respect to the unsecured debentures, notes, and other evidences of indebtedness thereunder of one or more series and to add to or change any of the provisions of such Indenture as may be necessary to provide for or facilitate the

administration of the trust thereunder by more than one trustee, pursuant to the requirements thereof.

7.15 Mineral Rights.

Grant an interest in any mineral estate or any similar interest in or related to any Mortgaged Property without simultaneously Disposing of such Mortgaged Property pursuant to a Disposition otherwise permitted hereunder, unless such grant in the context of such transaction could not reasonably be expected to cause the representation in Section 5.09(c) to no longer be true in all material respects after giving effect to such transaction or otherwise result in a Material Adverse Effect.

7.16 Financial Covenants.

(a) **Shareholders' Equity.** Permit Shareholders' Equity as of the end of any fiscal quarter of the Borrower to be less than the sum of (a) \$1,003,850,000, and (b) an amount, not less than 0, equal to 50% of the cumulative Consolidated Net Income earned in all fiscal quarters after the fiscal quarter ended June 30, 2001 and (c) an amount equal to 100% of the aggregate increases

in Shareholders' Equity after the Closing Date by reason of the issuance and sale of capital stock of the Borrower (including upon any conversion of debt securities of the Borrower into such capital stock).

(b) Maximum Debt to Capitalization Ratio. Permit the Debt to Capitalization Ratio, measured as of the end of each fiscal quarter ending on the dates listed below, to exceed the percentage set forth opposite such dates:

Fiscal Quarter Ending	Maximum Debt to Capitalization Ratio
September 30, 2001	52.5 %
December 31, 2001	52.5 %
March 31, 2002	52.5 %
June 30, 2002	52.5 %
September 30, 2002	52.5 %
December 31, 2002	50.0 %
March 31, 2003	50.0 %
June 30, 2003	50.0 %
September 30, 2003	50.0 %
December 31, 2003 and thereafter	47.5 %

(c) Minimum EBITDDA. Permit Consolidated EBITDDA, for any period of four consecutive quarters ending on a date listed below, to be less than the amount set forth opposite such date:

Fiscal Quarters Ending	Minimum EBITDDA
December 31, 2001	\$ 50,000,000
March 31, 2002	\$ 60,000,000
June 30, 2002	\$ 40,000,000
September 30, 2002	\$ 70,000,000
December 31, 2002	\$ 120,000,000
March 31, 2003	\$ 198,200,000
June 30, 2003	\$ 269,300,000
September 30, 2003	\$ 302,500,000
December 31, 2003 and thereafter	\$ 330,000,000

(d) Minimum Collateral Coverage Ratio. Permit the Collateral Coverage Ratio at any time to be less than 2.0 to 1.0.

(e) Permitted Securitization. Permit the Borrowing Base (as defined in the Permitted Securitization Credit and Security Agreement) to be less than \$50,000,000 or the Aggregate Commitment (as defined in the Permitted Securitization Credit and Security Agreement) to be less than \$100,000,000.

ARTICLE VIII. EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default.

Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or any L/C Obligation, or (ii) within three days after the same becomes due, any interest on any Loan or on any L/C Obligation, or any commitment or other fee due hereunder, or (iii) within five days after the same becomes due, any other amount payable hereunder or under any other Loan Document, other than Hedging Obligations that constitute termination obligations under Swap Contracts; or (iv) within fifteen days after the same becomes due, any Hedging Obligations that constitute termination obligations under Swap Contracts; or

(b) Specific Covenants. The Borrower fails to perform or observe any term, covenant or agreement contained in any of Section 6.01, 6.02(a), 6.02(b), 6.02(c), 6.05, 6.10 or 6.12 or Article VII; or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days; or

(d) Representations and Warranties. Any representation or warranty made or deemed made by the Borrower or any other Loan Party herein, in any other Loan Document, or in any document, agreement, instrument or certificate executed and delivered in connection

herewith or therewith proves to have been incorrect in a material respect when made or deemed made; or

(e) Cross-Default. (i) The Borrower or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any of its Indebtedness or Guaranty Obligations (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, but in any event including the Forex Obligation and the Permitted Securitization, and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guaranty Obligation or contained in any instrument or agreement evidencing, securing or relating thereto after the expiration of any cure or grace period applicable to such failure, or any other event occurs, and continues beyond any cure or grace period applicable thereto, which failure, default or other event has not been waived and the effect of which is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guaranty Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased or redeemed (automatically or otherwise) prior to its stated maturity (other than a mandatory prepayment under Section 8.1 of the Note Purchase Agreements, dated October 3, 1997 (Sierra) and June 30, 1998 (Simpson) with respect to notes issued by special purpose subsidiaries of the Borrower and secured by the Timber Notes Receivable), or such Guaranty Obligation to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Borrower or such Subsidiary as a result thereof is greater than the Threshold Amount; or (iii) an “Amortization Event” occurs under the Permitted Securitization Credit and Security Agreement; or

(f) Insolvency Proceedings, Etc. Any Loan Party or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) The Borrower or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, discharged, stayed, vacated or fully bonded within 60 days after its issue or levy; or

(h) Judgments. There is entered against the Borrower or any Subsidiary (i) a final judgment or order for the payment of money (to the extent such judgment or order is not fully bonded or covered by independent third-party insurance as to which the insurer does not dispute coverage) in an aggregate amount exceeding the Threshold Amount, or (ii) any non-monetary final judgment that has, or could reasonably be expected to have, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(j) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason, ceases to be in force and effect in any material respect, or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any material respect, other than, in each case, (i) pursuant to the terms of such Loan Document or the Agreement, (ii) with the agreement of all the Lenders, or (iii) upon the satisfaction in full of all the Obligations; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, prior to the satisfaction in full of all the Obligations and the obligations under such Loan Document; or any Loan Party purports unilaterally to revoke, terminate or rescind any Loan Document; or

(k) Change of Control. There occurs any Change of Control.

8.02 Remedies Upon Event of Default.

If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders,

- (a) declare the commitment of each Lender to make Loans and any obligation of any L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;
- (b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any

other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

- (c) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

- (d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law;

provided, however, that upon the occurrence of any event specified in subsection (f) of Section 8.01, the obligation of each Lender to make Loans and any obligation of any L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

ARTICLE IX. ADMINISTRATIVE AGENT

9.01 Appointment and Authorization of Administrative Agent.

(a) Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Each L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith until such time (and except for so long) as the Administrative Agent may agree at the request of the Required Lenders to act for such L/C Issuer with respect thereto; provided, however, that each L/C Issuer shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article IX with respect to any acts taken or omissions suffered by such L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit

pertaining to the Letters of Credit as fully as if the term "Administrative Agent" as used in this Article IX included the L/C Issuers with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the L/C Issuers.

9.02 Delegation of Duties.

The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

9.03 Liability of Administrative Agent.

No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by any Person that has ever been a Loan Party or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Loan Party or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Person that has ever been a Loan Party, or any Affiliate thereof.

9.04 Reliance by Administrative Agent.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to any Person that has ever been a Loan Party), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or

consent of the Required Lenders or all the Lenders, if required hereunder, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and participants. Where this Agreement expressly permits or prohibits an action unless the Required Lenders otherwise determine, the Administrative Agent shall, and in all other instances, the Administrative Agent may, but shall not be required to, initiate any solicitation for the consent or a vote of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender.

9.05 Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by the Required Lenders in accordance with Article VIII; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

9.06 Credit Decision; Disclosure of Information by Administrative Agent.

Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Person that has ever been a Loan Party, or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of all Persons that have ever been Loan Parties hereunder and their respective Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis,

appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and each other Person that are or may become Loan Parties hereunder. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Person that has ever been a Loan Party or any of their respective Affiliates that may come into the possession of any Agent-Related Person.

9.07 Indemnification of Administrative Agent.

Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of any Loan Party and without limiting the obligation of any Loan Party to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it, **INCLUDING SUCH INDEMNIFIED LIABILITIES CONSTITUTING IN WHOLE OR PART AGENT-RELATED PERSON'S STRICT LIABILITY, OR COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE; provided, however,** that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Person's own gross negligence or willful misconduct; **provided, however,** that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive termination of the Aggregate Commitments, the payment of all Obligations hereunder and the resignation of the Administrative Agent.

9.08 Administrative Agent in its Individual Capacity.

Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire Stock in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with each Person that has been or may be a Loan Party and their respective Affiliates as though Bank of America were not the Administrative Agent or an L/C Issuer hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding any such Person (including information that may be subject to

confidentiality obligations in favor of such Person) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent or an L/C Issuer, and the terms "Lender" and "Lenders" include Bank of America in its individual capacity. Without limiting the generality of the foregoing, each Lender acknowledges that (i) it is aware of the nature of Bank of America's capacity as a "Standby Lender" (as defined in the Intercreditor Agreement) and as the "Collateral Agent" under and as defined in the "Standby Security Agreement" (as defined in the Intercreditor Agreement), in which capacities it holds a Lien upon the "Security Agreement Collateral" (as defined in the Intercreditor Agreement) that is senior to the Lien held by the Administrative Agent, on behalf of the Lenders, in the same collateral, (ii) it has had an opportunity to request any information or documentation about such capacities and such Lien, and about the Forex Obligation and the transactions related thereto, and has received all requested information and documentation, and (iii) Bank of America may act in such capacities and may take any actions it deems appropriate to perfect, protect, enforce, or otherwise exercise its rights with respect to such Lien, each without regard to its role as the administrative agent hereunder.

9.09 Successor Administrative Agent.

The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders; provided that any such resignation by Bank of America shall also constitute its resignation as the L/C Issuer issuing Letters of Credit hereunder. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders which successor administrative agent shall be consented to by the Borrower at all times other than during the existence of an Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor administrative agent from

among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, (a) the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and L/C Issuer, (b) the term “Administrative Agent” shall mean such successor administrative agent, (c) the term “L/C Issuer” shall mean such successor Letter of Credit issuer (and, under the conditions and to the limited extent set forth herein, Wachovia), (d) the retiring Administrative Agent’s appointment, powers and duties as Administrative Agent shall be terminated, and (e) the retiring L/C Issuer’s rights, powers and duties as such shall be terminated, without any other or further act or deed on the part of such retiring L/C Issuer or any other Lender, other than the obligation of the successor L/C Issuer to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession. After any retiring Administrative Agent’s resignation hereunder as Administrative Agent, the provisions of this Article IX and Sections 10.04 and 10.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent’s notice of

resignation, the retiring Administrative Agent’s resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

9.10 Other Agents; Lead Managers.

None of the Lenders identified on the facing page or signature pages of this Agreement as a “syndication agent,” “documentation agent,” “co-agent” or “lead manager” shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

9.11 Collateral Matters.

(a) The Administrative Agent is authorized on behalf of all the Lenders, without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to any Collateral or the Collateral Documents which may be necessary to perfect and maintain the perfection of the security interest in and Liens upon the Collateral granted pursuant to the Collateral Documents. Without excluding the Hedging Lenders from other references to the Lenders as applicable in this Agreement, the receipt by the Hedging Lenders of the Liens and other benefits of this Agreement with respect to the Hedging Obligations shall be deemed to constitute the authorization by and agreement of each of the Hedging Lenders with respect to all the matters governed by this Section 9.11 and by Section 10.01.

(b) The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Lien granted to or held by the Administrative Agent upon any Collateral (i) upon termination of the Commitments and the payment in full of all Loans and all other Obligations (other than indemnities not then owed) payable under this Agreement and under any other Loan Document (other than any Hedging Obligation, the term of which extends beyond the time of such termination of Commitments and payment in full of all other Obligations), (ii) constituting property sold or to be sold or Disposed of as part of or in connection with any Disposition permitted hereunder, (iii) constituting property leased to the Borrower or any Subsidiary under a lease that has expired or that has been terminated in a transaction permitted under this Agreement, or that is about to expire and that has not been, and that is not intended by the Borrower or such Subsidiary to be, renewed or extended, (iv) consisting of an instrument evidencing Indebtedness or other debt instrument, if the indebtedness evidenced thereby has been paid in full, (v) constituting Mortgaged Property to be Disposed of pursuant to a Disposition permitted under Section 7.05(d), (vi) constituting Cash Collateral that arose under Section 2.05(g) that Borrower elects to apply as a voluntary prepayment under Section 2.06 or (vii) if approved, authorized or ratified in writing by the Required Lenders or all the Lenders, as the case may be, as provided in Section 10.01(h). The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Guarantor

from any Guaranty (x) in connection with any Disposition permitted hereunder of Stock of a Subsidiary in a transaction permitted hereunder or (y) if approved, authorized or ratified in writing by all the Lenders as provided in Section 10.01(g). Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent’s authority to release any Guarantor or particular types or items of Collateral pursuant to this Section 9.11(b).

(c) All cash proceeds and other amounts realized by the Administrative Agent from the Collateral after an Event of Default, and all payments received by the Administrative Agent after an acceleration of the Obligations, shall be applied in the following priority, on a pro rata basis within each level of priority: first, to the payment of all costs and expenses owed under Section 10.04; second, to accrued but unpaid interest on the Loans and L/C Borrowings, accrued but unpaid letter of credit and commitment fees hereunder, and amounts owing under Hedging Obligations (other than any Swap Termination Value owing with respect thereto); third, to payment of outstanding principal of the Loans and L/C Borrowings, any Swap Termination Values

payable with respect to Hedging Obligations, and to fund Cash Collateralization of any L/C Obligations; fourth, to payment of all other Obligations then due and payable; and fifth, the remainder, if any, to Borrower or to whomever may be lawfully entitled to receive such remainder. Notwithstanding the foregoing sentence, Cash Collateral for L/C Obligations shall be applied to reimburse the L/C Issuer for drawings under Letters of Credit issued by it as and when they arise in the same proportion as the aggregate amount of such Cash Collateral bears to all L/C Obligations; upon expiration of all outstanding Letters of Credit, any remaining Cash Collateral for L/C Obligations shall be (i) if an Event of Default exists and is continuing at such time, applied as provided in the preceding sentence, (ii) if no Default or Event of Default exists and is continuing at such time, paid over to the Borrower, or (iii) if a Default exists and is continuing at such time, held until such time as such Default either matures into an Event of Default or is cured, at which time it shall be applied as set forth in clause (i) or (ii) of this sentence, respectively.

ARTICLE X. MISCELLANEOUS

10.01 Amendments; Consents; Releases.

No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall, unless in writing and signed by each of the Lenders directly affected thereby (other than the Hedging Lenders) and by the Borrower, and acknowledged by the Administrative Agent, do any of the following:

(a) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02);

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(b) postpone any date fixed by this Agreement or any other Loan Document for any payment or mandatory prepayment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clauses (iii) and (iv) of the proviso below) any fees or other amounts payable to the Lenders hereunder or under any other Loan Document; provided, however, that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest at the Default Rate;

(d) change the percentage of the Aggregate Commitments or of the aggregate unpaid principal amount of the Loans and L/C Obligations which is required for the Lenders or any of them to take any action hereunder;

(e) change the definition of "Pro Rata Share" or "Voting Percentage" with respect to any Lender;

(f) amend this Section or any provision herein providing for consent or other action by all the Lenders;

(g) release any Guarantor from any Guaranty (other than releases authorized under Section 9.11(b)(x)); or

(h) release the Liens upon any material portion of the Mortgaged Property (other than releases authorized under Section 9.11(b)(i) through (b)(vi)).

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the applicable L/C Issuer in addition to the Required Lenders or each directly affected Lender, as the case may be, affect the rights or duties of such L/C Issuer under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Required Lenders or each directly affected Lender, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; (iii) the Swap Contracts that evidence Hedging Obligations may be entered into, amended, or terminated from time to time by the Borrower and the relevant Lender or the relevant Affiliate of a Lender with notice thereof to the Administrative Agent, and (iv) the Agent/Arranger Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, any Lender that has a Voting Percentage of zero shall not have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Pro Rata Share of such Lender may not be increased without the consent of such Lender. Each Lender hereby acknowledges that it is aware of the requirements imposed on the Borrower by virtue of the last sentence of Section 2(a)(i) of the Forex Agreement and the possibility that such requirements may affect the Borrower's ability to enter into an amendment to this Agreement.

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10.02 Notices and Other Communications; Facsimile Copies.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission) and mailed, faxed or delivered, to the address, facsimile number or (subject to subsection (c) below) electronic mail address specified for notices on Schedule 10.02; or, in the case of the Borrower, the Administrative Agent or any L/C Issuer, to such other address as shall be designated by such party in a notice to the other parties, and in the case of any other party, to such other address as shall be designated by such party in a notice to the Borrower, the Administrative Agent and the L/C Issuers. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the intended recipient and (ii) (A) if delivered by hand or by courier, when signed for by the intended recipient; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile (x) to the Administrative Agent, when sent and receipt has been confirmed by telephone and (y) to any Party other than the Administrative Agent, when sent and received at the appropriate facsimile number; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of subsection (c) below), when delivered; provided, however, that notices and other communications to the Administrative Agent or any L/C Issuer pursuant to Article II shall not be effective until actually received by such Person. Any notice or other communication permitted to be given, made or confirmed by telephone hereunder shall be given, made or confirmed by means of a telephone call to the intended recipient at the number specified on Schedule 10.02, it being understood and agreed that a voicemail message shall in no event be effective as a notice, communication or confirmation hereunder.

(b) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on all Loan Parties, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) Limited Use of Electronic Mail and the Internet. Reports required to be delivered pursuant to Sections 6.01 or 6.02 shall be deemed to have been delivered on the date on which the Borrower posts such reports either (i) on the Borrower's website on the Internet at the website address listed on Schedule 10.02 or (ii) when such report is posted electronically on IntraLinks/IntraAgency or other relevant third-party commercial website (if any) on the Borrower's behalf; provided that (x) Borrower shall deliver paper copies of such reports to the Administrative Agent or any Lender who requests that the Borrower deliver such paper copies until written request to cease delivering paper copies is given by the Administrative Agent or such Lender, (y) the Borrower shall notify by facsimile or by electronic mail the Administrative Agent and each Lender of the posting of any such reports, and (z) in every instance the Borrower shall provide paper copies of the Compliance Certificates required by Section 6.02(b) to the Administrative Agent and each of the Lenders. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the

reports referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such reports. Except as provided in this Section 10.02(c), the use of electronic mail and internet and intranet websites shall not be effective for any notices or other communications hereunder.

(d) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Loan Notices) purportedly given by a Responsible Officer of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by a Responsible Officer of the Borrower, **INCLUDING SUCH LOSSES, COSTS, EXPENSES AND LIABILITIES CONSTITUTING IN WHOLE OR PART SUCH AGENT-RELATED PERSON'S OR SUCH LENDER'S STRICT LIABILITY, OR COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE**, except to the extent that such losses, costs, expenses or liabilities are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Person. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies.

No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.04 Attorney Costs, Expenses and Taxes.

The Borrower agrees (a) to pay or reimburse each of the Administrative Agent and BAS (in its capacity as Arranger) for all its reasonable costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all reasonable Attorney Costs, and (b) to pay or reimburse the Administrative Agent and each Lender for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any “workout” or

restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent or any Lender. The agreements in this Section shall survive the termination of the Aggregate Commitments and repayment of all other Obligations.

10.05 Indemnification by the Borrower.

Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Agent-Related Person, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the “Indemnitees”) from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including reasonable Attorney Costs) of any kind or nature whatsoever that may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance, or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by an L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower or any Person that has ever been a Loan Party, or any Environmental Liability related in any way to the Borrower or any such Person, or (d) any actual or prospective claim, litigation, investigation, or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto **INCLUDING ANY OF THE FOREGOING CONSTITUTING IN WHOLE OR PART INDEMNITEES’ STRICT LIABILITY, OR COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE** (all the foregoing, collectively, the “Indemnified Liabilities”); provided that the Borrower shall have no obligation hereunder to any Indemnitee with respect to (i) Indemnified Liabilities that are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, (ii) any material violation of any banking law or regulation by such Indemnitee, (iii) any liability as between or among any Indemnitee or their respective shareholders and controlling persons, (iv) any default hereunder by any Person other than the Borrower, or (v) any Taxes or Other Taxes, except to the extent such Taxes or Other Taxes are indemnified against by other provisions of this Agreement. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.06 Payments Set Aside.

To the extent that the Borrower makes a payment to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

10.07 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the

Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations) at the time owing to it); provided that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) subject to each such assignment, determined as of the date the Assignment and Assumption Agreement with respect to such assignment is delivered to the Administrative Agent, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed), (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans (including participations in L/C Obligations) or the Commitment assigned, and (iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption Agreement and pay to the Administrative Agent a processing and recordation fee of \$3,500. Subject to

acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption Agreement, the Eligible Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.07, 10.04 and 10.05). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification that would (i) postpone any date upon which any payment of money is scheduled to be paid to such Participant, (ii) reduce the principal, interest, fees or other amounts payable to such Participant, (iii) release any Guarantor from any Guaranty, or (iv) release all or substantially all of the Collateral, other than, with respect to clauses (iii) and (iv), releases authorized by Section 9.11(b). Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if

it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.09 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 10.15 as though it were a Lender.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) If the consent of the Borrower to an assignment or to an Eligible Assignee is required hereunder (including a consent to an assignment which does not meet the minimum assignment threshold specified in clause (i) of the proviso to the first sentence of Section 10.07(b)), the Borrower shall be deemed to have given its consent five Business Days after the date notice thereof has been delivered by the assigning Lender (through the Administrative Agent) unless such consent is expressly refused by the Borrower prior to such fifth Business Day or if the Borrower has made a reasonable written request to such Lender, with a copy to the Administrative Agent, for information with respect to such proposed assignment or Eligible Assignee, in which case the Borrower shall be deemed to have given its consent five Business Days after such information is delivered to the Borrower, unless the Borrower expressly refuses its consent prior to such fifth Business Day.

(h) As used herein, the following terms have the following meanings:

Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person (other than a natural Person) approved by (i) the Administrative Agent, in the case of any assignment of a Loan, (ii) Bank of America in its capacity as L/C Issuer, and, if Existing Letters of Credit are outstanding, Wachovia in its capacity as L/C Issuer, and (iii) unless (A) such Person is taking delivery of an assignment in connection with physical settlement of a credit derivatives transaction or (B) an Event of Default has occurred and is continuing, the Borrower (each such approval referred to in clauses (i) through (iii) not to be unreasonably withheld or delayed).

Fund" means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(i) Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America may, upon 30 days' notice to the Borrower and the Lenders, resign as an L/C Issuer. In the event of any such resignation by Bank of America as L/C Issuer, the Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America as an L/C Issuer. Bank of America shall retain all its respective rights and obligations of an L/C Issuer hereunder with respect to all outstanding Letters of Credit issued by it as of the effective date of its resignation as an L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund participations in Unreimbursed Amounts pursuant to Section 2.03(c)).

10.08 Confidentiality.

The Administrative Agent, each L/C Issuer, each Affiliate of a Lender owed Hedging Obligations, and each Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any Eligible Assignee of or Participant in, or any prospective Eligible Assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Borrower; (g) with the prior written consent of the Borrower; (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to it on a nonconfidential basis from a source other than the Borrower or any of its Subsidiaries, provided that such source is not bound by a confidentiality agreement with the Borrower or any of its Subsidiaries known to such Administrative Agent, L/C Issuer, Affiliate of a Lender owed Hedging Obligations, or Lender; (i) to the National Association of Insurance Commissioners or any other similar organization or any nationally recognized rating agency that requires access to information about a Lender's or its Affiliates' investment portfolio in connection with ratings issued with respect to such

Lender or its Affiliates, or (j) to the extent such Person is an export credit agency and is required to disclose such Information by its disclosure policy. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the

lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement, the other Loan Documents, the Commitments, and the Credit Extensions. For the purposes of this Section, “Information” means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the Closing Date, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has taken normal and reasonable precautions and exercised reasonably due care to maintain the confidentiality of such Information.

10.09 Set-off.

In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Event of Default, each Lender is authorized at any time and from time to time, without prior notice to the Borrower or any other Person that has ever been a Loan Party, any such notice being waived by the Borrower (on its own behalf and on behalf of each such other Person) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the respective Loan Parties against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

10.10 Interest Rate Limitation.

(a) Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the “Maximum Rate”). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (i) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations.

(b) This Section 10.10(b) shall be null and void and have no force and effect unless, contrary to the intention of the parties hereto, a court of competent jurisdiction applies the laws of the State of Texas to the Loan Documents (other than the Deed of Trust, as provided therein), in which case this Section 10.10(b) shall apply and shall supersede Section 10.10(a) of this Agreement, which shall then have no force and effect.

(i) It is the intention of the parties hereto to conform strictly to applicable usury laws, and anything herein or in any other Loan Document to the contrary notwithstanding, the obligation of the Loan Parties shall be subject to the limitation that payment of interest (for purposes of this Section 10.10(b)), including all amounts constituting interest under applicable usury laws, regardless of whether denominated as interest) shall not be required to the extent that receipt or charging thereof would be contrary to provisions of applicable law limiting rates or amounts of interest which may be contracted for, charged, received, taken or reserved by any Lender or other recipient thereof. Accordingly, if the transactions contemplated hereby or by the other Loan Documents would be usurious under applicable law (including the federal and state laws of the United States of America, or of any other jurisdiction whose laws may be mandatorily applicable) with respect to a Lender or other recipient of such amount, whether due to acceleration of maturity, optional or mandatory prepayment, or otherwise, then, in that event, notwithstanding anything to the contrary herein or in any other Loan Document, it is agreed as follows as to such Lender or other recipient of any such amount:

(ii) The provisions of this Section 10.10(b) shall govern and control over any other provision herein or in any other Loan Document;

(iii) The aggregate of all consideration which constitutes interest under applicable law that is contracted for, charged, received, taken or reserved under this Agreement or any other Loan Document, or otherwise in connection with the transactions contemplated hereby or thereby, as to each Lender or other recipient shall under no circumstances exceed the

maximum amount of non-usurious contract interest permitted by applicable law with respect to such Lender or other recipient (herein called the “Maximum Rate”), and all amounts owed hereunder or under any other Loan Document shall be held subject to reduction and (i) the amount of interest which would otherwise be payable to such Lender or other recipient hereunder or under any of the other Loan Documents shall be automatically reduced to the amount allowed under law applicable to such Lender or other recipient, and (ii) any interest paid in excess of the Maximum Rate shall be credited on the Obligations owing to such Lender or other recipient (or if such Obligations have been, or would thereby be, paid in full, refunded to the applicable Loan Party);

(iv) All sums paid, or agreed to be paid, for the use, forbearance and detention of the amounts owed under the Loan Documents shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term in respect of such amounts owed under the Loan Documents until payment in full of all such amounts so that the rate or computation of interest on such Obligations does not exceed the applicable usury ceiling;

(v) If at any time the interest payable pursuant to or in connection with this Agreement or any of the other Loan Documents exceeds, for any Lender or other recipient of such amounts, the Maximum Rate, the amount of interest to accrue to such Lender or other recipient pursuant hereto or pursuant to any of the other Loan Documents shall be limited to that amount which would have accrued at the Maximum Rate for such Lender or other recipient, but any subsequent reductions in the otherwise applicable rate of interest shall not reduce the interest to accrue pursuant to this Agreement or any other Loan Document below any Lender’s or other recipient’s Maximum Rate until the total amount of interest payable to such Lender or other recipient equals the amount of interest which would have been payable to such Lender or other recipient but for the effect of this Section 10.10(b);

(vi) The right to accelerate maturity of the Obligations or any other amounts hereunder or under the other Loan Documents does not include the right to accelerate any interest which has not otherwise accrued on the date of acceleration;

(vii) All computations to determine compliance with the Maximum Rate shall be made on the basis of the actual number of days elapsed over a year of 365 or 366 days, whichever is applicable; and

(viii) The Maximum Rate shall be determined by utilizing the weekly ceiling from time to time in effect pursuant to Chapter 303 of the Texas Finance Code, as amended, and in no event shall Chapter 346 of the Texas Finance Code, as amended, be applicable to this Agreement or any other Loan Document.

10.11 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.12 Integration.

This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof. **THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

10.13 Survival of Representations and Warranties.

All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or Event of Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.14 Severability.

Any provision of this Agreement and the other Loan Documents to which the Borrower is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.15 Foreign Lenders.

(a) Each Lender that is not a “United States Person” within the meaning of Section 7701(a)(30) of the Code (a “Foreign Lender”) shall deliver to the Administrative Agent, prior to receipt of any payment subject to withholding under the Code (or upon accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Person and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Person by the Borrower pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Person by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower and the Administrative Agent that such Person is entitled to an exemption from, or reduction of, U.S. withholding tax. Thereafter and from time to time, each such Person shall (i) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Borrower and the Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Person by the Borrower pursuant to this Agreement, (ii) promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (iii) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that the Borrower make any deduction or withholding for taxes from amounts payable to such Person. If such Person fails to deliver the above forms or other documentation, then (x) the Administrative Agent may withhold from any

interest payment to such Person an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction, and (y) the Borrower shall not be required to make any deductions or payments to any Lender under Section 3.01(a)(i) or Section 3.01(c) that would otherwise be required thereunder solely as a result of such Lender’s failure to deliver such forms or other documentation.

(b) Upon the request of the Administrative Agent, each Lender that is a “United States person” within the meaning of Section 7701(a)(30) of the Code shall deliver to the Administrative Agent two duly signed completed copies of IRS Form W-9. If such Lender fails to deliver such forms, then the Administrative Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable back-up withholding tax imposed by the Code, without reduction.

(c) If any Governmental Authority asserts that the Administrative Agent did not properly withhold or backup withhold, as the case may be, any tax or other amount from payments made to or for the account of any Lender, such Lender shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, and costs and expenses (including Attorney Costs) of the Administrative Agent. The obligation of the Lenders under this Section shall survive the termination of the Aggregate Commitments, repayment of all Obligations and the resignation or replacement of the Administrative Agent.

10.16 Removal and Replacement of Lenders.

(a) Under any circumstances set forth herein providing that the Borrower shall have the right to remove or replace a Lender as a party to this Agreement, the Borrower may, upon notice to such Lender and the Administrative Agent, (i) remove such Lender by terminating such Lender’s Commitment or (ii) replace such Lender by causing such Lender to assign its Commitment (without payment of any assignment fee) pursuant to Section 10.07(b) to one or more other Lenders or Eligible Assignees procured by the Borrower; provided, however, that if the Borrower elects to exercise such right with respect to any Lender pursuant to Section 3.06(b), it shall be obligated to remove or replace, as the case may be, all Lenders that have similar requests for compensation pursuant to Section 3.01 or 3.04, similar requirements for increased payment under Section 3.01(a), or similar suspensions of obligations under Eurodollar Rate Loans under Section 3.02, outstanding at such time. The Borrower shall (x) pay in full all principal, interest, fees and other amounts owing to such Lender through the date of termination or assignment (including any amounts payable pursuant to Section 3.05), (y) in the case of the removal of a Lender under clause (i) of this Section 10.16(a), provide appropriate assurances and indemnities (which may include letters of credit) to the L/C Issuers as each may reasonably require with respect to any continuing obligation of such Lender to purchase participation interests in any L/C Obligations then outstanding, and (z) release such Lender from its obligations under the Loan Documents. Any Lender being replaced shall execute and deliver an Assignment and Assumption Agreement with respect to such Lender’s Commitment and outstanding Credit Extensions. The Administrative Agent shall distribute an amended Schedule 2.01, which shall be deemed incorporated into this Agreement, to reflect changes in the identities

of the Lenders and adjustments of their respective Commitments and/or Pro Rata Shares resulting from any such removal or replacement.

(b) In order to make all the Lenders' interests in any outstanding Credit Extensions ratable in accordance with any revised Pro Rata Shares after giving effect to the removal or replacement of a Lender, the Borrower shall pay or prepay, if necessary, on the effective date thereof, all outstanding Loans of all Lenders, together with any amounts due under Section 3.05. The Borrower may then request Loans from the Lenders in accordance with their revised Pro Rata Shares. The Borrower may net any payments required hereunder against any funds being provided by any Lender or Eligible Assignee replacing a terminating Lender. The effect for purposes of this Agreement shall be the same as if separate transfers of funds had been made with respect thereto.

(c) This Section shall supersede any provision in Section 10.01 to the contrary.

10.17 Governing Law.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT THE ADMINISTRATIVE AGENT AND EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN NEW YORK COUNTY OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

10.18 Waiver of Right to Trial by Jury.

EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO

OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.19 Time of the Essence.

Time is of the essence of the Loan Documents.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

LOUISIANA-PACIFIC CORPORATION, as the
Borrower

By:

Curtis M. Stevens
Vice President, Treasurer and Chief Financial Officer

BANK OF AMERICA, N.A., as Administrative Agent, an L/C Issuer and a Lender

By: _____
Stephen H. Kilbuck
Managing Director

WACHOVIA BANK, N.A., as Syndication Agent and a Lender

By: _____
Name: _____
Title: _____

ROYAL BANK OF CANADA, as Documentation Agent and a Lender

By: _____
Name: _____
Title: _____

THE BANK OF NOVA SCOTIA, as a Lender

By: _____
Name: _____
Title: _____

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EXPORT DEVELOPMENT CORPORATION, as a Lender

By: _____
Name: _____
Title: _____

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SCHEDULE 2.01

**COMMITMENTS
AND PRO RATA SHARES**

Lender	Commitment	Pro Rata Share
Bank of America, N.A.	50,000,000	26.315789474%
Wachovia Bank, N.A.	50,000,000	26.315789474%
Royal Bank of Canada	50,000,000	26.315789474%
The Bank of Nova Scotia	30,000,000	15.789473684%
Export Development Corporation	10,000,000	5.263157894%
Total	\$ 190,000,000	100.000000000%

SCHEDULE 5.09(a)

UCC FILING JURISDICTIONS

SCHEDULE 5.09(b)

DEED OF TRUST RECORDING COUNTIES IN TEXAS

SCHEDULE 5.13

ERISA COMPLIANCE

SCHEDULE 5.14

**SUBSIDIARIES
AND OTHER EQUITY INVESTMENTS**

Part (a). Subsidiaries.

Part (b). Other Equity Investments.

SCHEDULE 6.13(a)

SUBSIDIARIES NOT REQUIRED TO EXECUTE GUARANTEES

SCHEDULE 7.01

EXISTING LIENS

SCHEDULE 7.02

EXISTING INVESTMENTS

SCHEDULE 7.03

EXISTING INDEBTEDNESS

SCHEDULE 10.02

**EURODOLLAR AND DOMESTIC LENDING OFFICES,
ADDRESSES FOR NOTICES**

LOUISIANA-PACIFIC CORPORATION

Louisiana-Pacific Corporation
805 S.W. Broadway, Suite 700
Portland, Oregon 97205

Attn: Vice President and Chief Financial Officer

Telephone: (503) 821-5100
Facsimile: (503) 821-5322

BANK OF AMERICA

Administrative Agent's Office and Bank of America's Lending Office (for payments and Requests for Credit Extensions):

Bank of America, N.A.
Agency Administrative Services #5596
1850 Gateway Blvd. - - 5th Floor
Mail Code: CA 4-706-05-09
Concord, CA 94520
Attention: Mark Garcia
Credit Service Representative
Telephone: 925. 675.8416
Facsimile: 925.888.969.2297
Electronic Mail: mark.a.garcia@bankofamerica.com\

Account No.: 3750836479

Ref: Louisiana Paci
ABA# 111000012

L/C Issuer:

Bank of America, N.A.
Trade Operations-Los Angeles #22621
333 S. Beaudry Avenue, 19th Floor
Mail Code: CA9-703-19-23
Los Angeles, CA 90017-1466
Attention: Sandra Leon
Vice President
Telephone: 213.345.5231
Facsimile: 213.345.6694
Electronic Mail: Sandra.Leon@bankofamerica.com

Other Notices as Administrative Agent:

Bank of America, N.A.
Agency Management #10831
1455 Market Street, 5th Floor
Mail Code: CA5-701-05-19
San Francisco, CA 94103-1399

Attention: Carl Fye
Vice President
Telephone: 415.436.2616
Facsimile: 415.503.5059
Electronic Mail: carl.fye@bankofamerica.com, with copy to mike.balok@bankamerica.com

Other Notices as a Lender:

Bank of America, N.A.
San Francisco Credit Products/Forest Products #9973
555 California Street —12th Floor
Mail Code: CA5-705-12-12
San Francisco, CA 94104

Attention: Stephen H. (Steve) Kilbuck
Managing Director/ Sr Portfolio Manager
Telephone: 415.622.1617
Facsimile: 415.622.4585
Electronic Mail: stephen.h.kilbuck@bankofamerica.com

with a copy to:

Morrison & Foerster LLP
425 Market Street
San Francisco, CA 94105

Attn: Keith C. Wetmore

Telephone: 415-268-7000
Facsimile: 415-268-7522
Electronic Mail: Kwetmore@mofo.com

Bank of America, N.A.
335 Madison Avenue
Mail Code: NY1-503-04-03
New York, NY 10017

Attn: Jean Brenner
Asst General Counsel

Telephone: 212-503-7238
Facsimile: 212-503-7350

WACHOVIA BANK, N.A.

Wachovia Bank, N.A.
191 Peachtree St., NE
Atlanta, GA 30303

Attn: Shawn Janko
Vice President

Telephone: (404) 332-5884
Facsimile: (404) 332-4136
Electronic Mail: shawn.janko@wachovia.com

with a copy to:

Wachovia Bank, N.A.
P.O. Box 2704
Winston-Salem, N.C. 27150-2704

Attn: Dana Corbo

Telephone: (336) 777-5086
Facsimile: (336) 777-5111
Electronic Mail: dana.corbo@wachovia.com

ROYAL BANK OF CANADA

Address for notices:

Royal Bank of Canada
One Liberty Plaza
New York, NY 10006-1404

Attention: Nigel Delph
Telephone: 212-428-6363
Facsimile: 212-428-4376
Electronic Mail: Nigel.delph@royalusa.com

with a copy to:

Royal Bank of Canada
One Liberty Plaza
New York, NY 10006-1404

Attn: Manager, Loans Administration
Telephone: 212-428-6322
Facsimile: 212-428-2372

with a copy to:

Royal Bank of Canada
666 Burrard Street
Vancouver, B.C. V6C-3B1

Attn: Gerry Derbshire
Senior Manager

Telephone: 604-257-7100
Facsimile: 604-665-6465

Domestic and Offshore Lending Office:

Grand Cayman (North American No. 1) Branch
c/o New York Branch
Financial Square, 23rd Floor
New York, NY 10005-3531

THE BANK OF NOVA SCOTIA

Requests for Credit Extensions:

Domestic Lending Office:

The Bank of Nova Scotia
600 Peachtree Street, N.E, Suite 2700
Atlanta, Georgia 30308

Facsimile: (404) 888-8998

Eurodollar Lending Office:

The Bank of Nova Scotia
600 Peachtree Street, N.E, Suite 2700
Atlanta, Georgia 30308

Facsimile: (404) 888-8998

Notices (other than Requests for Credit Extensions):

The Bank of Nova Scotia
600 Peachtree Street, N.E, Suite 2700
Atlanta, Georgia 30308

Attn: Arnetta Poindexter
Loan Operations Officer

Telephone: (404) 877-1674
Facsimile: (404) 888-8998
Electronic Mail: Arnetta.Poindexter@Scotiaca.com

EXPORT DEVELOPMENT CORPORATION

Requests for Credit Extensions:

Export Development Corporation
151 O'Connor St.
Ottawa, Canada, K1A 1K3

Attn: Geoff Bleich
Financial Services Manager

Telephone: 613-598-2544
Facsimile: 613-597-8503
Electronic Mail: gbleich@edc.see.com

Notices (other than Requests for Credit Extensions):

Export Development Corporation
151 O'Connor St.
Ottawa, Canada, K1A 1K3

Attn: Erik Kaunisviita
Loans Services Manager

Telephone: 613-598-2979
Facsimile: 613-597-2514
Electronic Mail: ekaunisviita@edc.see.com

EXHIBIT A

FORM OF LOAN NOTICE

Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of November 15, 2001 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Agreement;” the terms defined therein being used herein as therein defined), among Louisiana-Pacific Corporation, a Delaware corporation (the “Borrower”), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent and as L/C Issuer.

The undersigned hereby requests (select one):

- o A Borrowing of Loans
 - o A conversion or continuation of Loans

1. On _____ (a Business Day).

2. In the amount of \$ _____.

[The Borrowing requested herein complies with the proviso to the first sentence of Section 2.01 of the Agreement.]

LOUISIANA-PACIFIC CORPORATION

By: _____
Name: _____
Title: _____

FORM OF GUARANTY

[See attached.]

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____.

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of November 15, 2001 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Agreement;” the terms defined therein being used herein as therein defined), among Louisiana-Pacific Corporation, a Delaware corporation (the “Borrower”), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent and as L/C Issuer.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Borrower, and that:

[Use following for fiscal year-end financial statements]

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

[Use following for fiscal quarter-end financial statements]

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrower during the accounting period covered by the attached financial statements.

1

3. A review of the activities of the Borrower during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned during such fiscal period, the Borrower performed and observed each covenant and condition of the Loan Documents applicable to it.]

—or—

[the following covenants or conditions have not been performed or observed and the following is a list of each such Default or Event of Default and its nature and status:]

4. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as

of _____, _____.

LOUISIANA-PACIFIC CORPORATION

By: _____
Name: _____
Title: _____

2

For the Quarter/Year ended _____ ("Statement Date")

SCHEDEULE 2
to the Compliance Certificate
(\$ in 000's)

[See attached.]

3

EXHIBIT D

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (this "Assignment") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including, to the extent included in any such facilities, Letters of Credit (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____ [and is an Affiliate/Approved Fund (1)]
3. Borrower: Louisiana-Pacific Corporation, a Delaware corporation
4. Administrative Agent: Bank of America, N.A., as the administrative agent under the Credit Agreement
5. Credit Agreement: The Credit Agreement, dated as of November 15, 2001, among Borrower, the Lenders parties thereto, and Bank of America, N.A., as the Administrative Agent and an L/C Issuer.
6. Assigned Interest:

(1) Select as applicable.

1

(3)	<u>Commitment/Loans for all Lenders</u>	<u>Assigned</u>	<u>Commitment/Loans (2)</u>
	\$ _____	\$ _____	% _____
	\$ _____	\$ _____	% _____
	\$ _____	\$ _____	% _____
	\$ _____	\$ _____	% _____

Effective Date: _____, 20____ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
Title: _____

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
Title: _____

(2) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

(3) Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment, "Loan", etc.).

2

[Consented to and] (4) Accepted:

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Title: _____

[Consented to:

LOUISIANA-PACIFIC CORPORATION] (5)

By: _____
Title: _____

(4) To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

(5) To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

3

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION AGREEMENT

**RELATING TO THAT CERTAIN CREDIT AGREEMENT,
DATED AS OF NOVEMBER 15, 2001,
AMONG LOUISIANA-PACIFIC CORPORATION,
THE LENDERS PARTIES THERETO, AND BANK OF AMERICA, N.A., AS THE
ADMINISTRATIVE AGENT AND AN L/C ISSUER.**

**STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT
AND ASSUMPTION AGREEMENT**

1. Representations and Warranties.

1.1. **Assignor.** The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with any Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document delivered pursuant thereto, other than this Assignment (herein collectively the “Credit Documents”), or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

1.2. **Assignee.** The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest on the basis of which it has made such analysis and decision, and (v) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender.

1

1.3 **Assignee’s Address for Notices, etc.** Attached hereto as Schedule 1 is all contact information, address, account and other administrative information relating to the Assignee.

2. **Payments.** From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. **General Provisions.** This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment by facsimile shall be effective as delivery of a manually executed counterpart of this Assignment. This Assignment shall be governed by, and construed in accordance with, the law of the State of New York.

2

**SCHEDULE 1 TO ASSIGNMENT AND ASSUMPTION AGREEMENT
ADMINISTRATIVE DETAILS**

(Assignee to list names of credit contacts, addresses, phone and facsimile numbers, electronic mail addresses and account and payment information)

1

EXHIBIT E-1

FORM OF OPINION OF COUNSEL

[See attached.]

FORM OF OPINION OF NOVA SCOTIA COUNSEL

[See attached.]

FORM OF OPINION OF TEXAS COUNSEL

[See attached.]

DEED OF TRUST

[See attached.]

INTERCREDITOR AGREEMENT

[See attached.]

PLEDGE AGREEMENT

[See attached.]

SECURITY AGREEMENT

[See attached.]

CREDIT AGREEMENT

Dated as of November 15, 2001

among

LOUISIANA-PACIFIC CORPORATION
as the Borrower,

BANK OF AMERICA, N.A.,
as the Administrative Agent and an L/C Issuer,

WACHOVIA BANK, N.A.,
as Syndication Agent,

ROYAL BANK OF CANADA,
as Documentation Agent,

and

The Other Lenders Party Hereto

BANC OF AMERICA SECURITIES LLC,
as Joint Lead Arranger and Sole Book Manager, and

WACHOVIA SECURITIES,
as Joint Lead Arranger

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2001 LP CANADA CREDIT AGREEMENT

Dated for Reference November 30, 2001

AMONG:

LOUISIANA-PACIFIC CANADA LTD.

AND:

LOUISIANA-PACIFIC CORPORATION

AND:

ROYAL BANK OF CANADA

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2001 LP CANADA CREDIT AGREEMENT

THIS 2001 LP Canada Credit Agreement is dated for reference November 30, 2001

AMONG:

LOUISIANA-PACIFIC CANADA LTD., a British Columbia company having an office at 2100 - 1075 West Georgia Street, Vancouver, British Columbia, V6E 3G2

AND:

LOUISIANA-PACIFIC CORPORATION, a Delaware corporation having an office at Suite 1200, 805 S.W. Broadway, Portland, Oregon, U.S.A., 97205

AND:

ROYAL BANK OF CANADA, a Canadian chartered bank, having its head office in Montreal, Quebec, and a branch office at 1025 West Georgia Street, Vancouver, British Columbia, V6E 3N9

WHEREAS:

A. Royal has offered to make available to the Borrower:

- (a) a committed revolving operating credit facility of up to \$25,000,000 or the Equivalent Amount in US\$ or any combination thereof, and
- (b) a line of credit of up to \$35,000,000 or the Equivalent Amount in US\$ to cover Swap Termination Values, EFT Transfers, and PDS Services,

to be used by the Borrower for its general corporate purposes which shall include the refinancing of its existing credit facility with Royal;

B. The Borrower has accepted Royal's offer and the Guarantor has agreed to provide the Guarantee.

1. INTERPRETATION

1.1 Definitions

Where used in this Agreement, the following terms shall have the following meanings:

- (a) "**1997 LP Canada Credit Agreement**" means the credit agreement named as such and dated for reference June 15, 1997 among the Borrower, the Guarantor and Royal as amended;
 - (b) "**Additional Amount**" means the amount defined as such in §3.19;
 - (c) "**Advances**" means Canadian Advances, Eurocurrency Advances and U.S. Advances;
 - (d) "**Affiliate**" means, in relation to a specified Person, any other Person which directly (or indirectly through one or more intermediaries) controls, or is controlled by, or is under common control with, the specified Person or any Subsidiary of the specified Person. The term "control" (including the phrases "controlled by" or "under common control with") means the possession, directly or indirectly, of the effective power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or by contract or otherwise;
 - (e) "**Agreement**" means this credit agreement entitled "2001 LP Canada Credit Agreement" dated for reference November 30, 2001 as amended, restated, modified, supplemented, extended, renewed or replaced from time to time;
-
- (f) "**Announcement Date**" means the date on which either of the Rating Agencies announces a rating change which will increase or decrease the rates of interest, acceptance fees, Documentary Credit Fees and Standby Fees payable by the Borrower pursuant to this Agreement;
 - (g) "**BA Discount Rate**" means the CDOR Rate for the period of time for which a Bankers' Acceptance will be outstanding;
 - (h) "**Bankers' Acceptances**" means Drafts in multiples of not less than \$100,000 Face Amount and aggregating immediately following availment on any day at least \$500,000 each for periods of not less than one month nor more than six months (excluding in each case days of grace) drawn by the Borrower in Canadian Funds and accepted as provided in Section 4;
 - (i) "**Basis Point**" and "**BP**" each means one one-hundredth (1/100) of one percent or .01%;
 - (j) "**Banking Day**" means a day which is both a Business Day and a day on which dealings in U.S. Funds by and between banks in the London, England interbank market may be conducted;
 - (k) "**Borrower**" means Louisiana-Pacific Canada Ltd., its successors and permitted assigns;
 - (l) "**Borrower Guarantees**" means the limited liability guarantee, in form and content satisfactory to Royal, to be provided by the Borrower guaranteeing the present and future, direct and indirect obligations of LP Engineered Wood Products Ltd. and Louisiana-Pacific B.C. Forest Products Limited to Royal under the credit facility established pursuant to §3.1(b) in favour of the Borrower and, with the consent of Royal, to be available for utilization by Subsidiaries of the Borrower in respect of EFT Transfers and PDS Services including overdrafts and cash management debits and liabilities, as amended, modified, supplemented, extended, renewed or replaced from time to time;
 - (m) "**Borrower Subsidiaries**" means all Subsidiaries of the Borrower;
 - (n) "**Borrower Subsidiaries' Guarantees**" means the limited liability guarantees, in form and content satisfactory to Royal, to be provided by LP Engineered Wood Products Ltd. and Louisiana-Pacific B.C. Forest Products Limited and any future Material Canadian Subsidiary guaranteeing the present and future, direct or indirect obligations of the Borrower to Royal under this Agreement, as such guarantee may be amended, modified, supplemented, extended, renewed or replaced from time to time;
 - (o) "**Borrower Subsidiaries' Security Agreements**" means the security agreements and hypothec (Province of Quebec) dated for reference November 30, 2001 to be provided by the Borrower Subsidiaries to support the Borrower Subsidiaries' Guarantees, in form and content satisfactory to Royal wherein each Borrower Subsidiary grants to and in favour of Royal, subject to no prior financial charges except for Permitted Encumbrances a first mortgage charge and security interest in and upon the inventory of the Borrower Subsidiary and the Borrower Subsidiary's trade accounts receivable, as amended, modified, supplemented, extended, renewed or replaced from time to time;
 - (p) "**Borrowing**" means a utilization or deemed utilization, as the case may be, by the Borrower of the credit facility established pursuant to §3.1(a) by way of Canadian Advances, U.S. Advances, Eurocurrency Advances, Bankers' Acceptances or Documentary Credits and of the credit facility established pursuant to §3.1(b) by way of Canadian Advances or U.S. Advances, and "**Borrowings**" means the aggregate of such utilizations;
 - (q) "**Borrowing Base**" means that amount which the Chief Financial Officer certifies from time to time in a Borrowing Base Report as the aggregate amount of the credit facility to be established pursuant to §3.1(a) to be available to the Borrower from Royal during the currency of the Borrowing Base Report which amount shall be equal to the Current Asset Value;
 - (r) "**Borrowing Base Report**" means the report in substantially the form of Schedule E provided by the Chief Financial Officer to Royal

pursuant to §7.1(y)(1);

- (s) "**Borrowing Options**" means any of the borrowing options available to the Borrower pursuant to §3.4;
- (t) "**Branch of Account**" means the branch of Royal located at 1025 West Georgia Street, Vancouver, British Columbia, V6E 3N9 or elsewhere as may be agreed between the Borrower and Royal in writing;
- (u) "**Business Day**" means a day, excluding Saturday and Sunday, on which institutions are open for business in Toronto, Ontario, Canada and Vancouver, British Columbia, Canada and, in respect of any payments hereunder in U.S. Funds, a day on which banking institutions are also open for business in New York, New York, U.S.A.;
- (v) "**Business Plan**" means the financial forecast to be prepared by the Guarantor for each fiscal year which forecast shall include projections of operating results and cash flow for the relevant fiscal year with a forecast for the next following year;
- (w) "**Canadian Advance**" means any advance or conversion under the Credit Facility requested by the Borrower in Canadian Funds and advanced by Royal in Canadian Funds or determined as such pursuant to §4.1;
- (x) "**Canadian Funds**" and "**Cdn\$**" and "**\$**" means lawful currency of Canada;
- (y) "**Capital Lease**" means a lease of which all or a portion of the rents payable thereunder would be included in total liabilities on a balance sheet prepared in accordance with GAAP;
- (z) "**CDOR Rate**" means the annual rate of interest equal to the average "BA 1 Month" interest rates for Cdn\$ Bankers' Acceptances displayed and identified as such on the "Reuters Screen CDOR Page" (as defined in the International Swap Dealer Association Inc. definitions, as modified and amended from time to time) as of 10:00 a.m. local time at Toronto, Ontario on any particular day and, if such day is not a Business Day, then on the day immediately preceding the Business Day (as adjusted by Royal after 10:00 a.m. local time at Toronto, Ontario to reflect any error in a posted rate of interest or in the posted average annual rate of interest). If such rates are not available on the Reuters Screen CDOR Page on any particular day, then the CDOR Rate on that day shall be the 30 day rates applicable to Cdn\$ Bankers' Acceptances quoted by Royal as of 10:00 a.m. local time at Toronto, Ontario on such day, or if such day is not a Business Day, then on the immediately preceding Business Day;
- (aa) "**Charter**" means the Memorandum and Articles of the Borrower and the Certificate of Incorporation and Bylaws of the Guarantor, as the context requires, and includes in each case every amendment thereto;
- (bb) "**Chief Financial Officer**" means that Person responsible for reporting to the board of directors of the Borrower or the Guarantor, as the case may be, on the financial condition and performance of the Borrower or the Guarantor, as the case may be, or any Person designated as such;

- (cc) "**Closing Date**" means November 28th, 2001 or such earlier or later date as agreed by Royal and the Borrower;
- (dd) "**Code**" means the Internal Revenue Code of 1986, and regulations promulgated thereunder;
- (ee) "**Collateral Coverage Ratio**" has the meaning set forth in the Guarantor Credit Agreement as in effect as of November 15, 2001 (that is, for greater certainty, prior to any amendment, restatement, modification, supplement, extension, renewal or replacement thereof);
- (ff) "**Compensation Amount**" means an amount equal to any net loss, expense or net cost incurred by Royal as a direct result of prepayment of a Eurocurrency Advance, whether by way of repayment or conversion, prior to the Eurocurrency Maturity Date including, without duplication, any costs incurred in maintaining or redeploying deposits obtained by Royal to fund a Eurocurrency Advance;
- (gg) "**Compliance Certificate**" means the certificate defined as such in the Guarantor Credit Agreement;
- (hh) "**Composite 3:30 p.m. Quotations for U.S. Government Securities**" means the daily statistical release designated as such published by the Federal Reserve Bank of New York (U.S.A.) or in any successor publication;
- (ii) "**Consolidated EBITDA**" means, as measured quarterly on the last day of each fiscal quarter for the four quarters then ending, for the Guarantor and its Subsidiaries on a consolidated basis, an amount equal to the sum of (a) Consolidated Net Income, (b) Consolidated Interest Charges, (c) the amount of taxes, based on or measured by income, used or included in the determination of such Consolidated Net Income, and (d) the amount of depreciation, depletion and amortization expense deducted in determining such Consolidated Net Income;
- (jj) "**Consolidated Interest Charges**" means, for any period, for the Guarantor and its Subsidiaries on a consolidated basis, (a) the sum of (i) all interest and the amortization of all premium payments, fees, charges and related expenses of the Guarantor and its Subsidiaries, determined on a consolidated basis, in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (ii) the portion of rent expense of the Guarantor and its Subsidiaries, determined on a consolidated basis, with respect to such period under capital leases that is treated as interest in accordance with GAAP minus (b) interest income on the Timber Notes Receivable, up to the amount, if any, that the interest expense in such period on the senior notes secured by the Timber Notes Receivable is treated as interest in accordance with GAAP;
- (kk) "**Consolidated Net Income**" means, for any period, for the Guarantor and its Subsidiaries on a consolidated basis, the net income of the Guarantor and its Subsidiaries from continuing operations for that period, including gains or losses from Dispositions of assets, but excluding (i) up to US\$50,000,000 (in the aggregate) in other non-cash extraordinary items and non-cash gains or losses arising from (A) the pulp mill located in Samoa, California, (B) the pulp mill located in Chetwynd, British Columbia, (C) the 65% interest in a joint venture in

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- (ll) "**Contaminant**" means, but is not limited to meaning, any pollutants, dangerous substances, liquid waste, industrial waste, hauled liquid waste, toxic substances, hazardous wastes, hazardous materials, hazardous substances or contaminants including any of the foregoing as defined in any Environmental Law;
- (mm) "**Contingent Obligations**" means any agreement, undertaking or arrangement by which a Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person, against loss, including any comfort letter, operating agreement, take-or-pay contract (except for take-or-pay contracts entered into in the ordinary course of business) or application for letter of credit or guarantee (except for Documentary Credits);
- (nn) "**Credit Facility**" means the:
- (1) the 364 day committed, revolving operating credit facility in the aggregate principal amount of \$25,000,000 or the Equivalent Amount in US\$ established by Royal in favour of the Borrower pursuant to §3.1(a), and
 - (2) the line of credit of up to \$35,000,000 or the Equivalent Amount in US\$ to cover Swap Termination Values and liabilities of the Borrower, or with the consent of Royal, any of its Subsidiaries in respect of EFT Transfers and PDS Services including overdrafts and cash management debts and liabilities established by Royal in favour of the Borrower pursuant to §3.1(b);
- (oo) "**Currencies**" means Canadian Funds or U.S. Funds;
- (pp) "**Current Assets**" mean those assets which, on a consolidated basis, are determined to be current assets of the Borrower in accordance with GAAP;
- (qq) "**Current Asset Value**" means the aggregate of:
- (1) 75% of all Good Accounts Receivable (Cdn\$),
 - (2) 75% of the Equivalent Amount in Canadian Funds of all Good Accounts Receivable (US\$), and
 - (2) 50% of the Eligible Inventory,
- minus (but without duplication) the aggregate amount of Potential Preferred Claims;
- (rr) "**Current Liabilities**" mean those liabilities which, on a consolidated basis, are determined to be current liabilities of the Borrower in accordance with GAAP;
- (ss) "**Current Ratio**" means the ratio of Current Assets to Current Liabilities;
- (tt) "**DBNA**" means the *Depository Bills and Notes Act* S.C. 1998 c. 13 and regulations issued pursuant to that Act, as from time to time amended;
- (uu) "**Debt to Capitalization Ratio**" has the meaning set forth in the Guarantor Credit Agreement in effect as in effect as of November 15, 2001 (that is, for greater certainty, prior to any amendment, restatement, modification, supplement, extension, renewal or replacement thereof);
- (vv) "**Discount Proceeds**" means, with respect to any Bankers' Acceptance required to be accepted by Royal hereunder an amount (rounded up, if necessary, to the nearest whole cent) calculated on the applicable Drawdown Date by multiplying:

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- (1) the Face Amount of such Bankers' Acceptance divided by one hundred, by
- (2) the price, where the price is determined by dividing one hundred by the sum of one plus the product of:
- (A) the BA Discount Rate (expressed as a decimal), and
 - (B) a fraction, the numerator of which is the term of such Bankers' Acceptance expressed in days and the denominator of which is 365;
- with the price as so determined being rounded up or down to the fifth decimal place and .000005 being rounded up;
- (ww) "**Disposition**" means, with respect to any Person, the sale, transfer, license or other disposition (including any sale and leaseback transaction) of any property (other than the Stock of such Person) by such Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith;
- (xx) "**Documentary Credit Fee**" means the fee for Guarantee Letters and Letters of Credit charged by Royal pursuant to §3.31;

- (yy) "**Documentary Credits**" means Guarantee Letters and Letters of Credit;
- (zz) "**Draft**" means a commercial draft in Royal's prescribed form made by the Borrower in accordance with the provisions of Section 4 of the Agreement;
- (aaa) "**Drawdown Date**" means a Banking Day on which a Borrowing is advanced to or converted by the Borrower or renewed by Royal;
- (bbb) "**EFT Transfers**" means electronic funds transfers by the Borrower or its present and future Subsidiaries;
- (ccc) "**EFT Transfer Fees**" means the fees charged by Royal in respect of EFT Transfers;
- (ddd) "**Eligible Inventory**" means the value before deducting any Potential Preferred Claims determined in Cdn\$ of all Inventory located in Canada as determined by the Borrower and which is not subject to any mortgage, charge, security interest, assignment, lien, title retention agreement or other encumbrance (other than Permitted Encumbrances);
- (eee) "**Environmental Activity**" means any past, present or future activity, event or circumstance in respect of a Contaminant, including its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release, escape, leaching, dispersal or migration into the natural environment, including the movement through or in the air, soil, surface water or groundwater;
- (fff) "**Environmental Law**" means any and all applicable federal, provincial, municipal or local laws, statutes, regulations, orders, judgements, decrees, ordinances, official directives and all authorizations, relating to the environment or any Environmental Activity;
- (ggg) "**Equivalent Amount**" means at any time on any date, the amount in Canadian Funds or U.S. Funds, as the case may be, which would result from the conversion of U.S. Funds to Canadian Funds or Canadian Funds to U.S. Funds, as the case may be, determined on the basis of the Spot Buying Rate for U.S. Funds against Canadian Funds or Canadian Funds against U.S. Funds, as the case may be. If the date for determination of an Equivalent Amount is not a Business Day, the applicable rate shall be the Spot Buying Rate quoted on the immediately preceding Business Day;

- (hhh) "**ERISA**" means the *Employee Retirement Income Security Act* of 1974 and regulations promulgated thereunder;
- (iii) "**ERISA Affiliate**" means any trade or business (whether or not incorporated) under common control with the Guarantor within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code) other than the Guarantor and its Subsidiaries;
- (jjj) "**ERISA Event**" means:
 - (1) a Reportable Event with respect to a Pension Plan;
 - (2) a withdrawal by the Guarantor or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a) (2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA which could reasonably be expected to give rise to any liability with respect to such withdrawal;
 - (3) a complete or partial withdrawal by the Guarantor or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization;
 - (4) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan;
 - (5) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or
 - (6) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Guarantor or any ERISA Affiliate;
- (kkk) "**Eurocurrency Advance**" means any advance, renewal or conversion under the Credit Facility requested by the Borrower in or to Eurocurrency Funds and advanced, renewed or made in Eurocurrency Funds by Royal;
- (lll) "**Eurocurrency Funds**" means U.S. Funds for which London Interbank Offered Rates are quoted by leading banks in the London, England interbank market;
- (mmm) "**Eurocurrency Interest Period**" means, with respect to a Eurocurrency Advance, that period selected by the Borrower for the Eurocurrency Advance to be outstanding (if the Borrower fails to select a period it shall be deemed to be for a period of one month), which period shall be for one, two, three or six months (or such shorter or longer periods as may be agreed to by Royal) but shall not extend to a date later than the Maturity Date, commencing on the Drawdown Date and ending on the Eurocurrency Maturity Date;
- (nnn) "**Eurocurrency Maturity Date**" means the last day of a Eurocurrency Interest Period;
- (ooo) "**Event of Default**" means any event set forth in §8.1 of the Agreement;

- (qqq) "**Federal Funds Effective Rate**" means on any day, the rate of interest per annum set forth in the H.15(519) for that day opposite the caption "Federal Funds Effective". If on any day such rate is not yet published in the H.15(519), the rate for such day will be the rate set forth in the Composite 3:30 p.m. Quotations for US Government Securities for such day under the caption "Federal Funds Effective Rate". If on any day such rate is not yet published in either the H.15(519) or the Composite 3:30 p.m. Quotations for US Government Securities such rate shall be the average of the quotations for such day on overnight Federal Funds (such words to have the meaning generally given to them by money market brokers of recognised standing doing business in the United States of America) transactions received by Royal from three Federal Funds brokers of recognised standing selected by Royal;
- (rrr) "**Financial Ratios**" means the following ratios or requirements or any of them: the Debt to Capitalization Ratio, the Collateral Coverage Ratio, the Current Ratio, Shareholders' Equity, and Consolidated EBITDA;
- (sss) "**Forex Indenture**" means the Indenture dated as of September 14, 1999 among the Borrower, as successor to Louisiana-Pacific Acquisition Inc., as issuer, the Guarantor, as guarantor and Laurentian Trust of Canada Inc., as trustee, as amended from time to time;
- (ttt) "**GAAP**" means generally accepted accounting principles as generally applied by the Guarantor as at September 30, 2001 and thereafter as set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination, consistently applied;
- (uuu) "**Good Accounts Receivable (Cdn\$)**" means trade accounts receivable of the Borrower and its Material Canadian Subsidiaries payable in Canadian Funds, excepting therefrom:
- (1) all trade accounts receivable from an account debtor any portion of which is outstanding more than 60 days after the due date thereof unless the unpaid portion is being disputed by such account debtor in good faith and relates to specific sales where the account debtor alleges that the Borrower or a Material Canadian Subsidiary has failed to meet the terms of the disputed sale in which case only the amount in dispute shall be excepted, or
 - (2) all trade accounts receivable from account debtors which are Affiliates of the Borrower;
 - (3) all trade accounts receivable which are subject to a material claim or written assertion of a right of set-off by an account debtor to the extent of such claims or assertions;
 - (4) all trade accounts receivable which are subject to any mortgage, charge, assignment, lien, title retention agreement, security interest or other encumbrance (other than Permitted Encumbrances) that ranks in priority to or *pari passu* to the Royal's Security;
 - (5) all trade accounts receivable which would be required to be treated as bad or doubtful accounts in accordance with GAAP including receivables from account debtors which are bankrupt, insolvent or have suspended payments; and
 - (6) that portion of all trade accounts receivable subject to a contracted right on the part of the account debtor to refuse payment on all or part of such receivables;

- (vvv) "**Good Accounts Receivable (US\$)**" means the trade accounts receivable of the Borrower and its Material Canadian Subsidiaries payable in U.S. Funds which meet the same criteria set out in the definition of Good Accounts Receivable (Cdn\$), except for the currency denomination qualification;
- (www) "**Governmental Approval**" means any authorization, permit, approval, grant, licence, consent, right, privilege, registration, filing, order, commitment, judgement, direction, ordinance, decree or like instrument or affirmation issued or granted by any Governmental Body;
- (xxx) "**Governmental Body**" means, as the context requires, any government, parliament, legislature, regulatory authority, agency, tribunal, department, commission, board or court or other law, regulation or rule making entity (including a Minister of the Crown) having or purporting to have jurisdiction on behalf of any country or nation, any province, state, municipality, region, district, any subdivision thereof or any other lawful authority;
- (yyy) "**Guarantee**" means the limited liability guarantee of the Guarantor in substantially the form of Schedule B and includes all amendments and substitutions;
- (zzz) "**Guarantee Letters**" means the letters of guarantee issued by Royal pursuant to §3.31;
- (aaaa) "**Guarantor**" means Louisiana-Pacific Corporation, its successors and permitted assigns;
- (bbbb) "**Guarantor Affiliates**" means any Affiliate of the Guarantor;
- (cccc) "**Guarantor Credit Agreement**" means the credit agreement in respect of the Guarantor Credit Facility, unless otherwise provided, as amended, restated, modified, supplemented, extended, renewed or replaced from time to time;

(dddd)	" Guarantor Credit Facility " means the credit facility made available to the Guarantor pursuant to the terms of a Credit Agreement entered into as of November 15, 2001 among the Guarantor, as borrower, Bank of America, N.A., as the Administrative Agent, Wachovia Bank, N.A., as the Syndication Agent, Royal, as Documentation Agent and the other lenders party to the credit agreement;
(eeee)	" H.15(519) " means the weekly statistical release designated as such published by the Board of Governors of the Federal Reserve System of the United States of America or in any successor publication;
(ffff)	" Indebtedness " means without duplication:
	(1) all obligations for borrowed money (including the present value of capitalized lease obligations) which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a consolidated balance sheet as of the date at which Indebtedness is to be determined, including deferred purchase price obligations;

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	(2) obligations for borrowed money secured by any lien upon property or assets owned by the Borrower or any of its Subsidiaries;
	(3) obligations created or arising under any conditional sale, deferred purchase price agreements or other similar agreement; and
	(4) guarantees of Indebtedness and letters of credit to support Indebtedness for borrowed money of others;
(gggg)	" Insurance Coverage " means insurance provided by financially sound and reputable insurers or through a program of self-insurance with reserves in accordance with sound business practices or a combination of both, insuring the property, assets and business of the Borrower against such liabilities, casualties, risks and contingencies and in such types of insurance as is customary for companies engaged in the same or similar businesses including:
	(1) fire, earthquake and extended coverage insurance on a replacement cost basis,
	(2) boiler, furnace and machinery insurance,
	(3) course of construction insurance (to the extent necessary to insure any modifications under construction),
	(4) business interruption insurance,
	(5) public liability insurance, and
	(6) inventory insurance insuring the inventory of the Borrower not in transit to purchasers;
(hhhh)	" Interest and Fee Rate Adjustment Date " means that date which is five Business Days following an Announcement Date;
(iiii)	" Interest Determination Date " means a Banking Day which is two Banking Days prior to a Drawdown Date;
(jjjj)	" Inventory " means the consolidated inventory of the Borrower and its Material Canadian Subsidiaries, whether located at the Borrower's premises or at the premises of a Material Canadian Subsidiary, in transit or otherwise, including finished goods (including lumber and chips), work-in-progress (including logs), raw materials and supplies (but, for greater certainty, excluding standing timber);
(kkkk)	" Judgment Currency " shall have the meaning ascribed thereto in §9.6;
(llll)	" Letters of Credit " means letters of credit issued by Royal pursuant to §3.31;
(mmmm)	" Lien " means any mortgage, lien, charge, pledge, hypothecation, security interest or other encumbrance or title retention agreement and any other agreement or arrangement having substantially the same economic effect;
(nnnn)	" London Interbank Offered Rate " means with respect to a particular Eurocurrency Advance, the rate of interest (rounded upwards, if necessary, to the nearest whole multiple of one sixteenth of one percent) at which Royal, in accordance with its normal practice, would be prepared to offer to leading banks in the London interbank market for delivery on the first day of the particular Eurocurrency Interest Period and for a period equal to such Eurocurrency Interest Period based on the number of days comprised therein, deposits in U.S. Funds of comparable amounts to be outstanding during such Eurocurrency Interest Period, at or about 11:00 a.m. (London, England, local time) on the second Banking Day prior to a Drawdown Date;

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(oooo)	" Master Agreement " has the meaning ascribed thereto in the definition "Swap Contract";
(pppp)	" Material Adverse Effect " has the meaning set forth in this Guarantor Credit Agreement in effect as at the reference date of November 15, 2001;
(qqqq)	" Material Canadian Subsidiary " means a subsidiary of the Borrower which is 100% legally and beneficially owned by the Borrower which has all or substantially all of its property and assets located in Canada;
(rrrr)	" Maturity Date " means that date which is 364 days after Closing Date or that date in any ensuing year which is 364 days after the

immediately preceding Maturity Date if Royal accedes to a request from the Borrower pursuant to §3.3 for an extension of the Maturity Date;

- (ssss) "**Multiemployer Plan**" means any employee benefit plan of a type described in Section 4001(a) (3) of ERISA, to which the Guarantor or any ERISA Affiliate makes or is obligated to make contributions or during the preceding three calendar years, has made or been obligated to make contributions;
- (ttt) "**PBGC**" means the Pension Plan Guaranty Corporation, or any governmental authority succeeding to any of its principal functions under ERISA;
- (uuuu) "**PDS Services**" means payment distribution services as may be approved from time to time by Royal;
- (vvvv) "**PDS Services Fees**" means the fees charged by Royal in respect of PDS Services;
- (wwww) "**Pension Plan**" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Guarantor or any ERISA Affiliate or to which the Guarantor or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years;
- (xxxx) "**Permitted Encumbrances**" means:
- (1) Liens for taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the Borrower or the relevant Subsidiary, as the case may be, in good faith;
 - (2) the Lien of any judgement rendered or claim filed against the Borrower or any of its Subsidiaries which is being contested in good faith;
 - (3) undetermined or inchoate Liens and charges, including construction Liens, Liens incidental to current operations of the Borrower or any of its Subsidiaries which have not at such time been filed pursuant to law against the Borrower or any of its Subsidiaries which relate to obligations neither due nor delinquent;
 - (4) restrictions, easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by any Persons or minor defects or irregularities of title, all of which in the aggregate do not, in the opinion of Royal, materially impair the usefulness of the property subject to any such restriction, easement, right-of-way, servitude or other similar rights in land to the business of the Borrower;
 - (5) security given to a public utility or Governmental Body in connection with the operations of the Borrower or any of its Subsidiaries in the ordinary course of their respective businesses;

- (6) the reservations, limitations, provisos and conditions, if any, expressed in any original grants from the Crown;
- (7) Purchase Money Obligations, pledges, charges, encumbrances, and security interests reasonably and properly incurred or acquired by the Borrower or any of its Subsidiaries in the ordinary course of their respective businesses;
- (8) security granted to Royal pursuant to Royal's Security or otherwise; and
- (9) security described in Schedule F;
- (yyyy) "**Permitted Guarantees**" means:
- (1) guarantees by the Borrower in respect of purchases of assets by Subsidiaries not exceeding in the aggregate of \$5,000,000;
 - (2) guarantees of any Subsidiary not exceeding in the aggregate of \$5,000,000;
 - (3) guarantees by the Borrower in respect of Purchase Money Obligations;
 - (4) guarantees by the Borrower or its Subsidiaries provided in the ordinary course of business and not exceeding in the aggregate \$5,000,000; and
 - (5) guarantees by the Borrower or its Subsidiaries in favour of Royal;
- (zzzz) "**Permitted Securitization**" means the securitization of accounts receivable of the Guarantor and its Subsidiaries with Blue Ridge Asset Funding Corporation and the other parties thereto;
- (aaaaa) "**Person**" means and includes any individual, a partnership, a corporation, a joint stock company, a trust, business trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof;
- (bbbbbb) "**Plan**" means an "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Guarantor or any ERISA Affiliate;
- (cccccc) "**Potential Preferred Claims**" means the aggregate of any rights, claims or preferences whether statutory in nature or otherwise and whether secured or unsecured including any right or claim which any unpaid supplier of inventory may have pursuant to the *Bankruptcy and Insolvency Act* (Canada), which rights, claims or preferences rank in priority to Royal's Security;

(dddd)

"**Prime Rate**" means the rate of interest per annum in effect from time to time that is equal to the greater of:

- (1) Royal's Prime Rate; and
- (2) the CDOR Rate plus 100 basis points per annum;

(eeee)

"**Purchase Money Obligations**" means:

- (1) any Lien existing and assumed at the time of acquisition by the Borrower or any of its Subsidiaries on any property acquired in an arm's length transaction;
- (2) any Lien on any property acquired by the Borrower or any of its Subsidiaries in an arm's length transaction to secure the whole or any part of the purchase price of such property or monies borrowed to pay such purchase price;

- (3) any extensions, renewals, replacements or substitutions of any Lien or other security interest described in §(1) and §(2) above provided that the principal amount of the indebtedness secured thereby outstanding on the date of the extension, renewal, replacement or substitution is not increased to an amount greater than the amount outstanding on the date the mortgage, lien, charge or other encumbrance was first granted or assumed on the property,

provided that the aggregate amounts due under any Lien referred to above do not exceed the cost of the asset encumbered by any such Lien and any such Liens are secured only by the property so owned or acquired and not by any other assets and may be discharged or caused to be discharged upon payment in full of the amount permitted to be secured under §(1) to §(3) inclusive above;

(fffff)

"**Rating Agencies**" means Moody's Investors Services, Inc. and Standard Poor's Rating Services, a division of McGraw-Hill Companies, Inc. and "**Rating Agency**" means either of them as the context requires;

(ggggg)

"**Ratings**" means the applicable rating of the Guarantor's long term senior unsecured debt as determined by the Rating Agencies as applied in Schedule A to determine applicable interest and fee rates;

(hhhhh)

"**Release**" includes discharge, spray, injection, inoculation, abandonment, deposit, spill, leak, seep, pour, emission, emptying, throwing, dumping, placement and exhaust, and when used as a verb has a similar meaning;

(iiiii)

"**Reportable Event**" means any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC;

(jjjjj)

"**Royal**" means Royal Bank of Canada its successors and permitted assigns;

(kkkkk)

"**Royal's Prime Rate**" means the floating annual rate of interest publicly announced from time to time by Royal as its reference rate then in effect for determining interest rates on Cdn\$ commercial loans made by Royal in Canada;

(lllll)

"**Royal's Security**" means all of the security referred to in §5.1;

(mmmmm)

"**Royal's U.S. Base Rate**" means the floating annual rate of interest publicly announced from time to time by Royal as its reference rate then in effect for determining interest rates on US\$ commercial loans made by Royal in Canada;

(nnnnn)

"**Section 427 Security**" means the assignment by the Borrower to Royal pursuant to Section 427 of the *Bank Act* (Canada) covering all of the Borrower's Inventory;

(ooooo)

"**Security Agreement**" means the security agreement and hypothec (Province of Quebec) dated for reference November 30, 2001 to be provided by the Borrower, in form and content satisfactory to Royal, wherein the Borrower grants to and in favour of Royal, subject to no prior financial charges except for Permitted Encumbrances and, subject only to the Section 427 Security, a first mortgage charge and security interest in and upon the Borrower's Inventory and the Borrower's trade accounts receivable, as amended, modified, supplemented, extended, renewed or replaced from time to time;

(ppppp)

"**Shareholders' Equity**" means, as of any date of determination for the Guarantor and its Subsidiaries on a consolidated basis, shareholders' equity as of that date determined in accordance with GAAP, but excluding (a) up to US\$10,000,000 in cash losses associated with the closure of the pulp mill located in Chetwynd, British Columbia, and (b) up to US\$50,000,000 in non-cash gains or losses arising from (i) the pulp mill located in Samoa, California, (ii) the pulp mill located in Chetwynd, British Columbia, (iii) the 65% interest in a joint venture in Ireland that has an oriented strand board (OSB) mill, and (iv) the Guarantor's industrial panel products segment;

(qqqqq)

"**Spot Buying Rate**" means:

- (1) in respect of conversions from Canadian Funds to U.S. Funds or vice versa the Bank of Canada noon spot rate for Canadian Funds against U.S. Funds or U.S. Funds against Canadian Funds (as quoted or published from time to time by the Bank of Canada), as the case may be, on the relevant date of determination, and

- (2) in respect of conversions to Canadian Funds or U.S. Funds of currencies other than Canadian Funds or U.S. Funds, Royal's spot buying rate in Canadian Funds or U.S. Funds, as the case may be, for purchasing any such foreign currency on the relevant date of determination;
- (rrrrr) "**Standby Fees**" means the standby fees payable by the Borrower to Royal pursuant to §3.28;
- (sssss) "**Stock**" means all shares, options, warrants, general or limited partnership interests, units or other equivalents (regardless of how designated) of or in a corporation, general partnership, limited partnership, limited liability company, unlimited liability company, joint stock company, or equivalent entity whether voting or nonvoting, including common stock and preferred stock;
- (ttttt) "**Subordination Agreement**" means the subordination agreement dated for reference November 30, 2001 among the Borrower, the Guarantor, certain Guarantor Affiliates and Royal wherein all Indebtedness owing by the Borrower to such Guarantor Affiliates and to the Guarantor except for trade accounts payable (including payables for management services) incurred in the ordinary course of business prior to receipt from Royal of a notice of default, in the case of a default in respect of which Royal is required to give notice before it becomes an Event of Default or, an Event of Default, is expressly made subordinate and subject in right of payment as therein provided to the prior payment in full of all indebtedness of the Borrower to Royal under this Agreement;
- (uuuuu) "**Subsidiary**" of a Person means any corporation, association, partnership, joint venture or other business entity of which more than 50% of the Voting Shares or other equity interests (in the case of Persons other than corporations) is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof;
- (vvvvv) "**Sufficient Copies**" means three copies or such other reasonable number of copies of reports, financial statements, certificates and other material required to be delivered by the Borrower or the Guarantor, as the case may be, to Royal pursuant to the Agreement as advised by Royal from time to time in writing;

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- (wwwww) "**Swap Contract**" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement;
- (xxxxx) "**Swap Termination Value**" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include Royal);
- (yyyyy) "**Timber Notes Receivable**" means, collectively, (i) the promissory notes in the principal amount of approximately US\$50,000,000 by Sierra Pacific Industries in favor of L-P SPV, Inc., a Delaware corporation, and (ii) the promissory notes in the principal amount of approximately US\$354,000,000 by Simpson Timber Company in favor of L-P SPV2, LLC, a Delaware limited liability company;
- (zzzzz) "**Unfunded Pension Liability**" means the excess of a Pension Plan's benefit liabilities under Section 4001(a) (16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding that Pension Plan pursuant to Section 412 of the Code for the applicable plan year;
- (aaaaaa) "**U.S.A.**" means United States of America;
- (bbbbbb) "**U.S. Advance**" means any advance or conversion under the Credit Facility requested by the Borrower in U.S. Funds and advanced in U.S. Funds by Royal or determined as such pursuant to §4.12;
- (cccccc) "**U.S. Base Rate**" means the rate of interest per annum in effect from time to time that is equal to the greater of:
- (1) Royal's U.S. Base Rate; and
 - (2) the Federal Funds Effective Rate plus 50 basis points per annum;
- (dddddd) "**U.S. Funds**" and "**US\$**" means lawful currency of the U.S.A. in same day immediately available funds, or, if such funds are not available, the form of money of the U.S.A. that is customarily used in the settlement of international banking transactions on the day payment is due;
- (eeeeee) "**Voting Shares**" means shares of any class entitled to vote in all circumstances.

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1.2 Applicable Law

The Agreement shall be construed in accordance with and governed by the laws of the Province of British Columbia and the laws of Canada applicable in the Province of British Columbia.

1.3 Severability

If any one or more of the provisions contained in the Agreement is invalid, illegal or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of such provision shall not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained in the Agreement shall not in any way be affected or impaired thereby.

1.4 Successors and Assigns

The Agreement shall enure to the benefit of and be binding on each of the parties to the Agreement and their respective successors and permitted assigns.

1.5 Included Words

Where the singular or the masculine are used in the Agreement, the same shall be deemed to include the plural or the feminine or vice versa and a body politic or corporate where the context or the parties so require.

1.6 Headings and Marginal References

The division of the Agreement into paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Agreement.

1.7 Cross References

Unless otherwise stated, a reference in the Agreement to a numbered or lettered paragraph, subparagraph or schedule refers to the paragraph, subparagraph or schedule bearing that number or letter in the Agreement.

1.8 Use of Word "Including"

The word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific terms or matters set forth immediately following such word or to similar items or matters, but such general term or statement shall be construed as referring to all items or matters that could reasonably fall within the broadest possible scope thereof.

1.9 Expiration of Summary of Terms and Conditions

On the Closing Date, all of the terms and conditions of the "Draft Summary of Terms and Conditions" dated October 25, 2001 agreed to by the Borrower, the Guarantor and Royal in connection with the development of the Credit Facility shall be deemed to be merged herein and to expire and shall thereafter have no force and effect.

1.10 Currency

Unless otherwise specified all statements of, or references to, dollar amounts in the Agreement without currency specification shall mean Canadian Funds.

1.11 Payment Dates and Interest Calculation

If the date for a payment to Royal of any sum owing hereunder or the date of advance, renewal or conversion of any sum by Royal hereunder is not, in the case of Eurocurrency Funds, a Banking Day, and, in all other cases, a Business Day, such payment, advance, renewal or conversion, as the case may be, shall, except in some circumstances as hereafter provided in respect of Eurocurrency Funds, be due or made upon the next immediately succeeding Banking Day or Business Day, as the case may be. In the case of Eurocurrency Funds if the immediately succeeding Banking Day is in the next following month, the date for payment, renewal or conversion shall be the next immediately preceding Banking Day. Interest shall be payable for the day a Canadian Advance, Eurocurrency Advance or U.S. Advance is made but not for the day of any payment on the amount paid if payment is received by Royal prior to 10:00 a.m. local time at Vancouver, British Columbia.

1.12 Accounting Terms

Accounting terms which are not specifically defined herein shall have the meaning accorded thereto and shall be construed in accordance with GAAP. If at any time any change in GAAP would affect the computation of any Financial Ratio and there is a request pursuant to §1.03(b) of the Guarantor Agreement or a like request by the Borrower or Royal pursuant to this Agreement to negotiate in good faith to amend any such ratio to preserve the original intent thereof in light of such change in GAAP, the applicable parties under each agreement shall enter into such negotiations, provided that, until so amended:

- (a) the applicable Financial Ratios shall continue to be computed in accordance with GAAP prior to such agreed change therein;
- (b) the Borrower and the Guarantor or either, as the case may be, shall provide to Royal financial statements and other documents required under this Agreement or the Guarantor Agreement or as may be reasonably requested by Royal setting forth a reconciliation between calculations of the applicable Financial Ratio made before and after giving effect to such change in GAAP; and
- (c) no change to any Financial Ratio agreed to pursuant to §1.03(b) of the Guarantor Agreement shall be effective in respect of its application in this Agreement without the prior written consent of Royal.

1.13 Schedules

The Schedules to the Agreement shall form an integral part of the Agreement, and are as follows:

Schedule A	Interest and Fee Rates
Schedule B	Guarantee
Schedule C	Officer's Compliance Certificate
Schedule D	Unfunded Pension Liabilities
Schedule E	Borrowing Base Report
Schedule F	Permitted Encumbrances
Schedule G	Other Permitted Indebtedness

2. REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties

Each of the Borrower and the Guarantor represents and warrants to Royal as set forth in this Section 2 of the Agreement. All representations and warranties shall survive all Borrowings and no investigation at any time made by or on behalf of Royal shall diminish in any respect whatsoever its right to rely thereon.

2.2 Status of the Borrower

The Borrower is a corporation, duly incorporated, validly existing, in good standing with respect to the filing of annual returns under the laws of the Province of British Columbia and is duly qualified, in good standing and authorized to do business in all jurisdictions where the character of the properties owned by it or the nature of the business transacted by it makes such qualification necessary.

2.3 Status of Guarantor

The Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, one of the States of the United States of America.

2.4 Power and Authority

Each of the Borrower and the Guarantor has all requisite corporate power and authority to own its respective properties, has obtained or will obtain, all material Governmental Approvals required at the date hereof to carry on its respective business as now conducted and proposed to be conducted and to enter into and perform its obligations under the Agreement and all instruments and agreements delivered pursuant hereto and thereto.

2.5 Due Authorization

The Agreement, the Guarantee and every instrument or agreement delivered pursuant hereto has been duly and validly authorized by all requisite actions by the Borrower and the Guarantor and each of such documents has been duly executed by the Borrower and the Guarantor if it is a party thereto and when delivered will be a legal, valid and binding obligation of the Borrower and the Guarantor, as the case may be, enforceable in accordance with its respective terms save as enforcement may be limited by:

- (a) applicable bankruptcy, insolvency, moratorium, reorganization and similar laws at the time in effect affecting the rights of creditors generally;
- (b) equitable principles which may limit the availability of certain remedies, including the remedy of specific performance; and
- (c) the inability of the courts of Canada to give judgement for payment in foreign currencies.

2.6 No Contravention

The execution, delivery and performance of the Agreement by the Borrower and the Guarantor and the Guarantee by the Guarantor will not contravene any material provision of any regulation, order or permit applicable to the Borrower or the Guarantor, as the case may be, or cause a conflict with or contravention of its respective Charter or cause a breach of or constitute a default under or require any consent under any agreement or instrument to which the Borrower or the Guarantor, as the case may be, is a party or by which it is bound except such as have been obtained.

2.7 No Breach

Neither the Borrower nor the Guarantor is in default under any agreement or instrument to which it is a party in any way which materially adversely affects its ability to perform its respective obligations under the Agreement or the Guarantee, as the case may be, and there are no suits or judicial proceedings or proceedings before any governmental commission, board or other agency pending or to the knowledge of the Borrower or the Guarantor, as the case may be, threatened against it which could reasonably be expected to give rise to a judgement or liability which, if satisfied, would have a materially adverse effect on the ability of the Borrower to meet its obligations under the Agreement or the Guarantor to meet its obligations under the Guarantee.

2.8 Leases and Licences

Each of the Borrower and the Guarantor has all leases, licences, permits and consents as are essential for the due carrying on of its respective business in the manner in which its business is carried on and all such leases, licences, permits and consents are in full force and effect and no proceedings relating thereto are

pending or known to the Borrower or the Guarantor, as the case may be, to be threatened in any way which would have a material adverse effect on the ability of the Borrower or the Guarantor to meet its respective obligations under the Agreement or the Guarantor to meet its obligations under the Guarantee.

2.9 No Financial Default

Neither the Borrower nor the Guarantor is in default in any way which materially adversely affects its ability to perform its obligations under the Agreement or the Guarantee, as the case may be, under any guarantee, bond, debenture, note or other instrument evidencing any indebtedness or under the terms of any instrument pursuant to which any of the foregoing has been issued or made and delivered and to the knowledge of the Borrower and the Guarantor there exists no state of facts which, after notice or lapse of time or both or otherwise, would constitute such a default in any way which materially adversely affects its ability to perform its obligations under the Agreement or the Guarantee, as the case may be.

2.10 Disclosure of Material Facts

Each of the Borrower and the Guarantor has disclosed to Royal in writing all facts (other than facts which are a matter of public knowledge or record) which materially adversely affect, or so far as it can now reasonably foresee, will materially adversely affect its ability to perform its obligations under the Agreement and, in the case of the Guarantor, under the Guarantee.

2.11 Consents and Approvals

All consents, approvals, authorizations, declarations, registrations, filings, notices and other actions whatsoever required as at the date hereof by the Borrower and the Guarantor in order to execute and deliver the Agreement and the Guarantee, as the case may be, and all agreements or instruments delivered pursuant thereto, and the consummation of the transactions contemplated hereby, have been obtained, made or taken or will have been obtained, made or taken or waived by Royal on or prior to the Closing Date.

2.12 Title

The Borrower has good and marketable title to or the right to use all of the assets necessary for the operation of its business except for Permitted Encumbrances.

2.13 Borrower's Financial Statements Furnished

The Borrower has furnished Royal with its most recent unaudited financial statements for the fiscal year ended December 31, 2000 and the fiscal quarter ended September 30, 2001, all such financial statements have been prepared in accordance with GAAP applied on a consistent basis, except as stated therein or in the notes thereto, the balance sheets as therein contained present fairly in all material respects the consolidated financial position of the Borrower and its Subsidiaries as at the dates thereof and the consolidated statements of income present fairly in all material respects the results of the operations of the Borrower and its Subsidiaries for the period indicated.

2.14 No Change in Borrower's Financial Condition

Since September 30, 2001 there has been no material adverse change in the financial condition of the Borrower from that shown on the consolidated financial statements of the Borrower as at that date, except as disclosed to Royal, and any such change will not materially adversely affect the ability of the Borrower to perform its obligations under the Agreement.

2.15 Guarantor's Financial Status

The Guarantor has furnished Royal with its most recent annual and quarterly consolidated financial statements, all such financial statements have been prepared in all material respects in accordance with United States Securities and Exchange Commission requirements except as stated therein or in the notes thereto, each balance sheet as therein contained presents fairly, in all material respects, the financial position of the Guarantor and its subsidiaries as at the date thereof.

2.16 No Change in Guarantor's Financial Condition

Since the date of the most recent quarterly financial statements of the Guarantor and its Subsidiaries referred to in the preceding paragraph (a) there has been no change in the consolidated financial condition of the Guarantor and its Subsidiaries as shown on the Guarantor's balance sheet as at that date sufficient to impair the Guarantor's ability to perform its obligations under the Agreement or the Guarantee except as disclosed to Royal, and (b) the business, operations and assets of the Guarantor and its Subsidiaries on a consolidated basis have not been materially adversely affected as a result of any act or event including, without limitation, fire, explosion, casualty, flood, drought, riot, storm, condemnation, act of God, accident, labour trouble, expropriation or act of any government.

2.17 Financial Statements Not Misleading

The consolidated financial statements referred to above or any other statement or report furnished to Royal by or on behalf of the Borrower or the Guarantor in connection with the negotiation or confirmation of the transactions contemplated herein do not contain, as at the time such statements or reports were furnished, any untrue statement of a material fact or any omission of a material fact necessary to make the statements contained therein not materially misleading, it being understood by Royal that such statements were prepared by the Guarantor and certain of them do not contain explanatory footnotes, and all such statements and reports, taken as a whole together with the Agreement do not contain any untrue statement of material fact or omit a material fact necessary to make the statements contained therein not materially misleading.

2.18 Taxes

Each of the Borrower and the Guarantor has filed all material income tax returns which were required to be filed, paid or made provisions for payment of all material taxes (including interest and penalties) which are due and payable, and provided adequate reserves established in accordance with GAAP for the payment of any tax, the payment of which is being disputed.

2.19 Environmental Law Compliance

The Borrower is in compliance with all Environmental Law in respect of which non-compliance would have a material adverse effect on the ability of the Borrower to perform its obligations under the Agreement.

2.20 Insurance

Each of the Borrower and the Guarantor:

- (a) has insured by financially sound and reputable insurers all assets and property of a character customarily insured by Persons engaged in the same or a similar business, similarly situated, including inventory and business interruption insurance, in such amounts as are customarily insured for by such Persons, or
- (b) maintains a program of self-insurance, with reserves, in accordance with sound business practices.

2.21 ERISA Compliance by Guarantor

- (a) each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state laws. Each Plan that is intended to qualify under the Section 401(a) of the Code has received a favourable determination letter from the IRS or an application for such a letter is currently being or will be processed by the IRS with respect thereto and such application is or will be within a remedial amendment period and, to the Guarantor's knowledge, nothing has occurred which would prevent, or cause the loss of, such qualification which is not correctable without cost or at a cost that is immaterial. The Guarantor and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.
- (b) there are no pending or, to the Guarantor's knowledge, threatened claims, actions or lawsuits, or action by any Governmental Body, with respect to any Plan that could be reasonably expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could be reasonably expected to result in a Material Adverse Effect.
- (c)
 - (1) no ERISA Event has occurred within the past 12 years or is reasonably expected to occur;
 - (2) except as specifically disclosed in Schedule D, no Pension Plan has any Unfunded Pension Liability;
 - (3) neither the Guarantor nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA, with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA);
 - (4) neither the Guarantor nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, could be reasonably expected to result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and
 - (5) neither the Guarantor nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

3. THE CREDIT FACILITY

3.1 Establishment of the Credit Facility

Relying on each of the representations and warranties set out in Section 2 and subject to the terms and conditions set forth herein, Royal agrees to make available to the Borrower:

- (a) a 364 day committed, revolving operating credit facility in the principal amount of \$25,000,000 or the Equivalent Amount in U.S. Funds, and
- (b) a line of credit of up to \$35,000,000 or the Equivalent Amount in US\$ to cover Swap Termination Values and liabilities of the Borrower or, with the consent of Royal, any of its Subsidiaries in respect of EFT Transfers and PDS Services including overdrafts and cash management debts and liabilities,

to be used by the Borrower (and, in the case of §3.1(b), with the consent of Royal, any Subsidiaries of the Borrower in respect of EFT Transfers and PDS Services) for its general corporate purposes which shall include the refinancing by the Borrower of its existing credit facility with Royal.

3.2 Nature of the Credit Facility

Unless terminated earlier pursuant to §8.2 the Credit Facility shall be available to the Borrower up to the stated principal amount on a continuing and revolving basis from the Closing Date until the Maturity Date except for any and all cancellations of the available amount of the Credit Facility made pursuant to

3.3 Extension of Maturity Date

Royal in its sole discretion may, at the request of the Borrower, extend the Maturity Date for successive periods of 364 days. If the Borrower is desirous of extending the Maturity Date it shall so notify Royal not more than 90 days and not less than 60 days prior to the then current Maturity Date and Royal shall, within 30 days of receipt of such extension notice, advise the Borrower of its determination in response to any such request. If Royal determines that it will extend the Maturity Date for 364 days the current Maturity Date shall be extended to that date which is 364 days past the current Maturity Date. The Borrower and the Guarantor acknowledge that the rates of interest, Standby Fees, acceptance fees, EFT Transfer Fees, PDS Service Fees, Documentary Credit Fees and any other fees payable by the Borrower under the Agreement are subject to confirmation by Royal at the time of each request for an extension of the Maturity Date.

3.4 Currencies and Other Options Available Under the Credit Facility

Subject to the provisions of the Agreement:

- (a) the Borrower may, at its option utilize the credit facility established pursuant to §3.1(a) by way of Canadian Advances, U.S. Advances, Documentary Credits or, if available, Eurocurrency Advances or Bankers' Acceptances, and
- (b) the Borrower and, with the consent of Royal, any of its Subsidiaries may, at the discretion of Royal, avail themselves of Royal's facilities in respect of EFT Transfers and PDS Services and Royal at its discretion, may make Canadian Advances or U.S. Advances available to the Borrower or, on the instructions of the Borrower, to its Subsidiaries to provide for Swap Termination Values, and cover for liabilities in respect of EFT Transfers and PDS Services. Any liabilities in respect of EFT Transfers and PDS Services including overdrafts and cash management debts and liabilities, shall be obligations under the credit facility established pursuant to §3.1(b) and shall be secured by the collateral charged under Royal's Security and otherwise be subject to the applicable provisions hereof.

3.5 Swap Contracts

The Borrower may request that Royal enter into Swap Contracts with the Borrower from time to time. Royal may decline such request or may agree to enter into Swap Contracts provided:

- (a) the Borrower agrees to the terms and conditions of the current applicable Master Agreement or such other similar or standard form of agreement appropriate to the type of Swap Contract requested by the Borrower as may be required by Royal and enters into and delivers such agreement to Royal;
- (b) the Borrower pays all required fees in connection with a Swap Contract and indemnifies Royal against any loss, cost or expense incurred by Royal including any Swap Termination Values;

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- (c) the Borrower indemnifies Royal against any loss, cost or expense suffered or incurred by Royal as a result of acting upon instructions given or agreements made over the telephone or by electronic transmission of any type with persons reasonably believed by Royal to have been acting on the Borrower's behalf;
- (d) the Borrower agrees that if there is any inconsistency at any time between the terms of the Agreement and any Master Agreement, the terms of such Master Agreement shall prevail.

3.6 Interest on Advances Under the Credit Facility

The Borrower shall pay to Royal at its Branch of Account interest on Advances from Royal at the rates determined by reference to the pricing formula set forth in Schedule A. Interest shall be calculated and paid as follows:

- (a) Canadian Advances shall bear interest in Canadian Funds, which interest shall accrue from day to day while such advances are outstanding and shall be computed on the basis of a year of 365 days and for actual days elapsed and shall be payable and compounded monthly in arrears on the 20th day of each month or such other date as may be agreed to by the Borrower and Royal;
- (b) U.S. Advances shall bear interest payable in U.S. Funds, which interest shall accrue from day to day while such advances are outstanding and shall be computed on the basis of a year of 365 days and for actual days elapsed and shall be payable and compounded monthly in arrears on the 20th day of each month or such other date as may be agreed to by the Borrower and Royal;
- (c) Eurocurrency Advances shall bear interest in U.S. Funds, which interest shall accrue from day to day while such advances are outstanding and shall be computed on the basis of a year of 360 days and for actual days elapsed and shall be payable as set forth in §3.15 hereof.

3.7 Interest and Fee Rate Adjustments

Adjustments to rates of interest and the acceptance fees prescribed in §3.6 and §4.11 respectively and the Standby Fees and Documentary Credit Fees prescribed in §3.28 and §3.31 respectively resulting from changes, if any, to the Ratings shall be effective and payable from and including the Interest and Fee Rate Adjustment Date. The Borrower agrees to pay to Royal and Royal agrees to repay to the Borrower the amount resulting from an adjustment of Schedule A rates and fees in respect of Bankers' Acceptance, Documentary Credits and Eurocurrency Advances resulting from a Rating Change prior to the maturity of such Borrowing Options. The Borrower will pay interest, acceptance fees, Standby Fees, Documentary Credit Fees and other fees from the Closing Date until the first Interest and Fee Rate Adjustment Date determined by reference to a BB/Ba2 or higher Rating.

3.8 Interest on Eurocurrency Advances Spanning More Than One Applicable Interest Rate

If the Borrower takes a Eurocurrency Advance under the Credit Facility before the date of an increase or decrease in a percentage rate of interest to be added to the London Interbank Offered Rate to be paid on Eurocurrency Advances under the Credit Facility, which Eurocurrency Advance matures after the date of the said increase or decrease in the rate of interest, the rates of interest for the Eurocurrency Interest Period of the said Eurocurrency Advance shall be calculated by using the interest rates applicable from time to time for the number of days the Eurocurrency Advance is outstanding during the respective interest rate periods.

3.9 Interest Act of Canada

For the purpose of the *Interest Act of Canada*, the yearly rate of interest to which interest calculated on the basis of a year of 360 or 365 days is equivalent, is the rate of interest determined as herein provided multiplied by the number of days in such year divided by 360 or 365, as the case may be.

3.10 Manner of Making Advances

Advances under the Credit Facility (other than deemed advances in relation to Bankers' Acceptances and Documentary Credits) shall be disbursed to the Borrower by Royal crediting the account maintained by the Borrower at its Branch of Account or elsewhere as may be agreed to between the Borrower and Royal.

3.11 Amounts and Notice for Canadian Advances and U.S. Advances

One Business Day's notice to Royal is required from the Borrower of its intention to take a Canadian Advance or a U.S. Advance which advances shall be for minimum amounts of \$100,000 or US\$100,000, as the case may be.

3.12 Notice for Eurocurrency Advances

The Borrower shall give the following prior irrevocable notice to Royal before the time stipulated in §3.18 of its intention to take Eurocurrency Advances:

- (a) for Eurocurrency Advances for aggregate amounts of less than US\$10,000,000 no notice prior to the Interest Determination Date is required;
- (b) at least two Banking Days' notice prior to the Interest Determination Date is required in the case of Eurocurrency Advances for aggregate amounts of US\$10,000,000 or more.

3.13 Eurocurrency Notice Particulars

Each notice under §3.12 shall specify:

- (a) the amount of each Eurocurrency Advance requested by the Borrower, which shall be in minimum amounts of US\$1,000,000;
- (b) the Drawdown Date; and
- (c) the Eurocurrency Interest Period for which the London Interbank Offered Rate is to be applied.

Unless Royal is unable to make a Eurocurrency Advance because funds are not available to it or it determines not to make a Eurocurrency Advance pursuant to §3.33, it shall make the requested Eurocurrency Advance in accordance with the notice requesting such advance and shall advise the Borrower on the Interest Determination Date of the London Interbank Offered Rate.

3.14 Conversions of Borrowings under §3.1(a)

The Borrower may, upon giving notice to Royal of its intention to effect a conversion, convert all or any portion of its Borrowings under the credit facility established pursuant to §3.1(a) from one Borrowing Option to another Borrowing Option, provided that:

- (a) Borrowings in Canadian Funds plus the Equivalent Amount in Canadian Funds of Borrowings in U.S. Funds after a conversion do not exceed the amount available under §3.1(a) of the credit facility;
- (b) a conversion involving Eurocurrency Funds is in a minimum amount of US\$1,000,000 and a conversion involving Bankers' Acceptances is in a minimum amount of \$500,000 or any greater amount in whole multiples of \$100,000;
- (c) a Eurocurrency Advance may be converted only on its Eurocurrency Maturity Date (unless Royal has agreed to a conversion prior to such date and the Borrower has paid the Compensation Amount determined by Royal and advised to the Borrower) and if the Borrower fails to notify Royal as to conversion or renewal of a maturing Eurocurrency Advance as required hereunder it shall be deemed for all purposes to be a U.S. Advance on its Eurocurrency Maturity Date;
- (d) the Borrower shall not be entitled to convert to Eurocurrency Funds unless such Eurocurrency Funds are available in accordance with §3.22;
- (e) any Bankers' Acceptance may be converted only on the maturity date thereof and provided the Borrower gives Royal the same notice of request for conversion as specified in §4.3;
- (f) the Borrower shall give Royal notice for conversion of all or a portion of its Borrowings, which notice shall be governed by the same terms established for requests for advances under §3.11 and §3.12, and shall specify:

- (1) the amount of Borrowings to be converted;
 - (2) the Drawdown Date;
 - (3) the Borrowing Option sought by the Borrower and, if the Borrowing Option sought is Eurocurrency Advances, the Eurocurrency Interest Period together with the Drawdown Date, and, if the Borrowing Option sought is Canadian Advances whether the conversion is to Bankers' Acceptances and if so, the number of days to maturity of the Bankers' Acceptances;
- (g) if the conversion is from one currency to a different currency, the Borrower shall have repaid or shall, at the time of conversion, contemporaneously repay to Royal the full amount advanced under the Borrowing Option being converted. Any such repayment shall be in the currency of the Advance being repaid;
 - (h) no requested conversion would, on the date a conversion is requested, result in Borrowings under the credit facility established pursuant to §3.1(a) exceeding the amount available under §3.1(a) of the credit facility.

Subject to the foregoing, including the availability of Eurocurrency Funds, if the conversion request referred to in §3.14(f) specifies a conversion into Eurocurrency Funds, Royal shall make the requested Eurocurrency Advance in accordance with the conversion request.

3.15 Payment of Interest on Eurocurrency Advances

Interest on a Eurocurrency Advance for a Eurocurrency Interest Period of three months or less shall be paid on the Eurocurrency Maturity Date. If a Eurocurrency Interest Period exceeds three months, interest shall be paid every three months (not in advance) during the Eurocurrency Interest Period, until the Eurocurrency Maturity Date, upon which date the balance of interest thereon shall be paid.

3.16 Default Interest

Default interest payable in the currency of the amount which is overdue shall be paid on all interest, fees and other amounts payable hereunder which are overdue. Default interest with respect to interest, fees and other amounts payable in Canadian Funds shall be at the Prime Rate and with respect to interest, fees and other amounts payable in U.S. Funds shall be at the U.S. Base Rate, as the case may be. Default interest on overdue interest, fees and other amounts shall be compounded monthly and shall be paid on demand both before and after maturity, default and judgement. Default interest shall be computed from and including the date interest, fees or any other amounts payable pursuant to the Agreement become due and shall be paid for so long as such amount or amounts remains unpaid.

3.17 Indemnity for Out-of-Pocket Expenses

The Borrower agrees to indemnify Royal against any out-of-pocket loss or expense which it may sustain or incur as a consequence of the Borrower's failure to effect, repay or prepay a Borrowing as specified in any notice of Borrowing delivered by the Borrower pursuant to the Agreement.

3.18 Effective Time for Section 3 Notices

For the purposes of Section 3 and §4.3 of the Agreement, notices from the Borrower to Royal must be received by Royal prior to 9:00 a.m. local time at Vancouver, British Columbia to be effective on the date on which they are given. Notices received after that local time will take effect from the next Banking Day or Business Day, as the case may be.

3.19 Increased Costs

Subject to §3.21, if, after the Closing Date, the implementation or introduction of or any change in any applicable law, regulation, treaty, or official directive or regulatory requirement now or hereafter in effect (whether or not having the force of law), or any change in the interpretation or application thereof by any court or by any judicial or governmental authority charged with the interpretation or administration thereof, or if compliance by Royal with any request from any central bank or other fiscal, monetary, or other authority (whether or not having the force of law):

- (a) subjects Royal to any tax, changes the basis of taxation of payments due to Royal or increases any existing tax, on payments of principal, interest, or other amounts payable by the Borrower to Royal under the Agreement (except for taxes on the overall net income of Royal imposed by the jurisdiction in which it is incorporated or resident or from which it is acting for the purposes of the Agreement, and except for taxes on Royal's capital or other similar taxes);
- (b) imposes, modifies, or deems applicable any reserve, special deposit, capital adequacy, regulatory, or similar requirement (including a requirement which affects Royal's allocation of capital resources) against assets or liabilities held by, or deposits in or for the account of, or loans by, or any other acquisition of funds for loans or commitments to fund loans or obligations concerning any Bankers' Acceptances accepted by Royal, or
- (c) imposes on Royal any other condition with respect to the Agreement,

and the result of (a), (b) or (c) is, in the reasonable determination of Royal acting in good faith, to increase the cost to Royal or to reduce the income receivable by Royal in respect of a Borrowing or Standby Fees payable, or to reduce the rate of return on the overall capital of Royal, the Borrower shall, upon receipt of a certificate from Royal as described below ("Certificate"), pay to Royal that amount which compensates Royal for such additional cost, reduction in income or rate of return ("Additional Amount") from the date of the Certificate. The Borrower will pay the Additional Amount on the next following 20th day of the month and on the 20th day of each month thereafter until the earlier of (a) the date on which the Additional Amount has been paid in full, and (b) the date on which the Borrower has repaid and/or converted all Borrowings with respect to which a Certificate has been delivered. Royal shall deliver a Certificate to the Borrower which shall set forth the amount of the Additional Amount and the basis for its calculation which will, in the absence of manifest or demonstrable error, be

conclusive evidence of the amount of the Additional Amount. Royal will use its reasonable efforts to reduce the amount of the Additional Amount payable hereunder provided that Royal will have no obligation to expend its own funds, to suffer any economic hardship or to take any action detrimental to its interest in connection therewith.

3.20 Borrower's Option on Receipt of an Increased Costs Certificate

If Royal delivers the Certificate and the Borrower has paid the Additional Amount required to be paid by the Certificate in accordance with the Certificate, then, with respect to Canadian Advances or U.S. Advances, at any time thereafter, and, with respect to Eurocurrency Advances or Bankers' Acceptances, on the maturity thereof, and in all cases, with two Business Days' prior written irrevocable notice to Royal, the Borrower may:

- (a) within 60 days, prepay in full without bonus or penalty all Borrowings, with respect to which a Certificate has been delivered, interest, fees and other amounts payable hereunder in connection with such Borrowings, or
- (b) convert those Borrowings with respect to which the Certificate has been delivered to another basis of Borrowing in accordance with the Agreement.

3.21 Increased Costs Limitation

Royal agrees that:

- (a) the increased costs payable by the Borrower pursuant to §3.19 or §4.14 shall not include:
 - (1) those resulting from any law, regulation, treaty, or official directive or regulatory requirement or amendments thereto of which Royal had knowledge prior to the Closing Date,
 - (2) any tax, penalty or other charges payable by Royal due to its failure to pay or delay in paying any amount required to be paid by it referred to in §3.19(a) or §4.14;
- (b) it will not charge the Borrower for any increased costs payable by it referred to in §3.19 or §4.14 if it is not at the same time passing similar costs on to substantially all of its customers to whom Royal is, by agreement, entitled to pass on such costs;
- (c) it will use all reasonable efforts to minimize amounts payable by the Borrower hereunder including all reasonable efforts to obtain refunds or credits.

3.22 Eurocurrency Funds Not Available

Eurocurrency Advances shall be made hereunder to the extent that Eurocurrency Funds are readily and lawfully available to Royal on the dates upon which the Borrower requests Eurocurrency Advances for the Eurocurrency Interest Periods and in the amounts requested.

3.23 Payment of Compensation Amount

If the Borrower prepays, repays or converts a Eurocurrency Advance or if pursuant to §8.2 Royal converts a Eurocurrency Advance on a date earlier than the Eurocurrency Maturity Date, the Borrower shall forthwith pay to Royal the Compensation Amount.

3.24 Borrower's Right to Revolve the Credit Facility

In addition to the Borrower's right to cancel the available amount of the Credit Facility pursuant to §3.27 the Borrower may from time to time reduce its Borrowings by making repayments to Royal which the Borrower may re-borrow subject to the terms of the Agreement, provided that:

- (a) repayments and re-borrowings of Canadian Advances, U.S. Advances or Eurocurrency Advances, as the case may be, shall be in the same minimum amounts and whole multiples as prescribed for a Borrowing;
- (b) repayments and re-borrowings of Eurocurrency Advances may only be made on the Eurocurrency Maturity Date of the Eurocurrency Advance being repaid unless the Borrower pays the Compensation Amount as contemplated in §3.23;
- (c) the Borrower gives to Royal the same prior irrevocable notice prior to a proposed repayment date that it is required to give pursuant to §3.11 in relation to a requested Drawdown Date for taking a Canadian Advance or U.S. Advance, as the case may be.

3.25 Repayment of Credit Facility

On the Maturity Date the Borrower shall repay to Royal the whole of the outstanding amount of the Credit Facility together with interest, fees and other amounts due hereunder to such date including the Face Amounts of all Bankers' Acceptances and the amounts of all Guarantee Letters, Letters of Credit or Eurocurrency Advances issued pursuant to the Agreement which have not matured or expired.

3.26 Currency of All Payments

All repayments made by the Borrower pursuant to the Agreement shall be made in the currency of the advance being repaid. The Borrower may designate whether repayments are to be applied to Canadian Advances, U.S. Advances, Eurocurrency Advances or Bankers' Acceptances. Repayments may be applied to a Bankers' Acceptance only to the extent that the repayment is to be made on a date on which a Bankers' Acceptance becomes due and is in an amount equal to the amount of the Bankers' Acceptance then due. Repayments may be applied to Eurocurrency Advances only:

- (a) if such repayment is made on the Eurocurrency Maturity Date for the Eurocurrency Advance repaid, or
- (b) if such repayment is made on a date other than the Eurocurrency Maturity Date for the Eurocurrency Advance which is in effect being prepaid, if the Borrower pays the Compensation Amount as provided in §3.23.

3.27 Borrower's Right to Cancel Available Amount of Credit Facility

If the Borrower delivers to Royal three Business Days' prior irrevocable notice, the Borrower may, without penalty, cancel the available amount of the Credit Facility or a portion thereof in minimum increments of \$1,000,000 or any greater amount in whole multiples of \$100,000. Such cancellation shall be effective on the later of the effective Business Day set out in such notice and the third Business Day after such notice. No cancellation under this §3.27 shall be effective in respect of any portion of the Credit Facility which has been advanced or utilized until such advance or utilization has been repaid or reduced and all interest and fees accruing thereon have been paid. Any such amount so cancelled shall permanently reduce the available amount of the Credit Facility thereafter available for Borrowings by a like amount.

3.28 Standby Fees

Subject to §3.29, the Borrower shall pay to Royal a Standby Fee on the amount of the Credit Facility established pursuant to §3.1(a) not utilized by the Borrower from and including the Closing Date to and including the Maturity Date. In determining the amount of the Credit Facility established pursuant to §3.1(a) not utilized by the Borrower, advances of U.S. Funds shall be deemed to be the Equivalent Amount thereof in Canadian Funds. The Standby Fee shall be paid in Canadian Funds calculated on a daily basis and shall be at the rates for Standby Fees set forth in Schedule A (computed on the basis of a year of 365 days), accruing from and including the Closing Date. Standby Fees, adjusted to reflect any change in the Ratings for the immediately preceding fiscal quarter, shall be paid quarterly, in arrears, commencing on January 1, 2002 and thereafter on the first Business Day of each ensuing third month until the Maturity Date on which the Credit Facility is repaid by the Borrower at which time the Borrower will pay to Royal all accrued and unpaid Standby Fees.

3.29 Standby Fees Waived

If Royal terminates its obligations to make advances pursuant to §8.2(a) the Borrower shall cease to be obligated to pay Standby Fees from the Business Day next following the effective date of such termination.

3.30 Arrangement Fee

The Borrower shall pay to Royal an arrangement fee of \$93,750 on the Closing Date.

3.31 Documentary Credits

Royal may permit the Borrower to utilize the Credit Facility to obtain from it Letters of Credit and Guarantee Letters in Canadian Funds or U.S. Funds provided that:

- (a) if a Letter of Credit or Guarantee Letter is issued by Royal for the account of the Borrower, the amount, determined in Canadian Funds, of the face amount of such Letter of Credit or Guarantee Letter shall, for the purpose of calculating the available amount of the Credit Facility for use by the Borrower, be deemed to be a utilization by the Borrower of the Credit Facility for the amount of and for the term of such Letter of Credit or Guarantee Letter;
- (b) the Borrower will pay to Royal its Documentary Credit Fee determined by reference to the pricing formula for Documentary Credits set forth in Schedule A determined as a percentage per annum of the face amount determined in Canadian Funds, U.S. Funds, as the case may be, of Documentary Credits issued by Royal. Documentary Credit Fees shall be calculated on the basis of the number of days a particular Documentary Credit will be outstanding and shall be paid by the Borrower in Canadian Funds on Documentary Credits denominated in Canadian Funds and in U.S. Funds on Documentary Credits denominated in U.S. Funds. Documentary Credit Fees shall be paid in advance for the first three months or less and thereafter every three months or such lesser period;
- (c) the Borrower will execute and deliver to Royal or confirm its prior execution and delivery to Royal of Royal's standard form of application and agreement concerning Letters of Credit and Guarantee Letters and the Borrower agrees to comply therewith and be bound thereby. If any of the terms of Royal's standard form of application and agreement conflict with the Agreement, the terms of the Agreement shall prevail;
- (d) all other reasonable out-of-pocket disbursements and costs incurred by Royal in relation to the issuance of or payment pursuant to any Letter of Credit or Guarantee Letter issued on behalf of the Borrower shall be repaid to Royal by advances under the Credit Facility if such funds are available thereunder and, if not available thereunder, shall be repaid upon demand to the Borrower from Royal;

- (e) Documentary Credits shall be for maximum periods of one year (unless otherwise agreed by Royal) and shall not mature on a date which is beyond the Maturity Date.

Royal shall pay on each Documentary Credit in accordance with its terms, whereupon the amount of such payment shall be deemed for all purposes to be a Canadian Advance or, in the case of Documentary Credits denominated U.S. Funds, a U.S. Advance, as the case may be. The Borrower acknowledges to Royal that Royal has the sole discretion to refuse to make Documentary Credits available to the Borrower.

3.32 Evidence of Indebtedness

Royal shall open and maintain on its books at its Branch of Account, accounts and records evidencing Borrowings and other amounts owing by the Borrower to Royal under the Agreement. Royal shall record therein the amount of each Borrowing made available by way of Canadian Advances, U.S. Advances or Eurocurrency Advances and each payment of principal and interest on account thereof and shall record Documentary Credits and Bankers' Acceptances issued, accepted, purchased and cancelled by it and all other amounts becoming due to it under the Agreement including interest, acceptance fees, Documentary Credit Fees, Standby Fees and other fees and amounts and all payments on account thereof. Such accounts and records maintained by Royal shall constitute, in the absence of manifest or demonstrable error, *prima facie* evidence of the indebtedness of the Borrower to Royal pursuant to the Agreement, the date Royal made each Borrowing available to the Borrower and the amounts the Borrower has paid from time to time on account of principal and interest on the Borrowings, acceptance fees, Documentary Credit Fees, Standby Fees and other fees and amounts payable pursuant to the Agreement and all other amounts owing hereunder.

3.33 Substitute Basis of Borrowing for Eurocurrency Advances

If Royal determines, acting reasonably, (which determination shall be final, conclusive, and binding upon the Borrower) that:

- (a) adequate and fair means do not exist for ascertaining the rate of interest on a Eurocurrency Advance;
- (b) the cost to Royal of making, funding, or maintaining Eurocurrency Advances does not accurately reflect the effective cost to it thereof or that the costs to it are increased or the income receivable by it is reduced in respect of a Eurocurrency Advance;
- (c) the making or the rollover of any Eurocurrency Advance or a portion of any Eurocurrency Advance by it has become impracticable by reason of circumstances which materially and adversely affect the London interbank market, or
- (d) deposits in U.S. dollars are not available to it in the London interbank market in sufficient amounts in the ordinary course of business during the applicable Eurocurrency Interest Period for it to make, fund, or maintain the Eurocurrency Advance during such Eurocurrency Interest Period,

then Royal may promptly notify the Borrower in writing of such determination setting forth the basis of its determination and shall not thereafter be obligated to provide such Eurocurrency Advance. The Borrower shall, within ten days of receipt of notice of Royal's determination, notify Royal as to the substitute basis of Borrowing available under the Agreement which it has selected for such Eurocurrency Advance. If the Borrower has not so notified Royal, such Eurocurrency Advance shall automatically be converted to a U.S. Advance for all purposes under the Agreement at the Eurocurrency Maturity Date or the Drawdown Date, as the case may be.

3.34 Illegality for Eurocurrency Advances

If the introduction of or any change in applicable law, regulation, treaty, or official directive, or regulatory requirement (whether or not having the force of law), or the interpretation or application thereof by any court or by any governmental or other authority or entity charged with the administration thereof, or if a judicial decision is rendered, which now or hereafter makes it unlawful, or prohibited for Royal (as determined by Royal in its sole and absolute discretion, acting reasonably) to make, fund, or maintain any Eurocurrency Advance or any portion thereof or to perform its obligations with respect to Eurocurrency Advances under the Agreement, Royal may, by written notice to the Borrower, suspend its obligations under the Agreement with respect to such Eurocurrency Advance affected by such illegality or prohibition for the duration of the period of such illegality or prohibition and the Borrower shall repay such Eurocurrency Advance forthwith (or at the end of such period as Royal in its sole and absolute discretion, acting reasonably, may determine), together with all accrued but unpaid interest, fees, costs and Compensation Amount as may be applicable to the date of payment or the Borrower may convert, without novation, such Borrowings or a portion thereof together with accrued interest to the date of conversion (or without such accrued interest if the Borrower elects to pay the same to Royal) into such other form or forms of Borrowings as the Borrower may request by not more than two Banking Days notice to Royal. For the period from the date of such notice until the Borrower elects to convert to another form or forms of Borrowing, the Borrowing affected by such illegality or prohibition shall, if not repaid, be converted into a U.S. Advance and thereafter Royal shall, if such illegality affects then outstanding Eurocurrency Advances, be obligated to extend its Eurocurrency Advances in such other Borrowing Options as the Borrower may request.

3.35 Exchange Rate Fluctuations

If, due to exchange rate fluctuations or for any other reason, Borrowings calculated by Royal on the first Business Day of each month are in excess of the available amount of the Credit Facility, the Borrower shall, if so requested by Royal, within three Business Days of such request, provide to Royal full cash collateral in the amount of such excess or otherwise repay a portion of Borrowings in an amount equal to or greater than such excess. The rate of exchange to determine the amount of such excess shall be the Spot Buying Rate.

3.36 Determination of Available Amount of the Credit Facility

The available amount of the Credit Facility shall always be determined in Canadian Funds with Borrowings by way of U.S. Advances or Eurocurrency Advances converted to Canadian Funds by determining the Equivalent Amount of any such U.S. Advances or Eurocurrency Advances.

4. BANKERS' ACCEPTANCES

4.1 Issuing Bankers' Acceptances

Subject to §4.3, and provided the Borrower has not been notified by Royal by at least one Business Day preceding the proposed date for issuance of a Bankers' Acceptance that Royal, because general market conditions have caused it to become impracticable to accept Drafts, is no longer accepting Drafts in the ordinary course of its business, the Borrower may utilize the Credit Facility by issuing Bankers' Acceptances. Each Bankers' Acceptance accepted by Royal shall be deemed to be a utilization of the Credit Facility for the term of such Bankers' Acceptance in an amount equal to the Face Amount.

4.2 Calculation of Borrowings

For the purposes of the Agreement, the Face Amount of a Bankers' Acceptance shall be used when calculations are made to determine the amount of Borrowings.

The Borrower shall give Royal the following irrevocable notice prior to presenting its Drafts for acceptance:

- (a) prior to 9:00 a.m. local time at Vancouver, British Columbia on the Business Day of presentation for Bankers' Acceptances aggregating less than \$10,000,000;
- (b) prior to 9:00 a.m. local time at Vancouver, British Columbia two Business Days immediately preceding the Business Day of presentation for Bankers' Acceptances aggregating \$10,000,000 or more.

The Borrower shall also notify Royal by giving the same amount of prior notice of the method it proposes for payment of Bankers' Acceptances on maturity as set out in §4.9.

4.4 Form of Undertaking

The Borrower shall execute and deliver to Royal its form of undertaking in respect of Bankers' Acceptances and, to the extent any such authorization or undertaking is not inconsistent with the provisions of the Agreement, agrees to comply therewith. All Drafts presented by the Borrower for acceptance pursuant to §4.1 shall be drawn on Royal's prescribed forms.

4.5 Power of Attorney Respecting Bankers' Acceptances

In order to facilitate the issuance of Bankers' Acceptances, the Borrower authorizes Royal and for this purpose appoints Royal its lawful attorney, to complete, sign and endorse Drafts issued in accordance with §4.1 on its behalf in handwritten or by facsimile or mechanical signature or otherwise and, once so completed, signed and endorsed, and following acceptance of them as Bankers' Acceptances under the Agreement, to purchase, discount or negotiate such Bankers' Acceptances in accordance with the provisions of Part 4 of the Agreement. Drafts so completed, signed, endorsed and negotiated on behalf of the Borrower by Royal shall bind the Borrower as fully and effectively as if so performed by an authorized officer of the Borrower.

4.6 Negotiation and Purchase of Drafts

Royal shall negotiate Drafts as prescribed by the DBNA and shall fund or discount Bankers' Acceptances and may purchase the same for its own account, by remitting the determined amount of Discount Proceeds to the Borrower. The Discount Proceeds shall be remitted in immediately available funds to the Branch of Account on or before 10:00 a.m. local time Vancouver, British Columbia on the applicable Drawdown Date.

4.7 Issuance and Maturity

Each Bankers' Acceptance shall be issued and shall mature on a Business Day.

4.8 Failure to Provide Notice

If the Borrower fails to provide to Royal the notice required by §4.3 or, having given notice of its intention to present a Draft for acceptance or to convert from or to Bankers' Acceptances, fails to act in accordance with such notice, then Royal may, in its discretion, decline to accept Bankers' Acceptances presented without notice or not in accordance with the notice provided.

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4.9 Payment to Borrower

Subject to the notice of method of payment of maturing Bankers' Acceptances referenced by §4.3 the Borrower shall provide payment for each Bankers' Acceptance issued by it by payment to Royal of the Face Amount thereof by 10:00 a.m. local time at Vancouver, British Columbia on the maturity date of the Bankers' Acceptance at its Branch of Account. If the Borrower fails to provide payment to Royal of an amount equal to the Face Amount of a Bankers' Acceptance on its maturity, then Royal shall pay the Face Amount of such Bankers' Acceptance which payment shall be determined for all purposes to be a Canadian Advance.

4.10 No Days of Grace

The Borrower shall not claim from Royal any days of grace for the payment at maturity of any Bankers' Acceptances.

4.11 Acceptance Fees

As an acceptance fee for the acceptance by Royal of the Borrower's Drafts against the Credit Facility the Borrower shall pay in advance to Royal at or prior to the time of such acceptance an acceptance fee at the applicable rate set forth in Schedule A. Acceptance fees shall be calculated in relation to the Face Amount of each Bankers' Acceptance and on the basis of the number of days from and including the date of acceptance to and including the day immediately preceding the date of maturity. Acceptance fees payable from the Closing Date until the first Interest and Fee Rate Adjustment Date shall be determined by reference to the BB/Ba2 or higher Rating.

4.12 Calculation of Acceptance Fees

Acceptance fees shall be computed on the basis of a year of 365 days and shall be adjusted from time to time in accordance with §3.7.

4.13 Change of Acceptance Fee During Term of Bankers' Acceptance

In the event of the acceptance by Royal of a Bankers' Acceptance before the date of a change of the rates for acceptance fees as set forth in Schedule A which Bankers' Acceptance matures or becomes due and payable after such date, the acceptance fee shall be calculated by using the applicable rates for Bankers' Acceptances for the number of days the Bankers' Acceptance is outstanding during the fee period. Adjustments and payments, if any, to the rates of acceptance fees resulting from the application of this §4.13 shall be made and paid, as the case may be, in accordance with §3.7.

4.14 Increased Costs

If at any time any reserve requirement in respect of Bankers' Acceptances is imposed upon Royal by any Canadian governmental regulatory authority which results in an increase in the net cost to Royal of maintaining the Bankers' Acceptances outstanding and Royal has not claimed an Additional Amount from the Borrower pursuant to §3.19 in relation to outstanding Bankers' Acceptances it shall have the right, subject to §3.21 to adjust the amount of the acceptance fee as necessary to compensate it for such cost increase, and the Borrower shall pay to Royal the amount of any such adjustment upon receipt of written notice thereof from Royal, which notice shall include details of Royal's calculations of the effect of such reserve requirements on its acceptance fees. The Borrower shall have the right to review the accuracy of such calculations.

4.15 DBNA

The Borrower agrees with Royal that all Drafts will conform with the required characteristics of a "depository bill" as described in §4 of the DBNA. It is the intention of Royal that the amended Drafts (if requested) shall be deposited with a "clearing house" as defined in the DBNA. Royal, in consultation with the Borrower, shall establish and notify the Borrower of the procedures, consistent with the terms of the Agreement and the DBNA as are reasonably necessary to accomplish Royal's said intention including amendments to Drafts, by:

- (a) inserting a phrase in the Drafts held by Royal to the effect that the Bankers' Acceptance is issued pursuant to the DBNA;
- (b) removing any reference to authorization of a Bankers' Acceptance, and
- (c) removing any reference to bearer.

4.16 Maturity Date Restriction

No Bankers' Acceptance issued under the Credit Facility shall mature on a date which is beyond the current Maturity Date.

5. SECURITY FOR BORROWINGS

5.1 Security for Borrowings

As general and continuing security for the performance of all obligations of the Borrower hereunder and the prompt payment when due by the Borrower of Borrowings under the Credit Facility and interest thereon and all other money for the time being and from time to time owing by the Borrower hereunder, including Standby Fees, Documentary Credit Fees and other fees, default interest, fees for Swap Contracts, Swap Termination Values, fees and liabilities in respect of EFT Transfers and PDS Services, the Borrower shall, subject to the provisions of this Agreement, execute and deliver, or cause to be executed and delivered to Royal the following:

- (a) the Security Agreement;
- (b) the Section 427 Security;
- (c) the Borrower Subsidiaries' Guarantees;
- (d) the Borrower Subsidiaries' Security Agreements;
- (e) the Subordination Agreement;
- (f) the Borrower Guarantees; and
- (g) the Guarantee.

5.2 Conflict Between the Agreement and Royal's Security

Except for the choice of law provisions in the Guarantee and those provisions in Royal's Security describing the collateral over which security is taken or which allow for dispositions of such collateral free from such security, which shall prevail, if there is any discrepancy or inconsistency between the terms of the Agreement and the terms of Royal's Security the terms of the Agreement shall prevail. Royal acknowledges and agrees that, notwithstanding anything to the contrary herein or in any other document, Royal shall have no security interest in or other interest in or any rights or remedies with respect to, and waives and releases any such security interest or other interest it might otherwise have in:

- (a) any of the assets of the Guarantor described in Schedule "B" to the Security Agreement or in Schedule "B" to either of the Borrower Subsidiaries' Security Agreements or in Schedule "A" to the Assignment under the Section 427 Security ("Receivables Assets"); and
- (b) any inventory (within the meaning of the term "Inventory" as used in such security agreements) or property (within the meaning of such term as used in the Section 427 Security) and related property and assets the sale or transfer of which gave rise to any Receivables Assets.

5.3 Restrictions on Demanding Payment

Notwithstanding that the Guarantee, the Borrower Subsidiaries' Guarantees and the Borrower Guarantees are expressed to be payable on demand, Royal will not demand payment thereof except after an Event of Default.

6. CREDIT FACILITY CONDITIONS PRECEDENT

6.1 Conditions Precedent to Initial Borrowings

Royal shall not be obliged to make an initial advance of the Credit Facility or to accept an initial Draft presented by the Borrower pursuant to Section 4 of the Agreement, whichever shall first occur unless, on the Closing Date, all representations and warranties contained in Section 2 are true and correct, no Event of Default has occurred and is continuing and upon each of the following conditions being satisfied:

- (a) delivery by the Borrower to Royal of the following:
 - (1) duly executed copies of the Agreement together with all documents which the Borrower has covenanted to deliver under the Agreement and any other documents or instruments as in the opinion of counsel for Royal are reasonably necessary or appropriate to render effective the Agreement;
 - (2) a certificate of good standing for the Borrower from the Office of the British Columbia Registrar of Companies;
 - (3) a certified copy of a resolution or resolutions of the board of directors of the Borrower or a duly constituted and authorized committee of the board of directors of the Borrower authorizing the Borrower to execute, deliver and perform its obligations under the Agreement and Royal's Security and the instruments, agreements, certificates, papers and other documents contemplated herein and therein and the manner in which and by whom the foregoing documents are to be executed and delivered;
 - (4) an incumbency certificate of the Borrower setting forth the names of its directors and officers and specimen signatures of the individuals who sign the Agreement and Royal's

- Security and the instruments, agreements, certificates, papers and other documents provided for or contemplated therein;
- (5) satisfactory evidence concerning those policies of insurance of the Borrower insuring Inventory of the Borrower and its Material Canadian Subsidiaries and Royal shall be satisfied as to the amounts, terms and coverage provided thereby;
- (6) a certificate signed by the Chief Financial Officer or other responsible person certifying:
 - (A) that the Guarantor is not in default under the Guarantor Credit Agreement;
 - (B) there is no material litigation pending or threatened against the Borrower other than as disclosed in the September 30, 2001 quarterly report;
 - (C) there has been no material adverse change in the financial conditions and operations of Guarantor or any of its Subsidiaries since the date of the Guarantor's most recent financial statements referred to in §2.15 of the Agreement;
- (7) a favourable opinion of counsel for the Borrower (in form and content satisfactory to the solicitors for Royal) to the effect that:
 - (A) the Borrower and each of the Borrower Subsidiaries validly exists as a company under the *British Columbia Company Act* and is, according to the records of the office of the Registrar of Companies for the Province of British Columbia, in good standing with respect to the filing of its annual reports;
 - (B) the Borrower and each of the Borrower Subsidiaries have the corporate power and capacity to borrow money and grant security therefore in the manner contemplated by the Agreement and Royal's Security and to enter into, observe and perform the terms and obligations on its part to be observed and performed under the Agreement and Royal's Security;
 - (C) the Borrower has duly authorized, executed and delivered the Agreement and that Royal's Security to which it is a party and each of the Borrower Subsidiaries have duly authorized, executed and delivered that Royal's Security to which it is a party, the Agreement and such Royal's Security constitute valid, binding and enforceable obligations of the Borrower and the Borrower Subsidiaries (as applicable) in accordance with its terms, save as enforcement may be limited by:
 - (i) applicable bankruptcy, insolvency, moratorium or reorganization or other laws affecting creditors' rights generally;
 - (ii) the unavailability of equitable remedies such as the remedy of specific performance and injunction in any particular instance;
 - (iii) the inability of the Courts of Canada to give judgement for payment in foreign currencies; and
 - (iv) such other qualifications and limitations as counsel for Royal may accept acting reasonably;
 - (D) so far as they are aware in their capacity as counsel for the Borrower in respect of this transaction, there are no actions, proceedings or investigations pending or threatened against the Borrower which question the validity of the Agreement or Royal's Security or

the validity of any act to be taken pursuant thereto,

and, in addition, dealing with such other matters incidental to the transactions contemplated by the Agreement as Royal may reasonably and properly require;

- (8) an opinion of Messrs. Bull, Housser & Tupper, counsel for Royal (in form and content satisfactory to Royal but subject to the usual assumptions and qualifications) to the effect that the Agreement and Royal's Security have been executed by all parties thereto and delivered to Royal and that such items of Royal's Security which require registration or filing have been registered or filed in all places and offices in British Columbia and elsewhere (as may be determined by counsel for Royal) where such registration or filing is necessary;

- (b) delivery by the Guarantor to Royal of the following:

- (1) the duly executed Guarantee and Subordination Agreement;
- (2) a certificate of good standing for the Guarantor;
- (3) a certified copy of a resolution or resolutions of the Guarantor's board of directors or a duly constituted and authorized committee of the Guarantor's board of directors authorizing the Guarantor to execute, deliver and perform its obligations under the Agreement and the instruments, agreements, certificates, papers and other documents contemplated herein, including the Guarantee and the Subordination Agreement and the manner in which and by whom the foregoing documents are to be executed and delivered;
- (4) an incumbency certificate of the Guarantor setting forth the names of its directors and officers and specimen signatures of the individuals who sign the Agreement, the Guarantee, the Subordination Agreement and the other instruments, agreements, certificates, papers and other documents provided for or contemplated therein;
- (5) a favourable opinion of counsel for the Guarantor (in form and content satisfactory to the solicitors for Royal) substantially to the effect that:

- (A) the Guarantor is a corporation duly organized and existing under the laws of the State of Delaware, U.S.A., and is in good standing in that jurisdiction;
- (B) the Guarantor has all requisite corporate power and capacity to guarantee the obligations of the Borrower, to enter into, observe and perform its obligations under the Agreement, the Guarantee and the Subordination Agreement;
- (C) the Guarantor has taken all necessary corporate action to authorize the execution, delivery and performance of its obligations under the Agreement, the Guarantee and the Subordination Agreement;
- (D) each of the Agreement, the Guarantee and the Subordination Agreement has been duly authorized, executed and delivered by the Guarantor and constitutes legal, valid and binding obligations of the Guarantor, enforceable against the Guarantor in accordance with its respective terms, save as enforceability may be limited by:
 - (i) applicable bankruptcy, insolvency, fraudulent transfer, moratorium or reorganization or other similar laws affecting creditors' rights generally, and
 - (ii) general principles of equity and the unavailability of the remedies of specific performance and injunction in any particular instance;
- (E) so far as they are aware in their capacity as counsel to the Guarantor, there is no action, suit, proceeding or investigation pending or threatened against the Guarantor which questions the validity of the Agreement, the Guarantee or the Subordination Agreement or the validity of any act to be taken pursuant thereto;

- (F) so far as they are aware in their capacity as counsel to the Guarantor, neither the execution and delivery of the Agreement, the Guarantee or the Subordination Agreement by the Guarantor nor the fulfilment or compliance with the terms thereof:
 - (i) contravenes or results in a breach of any of the terms, conditions or provisions of the Charter of the Guarantor, or
 - (ii) contravenes or results in any breach of or constitutes a default under any material agreement to which the Guarantor is a party or by which it is bound;

- (c) the Borrower shall have paid all fees and expenses then due to Royal including the arrangement fee due under §3.30 and any reasonable legal fees invoiced prior to the Closing Date;
- (d) Royal shall be satisfied with the arrangement to effect the repayment in full of all indebtedness of the Borrower under the 1997 LP Canada Credit Agreement and the termination of that agreement prior to or concurrently with the closing of the transactions contemplated under the Agreement.

6.2 Conditions Precedent to Subsequent Borrowings

It shall be a condition of each advance, renewal or conversion that the representations and warranties contained in Section 2 hereof shall be true on and as of the date of each advance, renewal or conversion and that Royal is satisfied that there has been no material adverse change in the financial condition or operation of the Borrower. The Borrower will, upon request of Royal, deliver to Royal a certificate or certificates of an officer on behalf of the Borrower to that effect.

7. COVENANTS OF THE BORROWER AND THE GUARANTOR

7.1 Borrower's Covenants

The Borrower covenants and agrees with Royal as follows:

Positive Covenants of Borrower

- (a) that it will duly and punctually pay or cause to be paid all amounts required to be paid by it to Royal pursuant to the Agreement, including principal, interest, default interest, Documentary Credit Fees, fees for Bankers' Acceptances, Swap Termination Values, Standby Fees, fees for Swap Contracts and any other fees and amounts, on the day, at the place, in the Currencies and in the manner set forth herein;
- (b) that it will duly observe and perform or cause to be observed and performed each and all of the covenants and agreements required by it to be observed and performed as set forth in the Agreement and Royal's Security;
- (c) that it will maintain Insurance Coverage at all times and will forthwith notify Royal upon the happening of any loss which could reasonably be expected to have a material adverse effect on the financial condition or operations of the Borrower and if Insurance Coverage is provided by third party insurers, it shall duly and punctually pay all premiums and other sums of money for maintaining such insurance;
- (d) that it will and it will cause each of its Subsidiaries to file all material tax returns including income tax returns, corporation capital tax returns and other tax filings in all required jurisdictions;
- (e) that it will and it will cause each of its Subsidiaries to pay all material taxes (except taxes in dispute which are being contested in good faith) including interest and penalties and will pay or make adequate reserves for the ultimate payment of any tax payment which is being contested;
- (f) that it will and it will cause each of its Subsidiaries to actively and diligently contest or cause to be contested in good faith, by appropriate and timely proceedings, or effect a timely and provident settlement of any action, suit, litigation or other proceeding the result of which could reasonably be expected to have a material adverse effect on the financial condition or operations of the Borrower;
- (g) that it will and it will cause each of its Subsidiaries to effect a timely and provident settlement of or bring an application to stay any writ of execution, attachment or similar process issued or levied against all, or a substantial portion of, its property or the property of any of its Subsidiaries in connection with any judgement against it or any of its Subsidiaries in an amount which materially adversely affects the financial condition or operations of the Borrower;
- (h) that it will and it will cause each of its Subsidiaries to observe and comply with the provisions of all applicable laws, regulations, bylaws, ordinances and orders of any Governmental Body dealing in relation to its business or the business of any of its Subsidiaries with pollution of the environment, toxic and hazardous materials and waste and other environmental hazards, unless the failure to so observe and comply would not, in the judgement of the Borrower, reasonably exercised, materially adversely affect the ability of the Borrower to meet its obligations under the Agreement;

- (i) that it will, as soon as practical after it becomes aware thereof, provide Royal with prompt notice of:
 - (1) any spills of Contaminants which are required to be reported to any Governmental Body, and
 - (2) of any investigations, control orders, stop orders, injunctions, prosecutions or lawsuits under any federal, provincial, municipal or other laws relating to pollution of the environment, the handling of toxic or hazardous materials and waste or any other environmental or public health and safety laws,

and which, in either such case, would, in the judgement of the Borrower, reasonably exercised, have a material adverse effect on the business or financial condition of the Borrower or any of its Subsidiaries and which would materially adversely affect the ability of the Borrower to meet its obligations under the Agreement;

- (j) that it will cause its Chief Financial Officer, such other senior officer as may be appropriate or its auditor, to meet with Royal to discuss and explain, as the case may be, any of its affairs, finances and accounts and to provide such other information pertaining to its business and operations together with such reports and documents as Royal may reasonably require;
- (k) that it will permit representatives and independent contractors of Royal to visit and inspect any of its or its Subsidiaries' properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their corporate affairs, finances and accounts with directors, officers, and independent chartered accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower except that, when an Event of Default exists, Royal may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice;
- (l) that it will maintain and it will cause each of its Subsidiaries to maintain in full force and effect all material leases, licences, permits, consents and regulatory approvals necessary for the due carrying on of their respective businesses;
- (m) that it will maintain and it will cause each of its Subsidiaries to maintain their respective corporate existences as validly subsisting corporations;
- (n) that it will give to Royal prompt notice of any Event of Default or any event that with notice or lapse of time would be an Event of Default;
- (o) that it will use Borrowings solely for the purposes set forth in §3.1 and for no other purpose;

Negative Covenants of the Borrower

- (p) that, without the prior written consent of Royal, it will not, and it will cause each of its Subsidiaries not to grant, create, assume, suffer or permit any Lien on any of its assets or operations except for Permitted Encumbrances;
- (q) that, without the prior written consent of Royal, it will not, nor will it permit any Subsidiary to merge, amalgamate, enter into any corporate reorganization or otherwise modify its corporate structure in any way which would materially adversely affect its asset base or consolidated cash flow or impair the ability of the Borrower to observe and perform its obligations under the Agreement;
- (r) that, without the prior written consent of Royal, it will not and it will cause each of its Subsidiaries not to, sell (including sale and lease-back transactions), alienate, lease or otherwise dispose of or part with possession of any of its property or assets except for:
 - (1) dispositions of inventory or current assets in the ordinary course of business and on commercially reasonable terms it being acknowledged that sales and transfers of inventory and related property and assets to the Guarantor are in the ordinary course of business;
 - (2) dispositions of individual items of property or assets in any fiscal year having an aggregate value of \$5,000,000 or less based on the greater of net book value or the value determined by the value of the sale or disposition, or
 - (3) dispositions of assets as approved by Royal;

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- (s) that, without the prior written consent of Royal, it will not nor will it permit any Borrower Subsidiary to borrow money or otherwise incur Indebtedness, except for:
 - (1) normal day-to-day trade credit agreements;
 - (2) Indebtedness between any of the Borrower, the Guarantor and any Canadian Subsidiary of the Guarantor;
 - (3) borrowings pursuant to the Agreement;
 - (4) normal indebtedness incurred in the ordinary course of business in respect of amounts due or accruing due to Governmental Bodies;
 - (5) Purchase Money Obligations;
 - (6) Capital Leases;
 - (7) Indebtedness under the notes issued under the Forex Indenture;
 - (8) Indebtedness owing to Société en Commandite Sodexfor pursuant to an agreement of purchase and sale dated April 14, 1999; and
 - (9) Indebtedness referred to in Schedule G;
 - (t) that, without the prior written consent of Royal, it will not and it will not permit any of its Subsidiaries to make or permit the existence of any Contingent Obligation (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) except for Permitted Encumbrances and Permitted Guarantees;

- (u) that it will not allow the aggregate of the principal amount of Borrowings under the credit facility established pursuant to §3.1(a) to exceed at any time the Borrowing Base set out in the then current Borrowing Base Report;

Reporting Covenants of Borrower

- (v) that it will and it will cause each of its Subsidiaries to at all times keep or cause to be kept proper books of account and that it will furnish to Royal within 90 days after the close of each fiscal year Sufficient Copies of its annual review engagement consolidated financial statements;
- (w) except for the year end fiscal quarter, it will furnish to Royal within 45 days of the close of each fiscal quarter Sufficient Copies of its quarterly unaudited consolidated financial statements signed by its Chief Financial Officer;
- (x) that it will provide to Royal on or prior to the date reasonably stipulated by Royal Sufficient Copies of financial and operating statements, budgets, business and capex plans together with such other information, reports and documents as Royal may reasonably request;

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- (y) that the Borrower will deliver to Royal as soon as practical and no later than 30 days following each ensuing fiscal quarter-end:
 - (1) a Borrowing Base Report in substantially the form of Schedule E and certified as provided therein by its Chief Financial Officer setting out the calculations of Eligible Inventory, Good Accounts Receivable (Cdn\$), Good Accounts Receivable (US\$) and Potential Preferred Claims as at the last day of the immediately preceding month-end, and certifying the accuracy thereof;
 - (2) a calculation of the Borrowing Base; and
 - (3) a calculation of the Current Ratio;
 - (z) that, except for the year-end fiscal quarter, within 45 days of the close of each fiscal quarter and within 120 days of the close of each fiscal year, it will deliver to Royal a certificate signed by its Chief Financial Officer in substantially the form of Schedule C setting forth the calculation of the Current Ratio together with particulars of all Permitted Guarantees and Purchase Money Obligations incurred or acquired during the relevant fiscal quarter and certifying the accuracy of the calculations thereof and that the Borrower and each of its Subsidiaries is not in default under any financial arrangement in any way which materially adversely affects the financial condition or operations of the Borrower or if the Borrower or any of its Subsidiaries is in such default, specifying the defaults;

Financial Covenants of Borrower

- (aa) the Borrower will maintain at all times a Current Ratio of not less than 1.15 to 1.0.

7.2 Guarantor's Covenants

The Guarantor covenants with Royal as follows:

Positive Covenants of Guarantor

- (a) that it will duly observe and perform or cause to be observed and performed each and all of the covenants and agreements required by it to be performed and observed as set forth in the Agreement and the Guarantee;
- (b) that it will at all times maintain such insurance as is usually maintained by others in the business of the same nature as the business of the Guarantor and each Subsidiary, as the case may be, or maintain a program of self-insurance, with reserves, in accordance with sound business practices;
- (c) that it will, maintain its web site and post in a timely manner copies of all public documents filed with the U.S. Securities and Exchange Commission (with the exception of Forms S-8);
- (d) that it will give Royal at least 15 days' notice of its intention to transfer, mortgage, pledge, charge or otherwise encumber or grant a security interest in any shares of the Borrower in which it has a legal or beneficial interest;
- (e) it will provide Royal with copies of all certificates, notices and other information it is required to deliver to the administrative agent pursuant to §6.02 and §6.03 of the Guarantor Credit Facility;

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Negative Covenants of Guarantor

- (f) that, except for the Permitted Securitization, Liens permitted by the Guarantor Credit Agreement and Liens to finance the normal day-to-day operations of the Guarantor, it will not, without the consent in writing of Royal, sell, lease, sell and lease back, exchange, transfer or otherwise dispose of:

(1)

in a transaction or a series of transactions, all or substantially all its property and assets and the property and assets of its Subsidiaries on a consolidated basis;

- (2) during any calendar year, any of its fixed or capital assets with a fair market value exceeding on a cumulative basis for such year for the Guarantor and its Subsidiaries 10% of the total consolidated assets of the Guarantor (determined as of the immediately preceding December 31), or
- (3) any of its material assets except for full, fair and reasonable consideration;

- (g) that it will not, without the consent in writing of Royal, merge or consolidate with any other Person or liquidate or dissolve except for:

- (1) mergers or consolidations with any other Person if the Guarantor (or the resulting corporation in a consolidation) will be the surviving corporation and the Guarantor (or such resulting corporation) will not be in default under any of the terms of the Guarantor Credit Agreement immediately after the merger or consolidation, and
- (2) the merger with or dissolution into the Guarantor or with or into any other Subsidiary by any Subsidiary;

Reporting Covenants of Guarantor

- (h) that it will promptly give notice to Royal of:

- (1) all litigation when the aggregate amount of claims pending is US\$50,000,000 or more and any litigation which involves a claim of US\$15,000,000 or more and the Guarantor or a Subsidiary is a defendant;
- (2) any dispute which may exist between the Guarantor or any Subsidiary and any governmental regulatory body or any threatened action by any governmental agency to acquire or condemn any of the properties of the Guarantor or any Subsidiary where, in either case, the amount involved is US\$30,000,000 or more;
- (3) any strike involving 1,000 or more employees of the Guarantor or any Subsidiary which has continued for 30 days;
- (4) any proceeding or order before any court or administrative body requiring the Guarantor or any Subsidiary to comply with any statute or regulation regarding protection of the environment if such compliance would require expenditures in the amount of US\$50,000,000 or more or if such violation involves the possibility of the imposition of a fine of US\$10,000,000 or more;
- (5) the occurrence of any of the following events affecting the Guarantor or any ERISA Affiliate (but in no event more than 10 days after such event), and deliver to Royal a copy of any notice with respect to such event that is filed with a governmental authority and any notice delivered by a governmental authority to the Guarantor or any ERISA Affiliate with respect to such event:
 - (A) an ERISA Event,

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- (B) a material increase in the Unfunded Pension Liability of any Plan,

- (C) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Guarantor or any ERISA Affiliate, or

- (D) the adoption of any amendment to a Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability, and

- (6) any Default or Event of Default (both as defined in the Guarantor Credit Agreement) known to the Guarantor.

Each notice under this Section shall be accompanied by a written statement by the Chief Financial Officer of the Guarantor setting forth details of the occurrence referred to therein and stating what action the Guarantor or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under §7.2(h)(6) shall describe with particularity any and all clauses or provisions of the Guarantor Credit Agreement that have been breached or violated;

- (i) that it will at all times maintain its corporate existence and will carry on and conduct its business in a proper and efficient manner and it will and will cause each of its Subsidiaries to at all times keep or cause to be kept proper books of account and that it will furnish to Royal at the Branch of Account within 90 days after the close of each fiscal year Sufficient Copies of its annual consolidated audited financial statements reported on by its auditor and accompanied by their signed report which shall contain no material qualifications as to the scope of their examination except as to the furnishing of information to them, and, except for the year end fiscal quarter, within 45 days of the close of each fiscal quarter Sufficient Copies of its quarterly consolidated unaudited financial statements including a consolidated summary balance sheet, a consolidated summary statement of income, a consolidated statement of cash flows and a consolidated statement of stockholders' equity, signed by its Chief Financial Officer;

- (j) that it will, contemporaneously with delivery to the agent pursuant to the Guarantor Credit Agreement, deliver Sufficient Copies of the Compliance Certificate to Royal;
- (k) that it will promptly after the same are available, provide Sufficient Copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Guarantor, and copies of all annual, regular, periodic and special reports and registration statements which the Guarantor filed with the Securities and Exchange Commission under Section 13 or 15(d) of the *Securities Exchange Act* of 1934, and not otherwise required to be delivered to Royal pursuant to this Agreement;
- (l) that, at least 15 days before each fiscal year end, it will provide Sufficient Copies of its Business Plan to Royal;
- (m) that, except for the year-end fiscal quarter, within 45 days of the close of each fiscal quarter and within 90 days of the close of each fiscal year, it will deliver to Royal a certificate signed by its Chief Financial Officer in substantially the form attached as Schedule C setting forth the calculations of the amounts and ratios comprised in the financial covenants set out in §7.2(n), (o), (p) and (q);

Financial Covenants of Guarantor

- (n) it will not permit Shareholders' Equity as of the end of any fiscal quarter of the Guarantor to be less than the sum of (a) US\$1,003,850,000, and (b) an amount, not less than 0, equal to 50% of the cumulative Consolidated Net Income earned in all fiscal quarters after the fiscal

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quarter ended June 30, 2001, and (c) an amount equal to 100% of the aggregate increases in Shareholders' Equity after the closing date of the Guarantor Credit Agreement by reason of the issuance and sale of capital stock of the Guarantor (including upon any conversion of debt securities of the Guarantor into such capital stock);

- (o) it will not permit the Debt to Capitalization Ratio measured as of the end of each fiscal quarter ending on the dates listed below, to exceed the percentage set forth opposite such dates:

Fiscal Quarter Ending	Maximum Debt to Capitalization Ratio
September 30, 2001	52.5%
December 31, 2001	52.5%
March 31, 2002	52.5%
June 30, 2002	52.5%
September 30, 2002	52.5%
December 31, 2002	50.0%
March 31, 2003	50.0%
June 30, 2003	50.0%
September 30, 2003	50.0%
December 31, 2003 and thereafter	47.5%

- (p) it will not permit Consolidated EBITDDA, for any period of four consecutive quarters ending on a date listed below, to be less than the ratio set forth opposite such date:

Fiscal Quarters Ending	Minimum EBITDDA
December 31, 2001	\$ 50,000,000
March 31, 2002	\$ 60,000,000
June 30, 2002	\$ 40,000,000
September 30, 2002	\$ 70,000,000
December 31, 2002	\$ 120,000,000
March 31, 2003	\$ 198,200,000
June 30, 2003	\$ 269,300,000
September 30, 2003	\$ 302,500,000
December 31, 2003 and thereafter	\$ 330,000,000

- (q) it will not permit the Collateral Coverage Ratio, as measured as of the last day of any fiscal quarter, to be less than 2.0 to 1.0.

7.3 Environmental Law

Nothing in the Agreement shall abridge or affect the rights of Royal in respect of the Borrower pursuant to any Environmental Law.

8. EVENTS OF DEFAULT

8.1 Definition of Event of Default

The occurrence of any one or more of the following events constitutes an Event of Default hereunder:

- (a) if the Borrower makes default in any payment of principal, interest, acceptance fees, Documentary Credit Fees, default interest, Standby Fees, Swap Termination Values, fees for Swap Contracts, any other fees or other like amounts when the same becomes due under the

Agreement and such default shall have continued for a period of five Business Days after notice has been given by Royal to the Borrower;

- (b) if the Borrower makes default in any payment of a Compensation Amount, Additional Amount or like payment when the same becomes due under the Agreement and such default shall have continued for a period of ten Business Days after notice has been given by Royal to the Borrower;
- (c) if the Borrower makes, suffers or permits a material default in observing or performing any other covenant or condition of the Agreement, any Swap Contract or any other material agreement with Royal and such default shall have continued for a period of five Business Days after notice in writing has been given by Royal to the Borrower specifying such default;
- (d) if there is a default by the Borrower (other than a default under the Agreement) which results in the acceleration of payment by the Borrower or any of its Material Canadian Subsidiaries of obligations for borrowed money in excess of \$5,000,000;
- (e) if any representation, warranty or statement made by the Borrower, the Borrower Subsidiaries in the Borrower Subsidiaries' Guarantees and the Borrower Subsidiaries' Security Agreements or the Guarantor herein or in the Guarantee or in any certificate pursuant to the Agreement or the Guarantee shall, in Royal's opinion, prove to have been materially incorrect on the date as of which it was made in any respect materially adverse to Royal and Royal shall have so notified the Borrower;
- (f) if an order be made or an effective resolution be passed for the winding-up of the Borrower or, without the prior written consent of Royal, any of its Material Canadian Subsidiaries or if the Borrower or any of its Subsidiaries on its own behalf shall make an assignment for the benefit of its creditors or if the Borrower or any of its Subsidiaries shall be declared bankrupt or make an authorized assignment or if a custodian or receiver be appointed under the *Bankruptcy and Insolvency Act* or if a compromise or arrangement (including a compromise, arrangement, reorganization or other like restructuring commenced by the Borrower which adversely affects its creditors under any Federal or Provincial statute including the *Companies' Creditors Arrangement Act* or the *British Columbia Company Act*) is proposed by the Borrower or any of its Subsidiaries to creditors generally or any significant class of creditors, or if a receiver, receiver-manager or other officer with like powers shall be appointed, or if an encumbrancer shall take possession of the property of the Borrower or any of its Subsidiaries or any part thereof, which is, in the reasonable opinion of Royal, material to the business of the Borrower and its ability to perform its obligations under the Agreement or if a distress or execution or any similar process be levied or enforced against a substantial or essential part of such property and remain unsatisfied for a period of thirty days, unless such distress, execution or similar process is in good faith disputed by the Borrower or any such Subsidiary and, if so required by Royal, the Borrower or any such Subsidiary provides adequate security to pay in full the amount claimed;
- (g) if the Agreement or any of Royal's Security shall at any time cease to be in full force and effect (other than by expiration or termination in accordance with its terms for reasons other than the default of the Borrower) or if a Court of competent jurisdiction shall declare the Agreement to be null and void or if the Borrower shall contest the validity or enforceability thereof or if the Borrower shall deny that it has any further liability or obligation hereunder or if any of Royal's Security for any reason ceases, other than in accordance with its terms, to constitute valid and subsisting security upon any material part of the property and assets of the Borrower or its Subsidiaries as described therein;

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- (h) if a writ of execution, attachment or similar process has been issued or levied against all, or a substantial portion of, the property of the Borrower or any of its Subsidiaries in connection with any judgement against the Borrower or any of its Subsidiaries in any amount in excess of \$1,000,000 which materially affects the property of the Borrower or any of its Subsidiaries, and no application has been brought to stay such writ of execution, attachment or similar process which application has, in the reasonable opinion of Royal, a reasonable chance of success;
 - (i) if it shall become illegal or unlawful for the Borrower or any of its Subsidiaries to carry on its business or to perform its obligations under the Agreement;
 - (j) if the Borrower or any of its Subsidiaries (except for Louisiana-Pacific Acquisition, Inc.) suspends or ceases or threatens to suspend or cease business;
 - (k) if the Borrower or any of its Subsidiaries shall sell or otherwise dispose of or threaten to sell or otherwise dispose of, all or a substantial part of its undertaking, property and assets, whether in one transaction or in a series of related transactions;
 - (l) if there is an Event of Default (as defined in the Guarantor Credit Agreement).

8.2 Remedies

Upon the occurrence of any Event of Default and at any time thereafter, provided the Event of Default has not been waived by Royal or the Borrower has not theretofore remedied all outstanding Events of Default within the prescribed time period or such longer period of time as Royal may permit, Royal may, by notice to the Borrower:

- (a) terminate its obligations hereunder to make any further advances under the Credit Facility, accept Drafts of the Borrower, enter into Swap Contracts or issue Documentary Credits;
- (b) declare Borrowings under the Credit Facility, interest, Standby Fees, Documentary Credits, fees, costs including Swap Termination Values and any other moneys owing to Royal by the Borrower under the Agreement, including amounts owing or liabilities in respect of Documentary Credits, Bankers' Acceptances, EFT Transfers and PDS Services which have not yet matured, to be immediately due and payable on the date which is fifteen Business Days after Royal delivers such notice to the Borrower, or that earlier date on or after delivery of such notice when Royal determines in its reasonable discretion that the business or operations of the Borrower may be materially prejudiced, endangered or adversely affected ("Acceleration Date") and such moneys and liabilities shall forthwith become due and payable on the Acceleration Date without presentment, demand, protest or other notice of any kind to the Borrower, all of which are hereby expressly waived;
- (c) enforce all rights and remedies granted under Royal's Security provided that any enforcement shall not be commenced until after the Acceleration Date;

- (d) convert any portion of the Credit Facility denominated in Eurocurrency Funds together with unpaid interest thereon, into U.S. Funds or Canadian Funds;
- (e) convert U.S. Advances to Canadian Funds;
- (f) terminate any Swap Contract in accordance with its terms.

The Borrower expressly acknowledges and agrees that the date which is fifteen Business Days after Royal delivers such notice to the Borrower affords and will afford a reasonable period of time to make payment of the outstanding balance advanced under the Credit Facility, interest, Standby Fees, Documentary Credits, Swap Termination Values, outstandings in respect of EFT Transfers and PDS Services, fees, costs and other moneys owing by the Borrower under the Agreement. Royal acknowledges and agrees that interest, if any, earned or received by it as a result of the redeployment

or other application of moneys paid by the Borrower pursuant to a demand made under §8.2(b) in respect of Bankers' Acceptances or Documentary Credits which have not yet matured shall be credited or otherwise applied for the benefit of the Borrower.

If there are Documentary Credits or Bankers' Acceptances outstanding on the Acceleration Date the Borrower shall at such time deposit (at interest to be credited to the Borrower at Royal's rate for term deposits appropriate to the currency, amount and terms of any such Documentary Credits or Bankers' Acceptances, as the case may be) in one or more cash collateral account to be opened and maintained by Royal amounts in Canadian Funds, U.S. Funds or both, as the case may be, equal to the aggregate of the Face Amounts of all such unmatured Bankers' Acceptances and the amount of the Documentary Credits, as the case may be. Amounts held in such cash collateral accounts shall be applied by Royal to the payment of maturing Bankers' Acceptances and payment obligations, if any, pursuant to Documentary Credits, as the case may be, and any balances in such accounts shall be applied to repay other obligations of the Borrower in accordance with §8.5 of the Agreement.

8.3 Remedies Cumulative

No remedy conferred on Royal under the Agreement is intended to be exclusive. Each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or equity or by statute or otherwise. The exercise or commencement of exercise by Royal of any one or more of such remedies shall not preclude the simultaneous or later exercise by Royal of any or all other such remedies.

8.4 Waivers

Royal may, by written instrument at any time and from time to time waive any breach by either the Borrower or the Guarantor of any of the covenants or Events of Default herein. No course of dealing between either the Borrower or the Guarantor and Royal nor any delay in exercising any rights hereunder shall operate as a waiver of any rights of Royal.

8.5 Application of Payments Following Acceleration

After the Acceleration Date, Royal may apply any moneys received by it towards repayment of Borrowings under the Credit Facility as it deems appropriate. Royal agrees to use reasonable efforts to apply moneys received by it to first repay Borrowings under the Borrowing Options which do not have redeployment costs associated with payment prior to the maturity dates of such Borrowings.

8.6 Royal May Perform Covenants

If the Borrower shall fail to perform any of its obligations under any covenant contained in the Agreement Royal may, after an Event of Default, upon five Business Days' prior notice to the Borrower, perform any such covenant capable of being performed by it and, if any such covenant requires the payment or expenditure of money, it may make such payment or expenditure with its own funds. All amounts so paid by Royal hereunder shall be repaid by the Borrower and shall bear interest at the rates set forth in §3.6 from and including the date paid by Royal hereunder to but excluding the date such amounts are repaid in full by the Borrower.

9. GENERAL

9.1 Waiver

No failure or delay on the part of Royal in exercising any right, power or privilege hereunder shall impair such right, power or privilege or operate as a waiver thereof nor shall any single or partial

exercise of such right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege hereunder.

9.2 Effect of Amendment, Modification or Waiver

No amendment, modification or waiver of any condition of the Agreement or consent to any departure by the Borrower therefrom shall, in any event, be effective unless the same shall be in writing signed by Royal. No notice to or demand on the Borrower shall by reason thereof entitle the Borrower to any other or further notice or demand in similar or other circumstances unless specifically provided for in the Agreement.

9.3 Time of the Essence

Time shall be of the essence hereof.

9.4 Further Assurances

Each of the Borrower, the Guarantor and Royal will do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including certificates, declarations, affidavits, reports and opinions) and things as Royal, the Borrower or the Guarantor may reasonably require for the purpose of giving effect to the Agreement.

9.5 Set-Off

In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, Royal is authorized at any time or from time to time after the Acceleration Date, without notice to the Borrower or to any other Person, any such notice being expressly waived by the Borrower, to set-off, compensate and to appropriate and to apply any and all deposits, matured or unmatured, general or special, held for or in the name of the Borrower and any other indebtedness or liability at any time owing or payable by Royal to or for the credit of or the account of the Borrower against and on account of the obligations and liabilities of the Borrower due and payable to Royal under the Agreement including all claims of any nature or description arising out of or connected with the Agreement, irrespective of currency and whether or not Royal has made any demand under the Agreement and although these obligations, liabilities or claims of the Borrower are contingent or unmatured. Royal and the Borrower acknowledge and agree that this paragraph is not intended to create and shall not be construed as creating and does not create a security interest in any property of the Borrower.

9.6 Judgement Currency

If for the purposes of obtaining judgement in any court in any jurisdiction or for any other purpose hereunder it becomes necessary to convert into the currency of such jurisdiction ("Judgement Currency") any amount due hereunder in any currency other than the Judgement Currency, then such conversion shall be made at the Spot Buying Rate prevailing on the Business Day before the day on which judgement is given. In the event that there is a change in the Spot Buying Rate prevailing between the Business Day before the day on which the judgement is given and the date of payment of the amount due, the Borrower shall, on the date of payment, pay such additional amounts (if any) as may be necessary to ensure that the amount paid on such date is the amount in the Judgement Currency which, when converted at the Spot Buying Rate prevailing on the date of payment, is the amount then due under the Agreement in such other currency. Any additional amount due from the Borrower under this §9.6 shall be due as a separate debt and shall not be affected by judgement being obtained for any other sums due under or in respect of the Agreement.

9.7 Account Debit Authorization

The Borrower authorizes and directs Royal to automatically debit, by mechanical, electronic or manual means, the bank accounts of the Borrower maintained with Royal for all amounts payable under the Agreement, including but not limited to the repayment of principal and the payment of interest, fees and all charges for the keeping of such bank accounts.

9.8 Expenses

Except as otherwise provided in the Agreement all statements, certificates, opinions and other documents or information required to be furnished to Royal by the Borrower under the Agreement shall be supplied by the Borrower without cost to Royal. In addition, the Borrower agrees to pay promptly to Royal on demand, all reasonable legal fees and other reasonable expenses which are incurred from time to time by Royal in respect of the documentation, preparation, registration, execution and enforcement of the Agreement (including any value added, goods and services, Provincial Sales Tax, business transfer tax or other similar taxes payable in connection with the execution, delivery or enforcement of the Agreement).

9.9 Survival of Representations and Warranties

The representations and warranties made in Section 2 of the Agreement shall survive the execution and delivery of the Agreement and the Closing Date and continue in full force and effect until the full payment and satisfaction of all monies due hereunder.

9.10 Notice

Unless otherwise specified, any notice, demand, request, consent or other communication required or permitted to be given to a party under this Agreement or to a party under any of Royal's Security shall be in writing and may be delivered personally or sent by facsimile, to the address or facsimile number of the party set out beside its name at the foot of this Agreement to the attention of the Person there indicated or to such other address, facsimile number or other Person's attention as the party may have specified by notice in writing given under this Section. Any notice, demand, consent, request or other communication shall be deemed to have been given:

- (a) if delivered personally, when received;
- (b) if sent by facsimile, on the Business Day when the appropriate confirmation of receipt has been received if the confirmation of receipt has been received before 3:00 p.m. on that Business Day or, if the confirmation of receipt has been received after 3:00 p.m. on that Business Day, on the next succeeding Business Day; and
- (c) if sent by facsimile on a day which is not a Business Day, on the next succeeding Business Day on which confirmation of receipt has been received.

9.11 General Indemnity

The Borrower hereby indemnifies and holds harmless Royal and its directors, officers, employees and agents from and against all losses, damages, expenses (including reasonable fees, charges and disbursements of counsel) and liabilities (including those arising from any litigation or other proceedings) related to or arising out of any default hereunder by the Borrower or any misrepresentation in connection with this Agreement provided that no Person shall be indemnified in respect of matters arising from such person's gross negligence or wilful misconduct.

9.12 Counterparts

The Agreement and all documents contemplated by or delivered under or in connection with the Agreement may be executed and delivered in any number of counterparts or facsimile counterparts with the same effect as if all parties had all signed and delivered the same document and all counterparts when executed and delivered (by facsimile or otherwise) will be construed together to be an original and will constitute one and the same agreement.

9.13 Reasonable Consent or Approval of the Parties

The parties hereto acknowledge and confirm that:

- (a) where either of them is required to exercise its discretion or grant its approval or consent pursuant to a provision in the Agreement, it shall act reasonably in the exercise of its discretion and will not unreasonably withhold or delay the granting of its approval or consent, and
- (b) the Borrower may rely on any consent, approval, calculation or determination provided to it by Royal pursuant to the Agreement.

9.14 Evidence of London Interbank Offered Rate

If it is necessary at any time to prove the London Interbank Offered Rate applicable to any particular Eurocurrency Advance, a certificate in writing from any duly authorized officer of Royal shall be prima facie evidence (absent any manifest error) of such rate.

9.15 Entire Agreement

Save as provided herein and in the instruments and documents contemplated or provided for hereunder, the Agreement contains the whole agreement between the parties with respect to the Credit Facility and there are no other terms, conditions, representations or warranties with respect thereto except as contained herein.

9.16 No Deduction for Taxes

Provided Royal has not assigned its obligations under the Agreement or its rights to receive payments in respect thereof or changed the booking location of Borrowings, all payments required to be made by the Borrower pursuant to the Agreement whether for principal, interest, acceptance fees, Standby Fees, Documentary Credit Fees, Swap Termination Values, fees for Swap Contracts or any other fees or otherwise shall be made free and clear of and without deduction, withholding or reserve for or on account of taxes, imposts, levies or other charges of any nature or kind whatsoever, unless otherwise agreed by Royal.

9.17 Participations and Assignments

Subject to §9.18, Royal may, with the consent of the Borrower, which consent shall not be unreasonably withheld, subject to the provisions of this §9.17 at any time grant participations in, sell, assign, transfer or otherwise dispose of all or any portion of the Credit Facility or Borrowings ("Facility Disposition") to any financial institution carrying on business in, and for the purpose of the *Income Tax Act (Canada)* residing in, Canada; provided no Facility Disposition may be made which would result in an increase in the cost of the Credit Facility to the Borrower. In all cases an assignment shall be of at least \$5,000,000 with increments of \$1,000,000 and a participation shall be of at least \$2,500,000 with increments of \$500,000. No Facility Disposition shall be effective until Royal shall have received an instrument (in form and substance satisfactory to Royal) in which the transferee or assignee, as the case may be, shall agree to be bound by all of the terms of the Agreement as fully as though it were an

original party hereto except that any participant shall not be entitled to grant subparticipations. The Borrower hereby agrees that, upon compliance with the foregoing, any purchaser, assignee or transferee of all or any portion of any amount owed by the Borrower under the Agreement:

- (a) shall be entitled to the benefits of the provisions of the Agreement as fully as though it were an original party to the Agreement; and
- (b) may, subject to the terms of the Agreement, exercise any and all rights of banker's lien, set-off or counterclaim with respect to any and all amounts owed by the Borrower to such purchaser, assignee or transferee as fully as if such purchaser, assignee or transferee had made advances in the amount of the obligation which is sold, assigned or transferred to it.

9.18 Assignment After Default

Notwithstanding anything to the contrary herein contained, where an Event of Default has occurred and is continuing and has not been waived, nothing in the Agreement shall limit or otherwise restrict the right of Royal to assign all or any part of its rights and obligations under or with respect to the Agreement. Without limiting the generality of the foregoing, any such assignment shall not require the consent of the Borrower nor be restricted to financial institutions resident in Canada.

9.19 Obligations of Borrower Re Facility Disposition

The Borrower shall, at the request and at the expense of Royal, execute and deliver to such party or parties as Royal may designate any and all further instruments, use its reasonable efforts to obtain any and all further authorizations or approvals and make any and all further registrations, filings or notifications, as may be necessary or desirable to give full force and effect to such Facility Disposition. The term "Royal" as used in the Agreement shall include all purchasers, assignees and transferees permitted hereunder of all or any portion of any amount owed to Royal under the Agreement. Except as specifically set forth in this §9.19 nothing in the Agreement expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their permitted successors and assignees any benefit or any legal or equitable right, remedy or other claim under the Agreement. For the purposes of this §9.19, the Borrower hereby authorizes Royal to provide on a confidential basis to any eligible prospective purchaser, assignee, transferee or participant all financial information, reports, budgets, projections and documents, including the Agreement made available to Royal from time to time.

IN WITNESS WHEREOF the parties hereto have caused the Agreement to be duly executed on December , 2001.

LOUISIANA-PACIFIC CANADA LTD.

-) *Address for Notice*
-) c/o Louisiana-Pacific Corporation
-) Suite 1200, 805 S.W. Broadway
-) Portland, Oregon
-) U.S.A. 97205

Per:

Authorized Signatory

-)
-) Phone: (503) 821-5100
-) Fax: (503) 821-5322
-) Attention: Vice-President and C.F.O.

Per:

Authorized Signatory

-)
-) With a copy to
Louisiana-Pacific Canada Ltd.
-) 2100—1075 West Georgia Street
-) Vancouver, British Columbia
-) V6E 3G2
-)
-) Phone: (604) 631-3131
-) Fax: (604) 631-3232
-)
-)

LOUISIANA-PACIFIC CORPORATION

-) *Address for Notice*
-) Suite 1200, 805 S.W. Broadway
-) Portland, Oregon
-) U.S.A. 97205

Per:

Authorized Signatory

-)
-) Phone: (503) 821-5100
-) Fax: (503) 821-5322

Per:

Authorized Signatory

-)
-)
-)
-) RBC Capital Markets
-) Suite 2100, Park Place
-) 666 Burrard Street
-) Vancouver, British Columbia
-) V6C 3B1
-) Attention: Managing Director

By:

Gerry Derbyshire
Managing Director

-)
-)
-) Phone: (604) 257-7100
-) Fax: (604) 665-6465

INTEREST AND FEE RATES

Pursuant to §3.6, §3.28 and §4.11, the following interest rates and fees (each expressed in basis points per annum) shall be effective and payable based on the applicable Rating of the Rating Agencies of the Guarantor's long term senior unsecured debt:

Canadian Advances, U.S. Advances and Eurocurrency Advances shall bear interest at the Prime Rate, U.S. Base Rate and London Interbank Offered Rate ("LIBOR") respectively plus the following applicable margins.

Ratings of Rating Agencies	Acceptance Fee	LIBOR Margin	Prime Rate and U.S. Base Rate Margins	Documentary Credit Fees	Standby Fees
BB/Ba2 or higher	300.0	300.0	200.0	200.0	50.0
BB-/Ba3 or lower	375.0	375.0	275.0	275.0	62.5

If the Guarantor's long term senior unsecured debt:

- (a) is rated differently by one category by one of the Rating Agencies, then the rates of interest and fees chargeable by Royal will be determined by the higher of the two Ratings;
- (b) when there is a difference of more than two categories between the Ratings of the Rating Agencies, then the rates of interest and fees chargeable by Royal will be determined by reference to the Rating which is immediately above the lowest rating.

SCHEDULE B

GUARANTEE (Particular Guarantee)

To: ROYAL BANK OF CANADA

FOR VALUE RECEIVED and in order to induce Royal Bank of Canada ("Royal") to extend or continue credit to Louisiana-Pacific Canada Ltd., a British Columbia corporation which is at the date hereof a wholly owned subsidiary of the undersigned ("Customer"), the undersigned hereby guarantees, absolutely and unconditionally, the punctual payment when due to Royal of all debts and liabilities at any time owing by the Customer to Royal pursuant to the credit agreement dated for reference November 30, 2001 and all schedules thereto among the Customer, the undersigned and Royal (as amended, restated, modified, supplemented, extended, renewed or replaced from time to time the "Credit Agreement") and the Borrower Guarantees (as defined in the Credit Agreement) whether now existing or hereafter incurred, whether created directly or acquired by Royal by assignment or otherwise, whether matured or unmatured, whether absolute or contingent, whether characterized as principal, premium, interest, additional interest, facility fees, fees, expenses or otherwise, whether the Customer be bound alone or with any others and whether as principal or surety, including, without limitation, all debts and liabilities now or at any time owing by the Customer to Royal relating to Swap Termination Values with respect to a Swap Contract, EFT Transfers and PDS Services (all such debts and liabilities being hereinafter called the "Liabilities"); the liability of the undersigned hereunder (but not the Liabilities) being limited to the lesser, in the aggregate, of;:

- (a) the Liabilities, or
- (b) the sum of \$60,000,000 Canadian Funds. In calculating Canadian Funds the Equivalent Amount in Canadian Funds of U.S. Funds outstanding under the Credit Agreement (if any) shall be determined and included. Interest shall be paid by the undersigned from the date of demand for payment at the rate per annum equal to the Prime Rate on Canadian Funds and the U.S. Base Rate on U.S. Funds.

PROVIDED, however, that, regardless of the amount of the Liabilities of the Customer to the Bank, the liability of the undersigned hereunder is further limited (to the extent permitted by applicable law) to the greater of (a) the maximum liability that the undersigned can incur hereunder without rendering itself insolvent or (b) the amount in U.S. Funds of the value received by the undersigned as a result of the financial accommodations made available by Royal to the Customer. The terms "value" and "insolvent", as used in this proviso shall have the same meanings as in 11 U.S.C. § 548(a)(2)(A) and (B), respectively. If for any reason this Guarantee would be otherwise avoidable as a fraudulent transfer (whether under state law or the U.S. federal Bankruptcy Code), then the terms "value" and "insolvent" as used herein shall be defined and the limitation on the liability of undersigned shall be deemed to operate in such a manner as to prevent this Guarantee from being avoided as a fraudulent transfer while preserving the liability of undersigned hereunder to the fullest extent legally permissible. Nothing in this proviso shall otherwise effect the maximum aggregate amount payable hereunder as set forth in subparagraphs (a) and (b) of the immediately preceding paragraph.

Words with an initial capital letter unless otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

THE UNDERSIGNED HEREBY FURTHER AGREES WITH ROYAL AS FOLLOWS:

1. From time to time, before or after any default by the Customer or any notice of termination of this Guarantee, (a) any collateral security (which term as used herein includes other guarantees) at any time held by or available to Royal in respect of the Liabilities or in respect of any guarantee of the Liabilities may be sold, exchanged, subordinated, surrendered or released in whole or in part and in any order, (b) any obligation of the Customer or of any guarantor of the Liabilities may be changed, altered, renewed, extended, continued, accelerated, surrendered, compromised, subordinated, waived or released in whole or in part, or any default with respect thereto waived, (c) Royal may set off, may refrain from setting off and may release in whole or in part any balance of any deposit account or credit on its books in favour of the Customer or of any such guarantor, may take or refrain from taking or from perfecting any collateral security and may exercise or refrain from exercising any rights against the Customer or others, (d) Royal may extend or refrain from extending further credit in any manner whatsoever to, may accept compositions from and may otherwise generally deal with, the Customer and others and with any collateral security as Royal may see fit and (e) Royal may apply all monies at any time received from the Customer or others or from

any collateral security in such manner, in such amounts and against such part of the Liabilities as Royal deems best and change any such application in whole or in part as Royal may see fit; the whole without in any way limiting, diminishing or affecting the liability of the undersigned under this Guarantee and without imposing any obligation or trust upon Royal, and no loss of or in respect of any collateral security, whether caused by the fault of Royal or otherwise, shall in any way limit, diminish or affect the liability of the undersigned under this Guarantee.

2. This is a guarantee of payment and not of collection, and Royal shall not be obligated to initiate, pursue or exhaust any form of recourse or obtain any judgment against the Customer or others (including other guarantors) or to realize upon or exhaust any collateral security held by or available to it or any deposit account or credit on its books before being entitled to payment from the undersigned hereunder. The liability of the undersigned hereunder shall not be limited, diminished or affected by (a) any failure by Royal to file or enforce any claim against the estate (in administration, bankruptcy or otherwise) of the Customer or others, (b) the fact that recovery from the Customer or any other person other than the undersigned is barred by any statute of limitations or for any other reason or (c) any other circumstance which might otherwise constitute a legal or equitable discharge of a guarantor. The undersigned renounces all benefits of discussion and division and waives diligence, presentment, protest, notice of dishonor or protest or default, demand for payment upon the Customer, notice of acceptance of this Guarantee, notice of any addition to or increase or decrease in the Liabilities and all other notices and demands whatsoever. The undersigned shall have no right to be subrogated to any rights of Royal until Royal shall have received payment in full of the Liabilities.
3. This Guarantee is a continuing guarantee, will not be discharged until payment in full of all of the Liabilities (subject in all instances to the first two full paragraphs of this Guarantee) and cancellation of this instrument by Royal and will remain in full force and effect notwithstanding any interruption in the business relations between the Customer and Royal or any increase or decrease from time to time in the amount of the Liabilities. The undersigned may, by notice in writing delivered to Royal, terminate the undersigned's liability under this Guarantee in respect of any Liabilities thereafter incurred but not in respect of any Liabilities theretofore incurred even though not then matured, provided, however, that notwithstanding receipt of any such notice, Royal may fulfill and perform any commitments or obligations (express or implied) made prior to the receipt of such notice, including payment of any Bankers' Acceptance or Documentary Credit (as defined in the Credit Agreement) and any resulting Liabilities shall be covered by this Guarantee.

4. The liability of the undersigned under this Guarantee shall be reinstated and revived with respect to any amount at any time paid to or for the account of Royal in respect of the Liabilities and which thereafter is restored or returned by Royal to the Customer or any trustee or receiver for the Customer upon the bankruptcy, insolvency or reorganization of the Customer or for any other reason, all as though such amount had not been paid to Royal.
5. This Guarantee shall not be affected by a change in the name of the Customer, or by the acquisition of the Customer's business by any person, firm or corporation, or by any change whatsoever in the objects, capital structure or constitution of the Customer, or by any merger, amalgamation or consolidation of the Customer with any corporation, or by any dissolution or liquidation of the Customer, but shall notwithstanding the happening of any such event continue to apply to all the Liabilities whether theretofore or thereafter incurred, and in this instrument the word "Customer" shall include all successors of the Customer.
6. All moneys, advances, renewals and credits in fact borrowed or obtained from Royal by the Customer pursuant to the Credit Agreement shall be included in the Liabilities, notwithstanding (a) any lack or limitation of status or of power, (b) any incapacity, disability or lack of authority of the Customer or of any of the directors, officers, partners or agents thereof, (c) that the Customer may not be a legal or suable entity or that a Liability may not be enforceable or (d) any invalidity, irregularity, defect or informality in the borrowing or obtaining of such monies, advances, renewals or credits; the whole whether known to Royal or not. The undersigned shall reimburse Royal for all reasonable expenses (including the reasonable fees and disbursements of its counsel) incurred by Royal in collecting or compromising any of the Liabilities.
7. This Guarantee is in addition to and not in substitution for (a) any other guarantee, by whomsoever given, at any time held by Royal and (b) any present or future obligation to Royal, incurred otherwise than under a guarantee, of the undersigned or of any other obligor, whether bound with or apart from the Customer; excepting any guarantee surrendered for cancellation upon delivery of this instrument.
8. All payments hereunder with respect to any Liability shall be made to Royal at the Branch of Account of Royal and shall be in the lawful currency in which such Liability is payable ("Primary Currency"). Without in any manner limiting the obligations of the undersigned contained in the preceding sentence, if any sum is paid to and received by Royal hereunder in a currency other than the Primary Currency (such other currency being hereinafter referred to as the "Alternative Currency"), whether by judgment (and notwithstanding the rate of exchange actually applied in giving such judgment) or otherwise, the obligations of the undersigned hereunder shall nevertheless be discharged only to the extent of the net amount of Primary Currency that Royal in accordance with its normal banking procedures is able to purchase with such amount of Alternative Currency. If Royal is not able to purchase sufficient Primary Currency with such amount of Alternative Currency to discharge such Liability in full, the obligations of the undersigned to Royal shall not be discharged with respect to such difference, and any such undischarged amount will be due as a separate debt and shall not be affected by payment of or judgment being obtained for any other sums due hereunder; provided that the foregoing shall, in all instances, be subject to the first two full paragraphs of this Guarantee.
9. The undersigned shall be bound by any account settled between Royal and the Customer in good faith, and if no such account has been so settled immediately before demand for payment under this Guarantee, any account stated by Royal with supporting documentation provided by Royal to the undersigned shall be accepted by the undersigned as conclusive evidence, absent manifest or demonstrable error, of the amount which at the date of the account so stated is due by the Customer to Royal.

10. Possession of this instrument by Royal shall be conclusive evidence against the undersigned that this instrument was not delivered in escrow or pursuant to any agreement that it should not be effective until any conditions precedent or subsequent had been complied with, unless at the time of receipt of this instrument by Royal the undersigned obtains from the Manager of the branch or agency of Royal receiving this instrument a letter setting out the terms and conditions under which this instrument was delivered and the conditions, if any, to be observed before it becomes effective.
11. This instrument covers all agreements between the undersigned and Royal relative to this Guarantee, and neither the undersigned nor Royal shall be bound by any representation or promise made by any person relative hereto which is not embodied herein.

12. This Guarantee and agreement shall extend to and inure to the benefit of Royal and its successors and permitted assigns and every reference herein to the undersigned is a reference to and shall be construed as including the undersigned and the successors and assigns of the undersigned to and upon all of whom this Guarantee and agreement shall extend and be binding.
13. The obligations of the undersigned hereunder shall not in any way be changed, reduced or terminated as a result of (a) any change or reduction in or termination of the obligations of any other guarantor of the Liabilities, or (b) the failure of any other person to execute this or any other guarantee of the Liabilities.
14. Royal shall not be obligated to exercise any right, power or privilege hereunder, and no failure to exercise and no delay in exercising, on the part of Royal, any such right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No notice to or demand on the undersigned shall be deemed to be a waiver of the right of Royal to take further action without notice or demand as provided herein. No waiver shall be applicable except in the specific instance for which given, nor in any event shall any modification or waiver of any provision of this Guarantee and agreement be effective unless in writing and signed by Royal.
15. This Guarantee shall be governed by and construed in accordance with the laws of the State of Oregon, United States of America. No defence given or allowed by the laws of any other State or Country shall be interposed in any action hereon unless such defence is also given or allowed by the laws of the State of Oregon. The undersigned irrevocably submits to the jurisdiction of all Federal and State courts located in the City of Portland and State of Oregon and consents that any order, process or notice of motion or other application to any of said courts or a judge thereof may be served upon the undersigned within or without the court's jurisdiction at the undersigned's applicable address for notice in accordance with Section 9.10 of the Credit Agreement entitled "Notice" provided a reasonable time for appearance is allowed.
16. The waivers and authorizations of the undersigned contained herein are given in its capacity as a Guarantor hereunder and such waivers and authorizations shall not waive any rights the undersigned may have solely in its capacity as a party to the Credit Agreement.
17. Waiver of Jury Trial. **EACH PARTY TO THIS GUARANTEE, AND BY ITS ACCEPTANCE OF THIS GUARANTEE, ROYAL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A JURY TRIAL OF ANY DISPUTE RELATING TO THIS GUARANTEE AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.**
18. This Guarantee may be executed in any number of counterparts as may be necessary and delivered by facsimile each of which so signed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument and all signatures need not appear on any one counterpart.

4

19. This Guarantee is dated for reference November 30, 2001.

Executed at _____, on the _____ day of December, 2001.

LOUISIANA-PACIFIC CORPORATION
By:

By:

5

SCHEDULE C

Officer's Compliance Certificate (7.1(z)) and (7.2(m))

I, _____, of the City of Portland, in the State of Oregon, hereby certify on behalf of Louisiana-Pacific Corporation and Louisiana-Pacific Canada Ltd. and without personal liability as follows:

1. That I am Chief Financial Officer of Louisiana Pacific Corporation and Louisiana-Pacific Canada Ltd.
2. All capitalized terms used herein and not otherwise defined herein shall have the same meaning as ascribed thereto in the Credit Agreement (as hereinafter defined).
3. That I am familiar with and have examined the provisions of the 2001 LP Canada Credit Agreement dated for reference November 30, 2001 ("Credit Agreement") as amended, modified, supplemented, extended, consolidated, restated, renewed or replaced from time to time among Louisiana-Pacific Canada Ltd., as Borrower, Louisiana-Pacific Corporation, as Guarantor, and Royal Bank of Canada ("Royal") and to best of my knowledge having made reasonable investigations of corporate records and inquiries of other officers and senior personnel of the Borrower and the Guarantor and relying on the foregoing, as of the date of this Certificate: (a) the representations and warranties of the Borrower and the Guarantor contained in the Credit Agreement are true and correct, (b) none of the covenants of the Borrower and the Guarantor contained in the Credit Agreement has been breached, and (c) during the next fiscal quarter of the Borrower and the Guarantor there is no reason to believe that either the Borrower or the Guarantor will be in default of the financial ratios prescribed respectively in 7.1(aa) and 7.2(n), (o), (p) and (q).

4. That as of _____, being the date to which this Certificate applies, the financial ratios and information called for under the Credit Agreement were:

A. Covenants of the Borrower

- (a) the Current Ratio of the Borrower is _____ to _____;
- (b) particulars of Permitted Guarantees and Purchase Money Obligations:

B. Covenants of Guarantor

- (a) Shareholders' Equity is \$ _____ ;
- (b) the Debt to Capitalization Ratio is _____ to _____ ;
- (c) Consolidated EBITDDA is _____ ;
- (d) the Collateral Coverage Ratio is _____ to _____ ;

and I further certify without personal liability that:

- 5. The foregoing calculations are correct and accurate;
- 6. [SPECIFY ANY DEFAULT];
- 7. I am authorized to give this certificate;
- 8. I am aware that Royal is entitled to rely upon the accuracy of the information herein contained.

This Certificate has been executed at the City of Portland, in the State of Oregon, this _____ day of _____, 2001.

Chief Financial Officer
Louisiana-Pacific Corporation and
Louisiana-Pacific Canada Ltd.

2

SCHEDULE D

UNFUNDED PENSION LIABILITIES

The Guarantor sponsors the Louisiana-Pacific Corporation Retirement Account Plan. Originally this was a defined benefit pension plan covering certain hourly employees of the Guarantor. Effective January 1, 2000, this was converted to a cash balance plan covering most non-bargained employees. As of January 1, 2000, on an ongoing basis, the Plan has an unfunded liability of approximately US\$23,000,000. As of January 1, 2000, on a plan termination basis, the Plan has an unfunded liability of approximately US\$25,000,000.

The Company sponsors the ABTco, Inc. Retirement Plan. This is a defined benefit plan covering bargained and non-bargained employees of ABTco. As of January 1, 2000, on an ongoing basis, the Plan has an unfunded liability of approximately US\$0. As of January 1, 2000, on a plan termination basis, the Plan has an unfunded liability of approximately US\$5,000,000.

SCHEDULE E

BORROWING BASE REPORT

(§7.1(y))

- (1) The Borrowing Base of Louisiana-Pacific Canada Ltd. and its Material Canadian Subsidiaries was [\$_____] on the last day of the fiscal quarter ended [_____] calculated as follows (words with initial capital letters have the meaning ascribed to them in the Agreement):

(a)	Good Account Receivable (Cdn\$)	\$
(b)	75% of (a)	\$
(c)	The Equivalent Amount in Canadian Funds of Good Accounts Receivables (US\$)	\$
(d)	75% of line (c)	\$

(e)	Eligible Inventory—Logs	\$
(f)	Eligible Inventory—Lumber, Engineered Wood Products and other finished products	\$
(g)	Eligible Inventory—Chips	\$
(h)	Eligible Inventory—Raw materials, supplies, spare parts, etc.	\$
(i)	Total of (e), (f), (g) and (h)	\$
(j)	50% of line (i)	\$

(k)	Line (b) plus line (d) plus line (j)	\$
(l)	Potential Preferred Claims	\$

(m)	Borrowing Base (line (k) minus line (l))	\$
(n)	Total Borrowings	\$

(o)	Line (m) minus line (n)	\$
-----	-------------------------	----

(2) I certify the foregoing to be a true and correct report on the matters disclosed and reported herein as of the stated fiscal quarter-end.

(3) I further certify as follows:

- (a) that the representations and warranties contained in the Agreement are true and correct as of the date of this Borrowing Base Report;
- (b) that the covenants contained in the Agreement have not been breached as of the date of this Borrowing Base Report and, during the next fiscal quarter of the Borrower, there is no reason to believe that any of such covenants will be breached;
- (c) that, as of the stated fiscal quarter-end, Inventory locations and values were as follows:

Canadian Locations (specify site)	Cdn\$ Value
•	
•	
•	
•	
•	

- (d) that during the stated fiscal quarter total sales of Inventory were \$ of which \$ was in respect of sales of Inventory to Louisiana-Pacific Corporation.
- (e) that I will forthwith advise Royal on becoming aware of any inaccuracy in the matters certified in §3(c) and §3(d);
- (f) that as of the stated fiscal quarter end the Current Ratio of the Borrower is to ;
- (g) the aggregate of Borrowings as at the date of this report was \$. Borrowings in US\$ were converted to Cdn\$ at .

By:

Name/Title:

DATED this day of

PERMITTED ENCUMBRANCES

Secured Party	Description of Lien
1. Sodexfor	Lien on all the assets of Louisiana-Pacific Canada Ltd. Chambord and Lac Bouchette plants, pursuant to Purchase and Sale Contract, dated April 14, 1999.
2. IBM	Lien on Louisiana-Pacific Canada Ltd. AS400 equipment, pursuant to Order for Leased or Financed Articles, dated December, 1999.
3. Finning Ltd.	Lien on Louisiana-Pacific Canada Ltd. log loader and three forklifts, pursuant to lease agreements dated October 1, 1998, September 2, 1998 and October 1, 1999.
4. Marjak Leasing	Lien on 1998 Bobcat Series 753 pursuant to lease agreement dated December 11, 1997.
5. Bank of Montreal	Lien on Instrument described as Bank of Montreal pledge of Instrument and Assignment of Proceeds.

SCHEDULE G**OTHER PERMITTED INDEBTEDNESS****Credit Facilities**

1. Indebtedness under the Credit Agreement by and among Louisiana-Pacific Canada Ltd., Louisiana-Pacific Corporation and Royal Bank of Canada, dated for reference January 15, 1997.
2. Indebtedness under the Agreement dated April 14, 1999 between 9073-3742 Quebec Inc., as purchaser (a predecessor of Acquisition Louisiana-Pacific Inc.) and Société en Commandite Sodexfor.
3. Indebtedness under the Lease Agreement dated December 13, 1999 between Louisiana-Pacific Canada Ltd. and International Business Machines.
4. Indebtedness under the Lease Agreements dated September 2, 1998, October 1, 1998 and October 1, 1999 between Louisiana-Pacific Canada, Ltd. and Fanning Ltd.

Senior Installment Notes

5. Louisiana Pacific Canada, Ltd. Senior Installment Notes, variable rate, payable through 2003.

Other Indebtedness

6. Forward contracts between Louisiana-Pacific Canada, Ltd. and Bank of America for settlement September 27, 2002 and September 29, 2003.
7. Forward contracts between Louisiana-Pacific Canada, Ltd. and Goldman Sachs for settlement September 27, 2002 and September 29, 2003.
8. Indebtedness described by §5 on Schedule F.

2001 LP CANADA CREDIT AGREEMENT**Dated for Reference November 30, 2001****AMONG:****LOUISIANA-PACIFIC CANADA LTD.****AND****LOUISIANA-PACIFIC CORPORATION****AND****ROYAL BANK OF CANADA**

BULL, HOUSER & TUPPER
 BARRISTERS & SOLICITORS
 #3000 - 1055 WEST GEORGIA
 VANCOUVER, B.C. V6E 3R3
 (604) 687-6575
Attention: Barry Dryvynsyde

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RECEIVABLES SALE AGREEMENT

DATED AS OF NOVEMBER 15, 2001

among

LOUISIANA-PACIFIC CORPORATION
as Originator

LP WOOD POLYMERS, INC.
as Originator

and

LP RECEIVABLES CORPORATION
as Buyer

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Exhibits

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RECEIVABLES SALE AGREEMENT

THIS RECEIVABLES SALE AGREEMENT, dated as of November 15, 2001, is by and among Louisiana-Pacific Corporation, a Delaware corporation (“*Louisiana-Pacific*”) and LP Wood Polymers, Inc., an Oregon corporation (“*LP Wood*”) (each an “*Originator*” and collectively, the “*Originators*”), and LP RECEIVABLES CORPORATION, a Delaware corporation (“*Buyer*”). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in [Exhibit I](#) hereto (or, if not defined in [Exhibit I](#) hereto, the meaning assigned to such term in [Exhibit I](#) to the Credit Agreement).

PRELIMINARY STATEMENTS

The Originators now own, and from time to time hereafter will own, Receivables. The Originators wish to sell and assign to Buyer, and Buyer wishes to purchase from each Originator, all of such Originator’s right, title and interest in and to such Receivables, together with the Related Security and Collections with respect thereto.

The Originators and Buyer intend the transactions contemplated hereby to be true sales and absolute assignments of the Receivables from each Originator to Buyer, providing Buyer with the full benefits of ownership of the Receivables, and neither the Originators nor Buyer intend these transactions to be, or for any purpose to be characterized as, loans from Buyer to the Originators.

Following the acquisition of Receivables from the Originators, Buyer may request loans secured by an interest therein and in the associated Related Security and Collections pursuant to that certain Credit and Security Agreement dated as of November 15, 2001 (as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified, the “*Credit Agreement*”) among Buyer, Louisiana-Pacific Corporation, as initial Master Servicer, Blue Ridge Asset Funding Corporation (“*Blue Ridge*”), the committed banks named therein and Wachovia Bank, N.A. or any successor administrative agent appointed pursuant to the terms of the Credit Agreement, as administrative agent (in such capacity, the “*Administrative Agent*”).

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Article I

Amounts and Terms of the Purchase

Section 1.1 Initial Contribution of Receivables.

On the date hereof, Louisiana-Pacific hereby contributes, assigns, transfers, sets-over and otherwise conveys to Buyer, and Buyer does hereby accept from Louisiana-Pacific, Receivables originated by Louisiana-Pacific and existing as of the close of business on the Business Day

immediately prior to the date hereof (the “*Initial Cutoff Date*”) having an aggregate Outstanding Balance of \$3,750,000 (the “*Initial Contributed Receivables*”), together with all Related Security relating thereto and all Collections thereof.

Section 1.2 Purchase of Receivables.

(a) Effective on the date hereof, in consideration for the Purchase Price and upon the terms and subject to the conditions set forth herein, each Originator does hereby sell, assign, transfer, set-over and otherwise convey to Buyer, without recourse (except to the extent expressly provided herein), and Buyer does hereby purchase from such Originator, all of such Originator’s right, title and interest in and to all Receivables existing as of the close of business on the Initial Cutoff Date (other than the Initial Contributed Receivables) and all Receivables thereafter arising through and including the Termination Date, together, in each case, with all Related Security relating thereto and all Collections thereof. In accordance with the preceding sentence, on the date hereof Buyer shall acquire all of each Originator’s right, title and interest in and to all Receivables existing as of the Initial Cut-Off Date (other than the Initial Contributed Receivables) and thereafter arising through and including the Termination Date, together with all Related Security relating thereto and all Collections thereof. Buyer shall be obligated to pay the Purchase Price for the Receivables purchased hereunder in accordance with [Section 1.3](#).

(b) On each Monthly Reporting Date, each Originator shall (or shall require the Master Servicer to) deliver to Buyer a report in substantially the form of [Exhibit VII](#) (each such report being herein called a “*Purchase Report*”) with respect to the Receivables sold by such Originator to Buyer during the Settlement Period then most recently ended. In addition to, and not in limitation of, the foregoing, in connection with the payment of the Purchase Price for any Receivables purchased hereunder, Buyer may request that the related Originator deliver, and such Originator shall deliver, such approvals, opinions, information or documents as Buyer may reasonably request.

(c) It is the intention of the parties hereto that the Purchase of Receivables made hereunder shall constitute a sale, which sale is absolute and irrevocable and provides Buyer with the full benefits of ownership of the Receivables. Except for the Purchase Price Credits owed pursuant to [Section 1.4](#), the sale of Receivables hereunder is made without recourse to any Originator; provided, however, that (i) each Originator shall be liable to Buyer for all

representations, warranties, covenants and indemnities made by such Originator pursuant to the terms of the Transaction Documents to which such Originator is a party, and (ii) such sale does not constitute and is not intended to result in an assumption by Buyer or any assignee thereof of any obligation of any Originator or any other Person arising in connection with the Receivables, the related Contracts and/or other Related Security or any other obligations of such Originator. In view of the intention of the parties hereto that the Purchase of Receivables made hereunder shall constitute a sale of such Receivables rather than loans secured thereby, each Originator agrees that it will, on or prior to the date hereof and in accordance with Section 4.1(e)(ii), mark its master data processing records relating to the Receivables with a legend acceptable to Buyer and to the Administrative Agent (as Buyer's assignee), evidencing that Buyer has purchased such Receivables as provided in this Agreement and to note in its financial statements that its

Receivables have been sold to Buyer. Upon the request of Buyer or the Administrative Agent (as Buyer's assignee), each Originator will execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate to perfect and maintain the perfection of Buyer's ownership interest in the Receivables and the Related Security and Collections with respect thereto, or as Buyer or the Administrative Agent (as Buyer's assignee) may reasonably request.

Section 1.3 Payment for the Purchase.

(a) The Purchase Price for the Purchase from each Originator of its Receivables in existence as of the close of business on the Initial Cutoff Date (other than the Initial Contributed Receivables) shall be payable in full by Buyer to such Originator on the date hereof, and shall be paid to the Originators in the following manner:

(i) first, to LP Wood with respect to Receivables sold by LP Wood, by delivery of immediately available funds to the extent of funds made available to Buyer in connection with Advances made to Buyer under the Credit Agreement,

(ii) second, to LP Wood, the balance of the Purchase Price with respect to the Receivables sold by LP Wood, by delivery of the proceeds of a subordinated revolving loan from LP Wood to Buyer (a "Subordinated Loan"), evidenced by an entry by the Originator Representative on the Subordinated Note, in an amount not to exceed the least of (A) the remaining unpaid portion of such Purchase Price, (B) the maximum Subordinated Loan (aggregated with all Subordinated Loans then outstanding to all Originators) that could be borrowed without rendering Buyer's Net Worth less than the Required Capital Amount, and (C) fifteen percent (15%) of such Purchase Price. Louisiana-Pacific, in its capacity as Originator Representative, is hereby authorized by Buyer to endorse on the schedule attached to the Subordinated Note an appropriate notation evidencing the date and amount of each advance by LP Wood thereunder, as well as the date of each payment with respect thereto, provided that the failure to make such notation shall not affect any obligation of Buyer thereunder,

(iii) third, to Louisiana-Pacific, with respect to Receivables sold by Louisiana-Pacific, by delivery of immediately available funds to the extent of funds made available to Buyer in connection with Advances made to Buyer under the Credit Agreement and not otherwise used for the payment of the Purchase Price with respect to the Receivables of LP Wood in clause (i) above, and

(iv) fourth, to Louisiana-Pacific, the balance of the Purchase Price with respect to the Receivables sold by Louisiana-Pacific, by delivery of the proceeds of a Subordinated Loan from Louisiana-Pacific to Buyer, evidenced by an entry by the Originator Representative on the Subordinated Note; provided that the making of any such Subordinated Loan shall be subject to the provisions set forth in Section 1.3(a)(ii).

The Purchase Price for each Receivable coming into existence after the Initial Cutoff Date shall be due and owing in full by Buyer to the applicable Originator or its designee on the date each such Receivable came into existence (except that Buyer may, with respect to any such Purchase Price, offset against such Purchase Price any amounts owed by such Originator to Buyer hereunder and which have become due but remain unpaid) and shall be paid to such Originator in the manner provided in the following paragraphs (b), (c) and (d):

(b) With respect to any Receivables coming into existence after the Initial Cutoff Date, not later than the Purchase Settlement Date, Buyer shall pay the Purchase Price therefor in accordance with Section 1.3(d) and in the following manner,

(i) first, to LP Wood with respect to Receivables sold by LP Wood, by delivery of immediately available funds to the extent of funds made available to Buyer in connection with Advances made to Buyer under the Credit Agreement or other cash on hand,

(ii) second, to LP Wood, the balance of the Purchase Price with respect to the Receivables sold by LP Wood, by delivery to LP Wood of the proceeds of a Subordinated Loan, provided that the making of any such Subordinated Loan shall be subject to the provisions set forth in Section 1.3(a)(ii),

(iii) third, to Louisiana-Pacific with respect to Receivables sold by Louisiana-Pacific, by delivery of immediately available funds to the extent of funds made available to Buyer in connection with Advances made to Buyer under the Credit Agreement or other cash on hand and not otherwise used for the payment of the Purchase Price with respect to the Receivables of LP Wood in clause (i) above,

(iv) fourth, to Louisiana-Pacific with respect to Receivables sold by Louisiana-Pacific, to the extent not paid pursuant to clause (iii) above, by delivery to Louisiana-Pacific of the proceeds of a Subordinated Loan, provided that the making of any such Subordinated Loan shall be subject to the provisions set forth in Section 1.3(a)(ii); and

(v) fifth, to the extent the Purchase Price of Receivables transferred by Louisiana-Pacific has not been paid in full, unless an Originator or Buyer has declared the Termination Date to have occurred pursuant to this Agreement, by accepting a contribution to its capital in an amount equal to the remaining unpaid balance of such Purchase Price.

Subject to the limitations set forth in Section 1.3(a)(ii) and Section 1.3(a)(iv), each Originator irrevocably agrees to advance each Subordinated Loan requested by Buyer on or prior to the Termination Date. The Subordinated Loans shall be evidenced by, and shall be payable in accordance with the terms

and provisions of the Subordinated Note and shall be payable solely from funds which Buyer is not required under the Credit Agreement to set aside for the benefit of, or otherwise pay over to, the Secured Parties.

(c) From and after the Termination Date, no Originator shall be obligated to (but may, at its option): (i) sell Receivables to Buyer, or (ii) contribute Receivables to Buyer's capital pursuant to Section 1.3(b)(v).

(d) Although the Purchase Price for each Receivable coming into existence after the Initial Cutoff Date shall be due and payable in full by Buyer to the applicable Originator on the date such Receivable came into existence, settlement of the Purchase Price between Buyer and such Originator shall be effected on Purchase Settlement Dates with respect to all Receivables coming into existence during the related Calculation Period and based on the information contained in the Purchase Report delivered by such Originator for the Calculation Period then most recently ended. Although settlement shall be effected on Purchase Settlement Dates, increases or decreases in the amount owing under the Subordinated Note made pursuant to this Section 1.3 for interest calculation purposes only and any contribution of capital by any Originator to Buyer made pursuant to Section 1.3(b)(v) shall be deemed to have occurred and shall be effective as of the last Business Day of the related Calculation Period.

Section 1.4 Purchase Price Credit Adjustments.

If on any day:

(a) the Outstanding Balance of a Receivable sold to Buyer is:

(i) reduced as a result of any defective or rejected goods or services, any cash discount or any other adjustment by any Originator or any Affiliate thereof, or as a result of any tariff or other governmental or regulatory action, or

(ii) reduced or canceled as a result of a setoff in respect of any claim by the Obligor thereof (whether such claim arises out of the same or a related or an unrelated transaction), or

(iii) reduced on account of the obligation of any Originator or any Affiliate thereof to pay to the related Obligor any rebate or refund, or

(iv) less than the amount included in calculating the Outstanding Balance for purposes of any Purchase Report (for any reason other than such Receivable becoming a Defaulted Receivable or payment in full of the entire Outstanding Balance being made on such Receivable), or

(b) any of the representations or warranties of any Originator set forth in Section 2.1(i), Section 2.1(j), Section 2.1(k), Section 2.1(r), Section 2.1(s), Section 2.1(t) or Section 2.1(u) were not true when made with respect to any Receivable,

then, in such event, Buyer shall be entitled to a credit (each, a "Purchase Price Credit"), without duplication, against the Purchase Price otherwise payable to the applicable Originator hereunder equal, in the case of clause (a) above, to the amount of such reductions relating to such Receivable, and, in the case of clause (b) above, to the Outstanding Balance of such Receivable

(calculated before giving effect to the applicable reduction or cancellation). If such Purchase Price Credit exceeds the Original Balance of the Receivables coming into existence on any day, then such Originator shall pay the remaining amount of such Purchase Price Credit in cash immediately, provided that if the Termination Date has not occurred, such Originator shall be allowed to deduct the remaining amount of such Purchase Price Credit from any indebtedness owed to it under the Subordinated Note.

Section 1.5 Payments and Computations, Etc.

All amounts to be paid or deposited by Buyer hereunder shall be paid or deposited in accordance with the terms hereof on the day when due in immediately available funds to the account of the applicable Originator designated from time to time by such Originator or as otherwise directed by such Originator. In the event that any payment owed by any Person hereunder becomes due on a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day. If any Person fails to pay any amount hereunder when due, such Person agrees to pay, on demand, the Default Fee in respect thereof until paid in full; provided, however, that such Default Fee shall not at any time exceed the maximum rate permitted by applicable law. All computations of interest payable hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

Section 1.6 Transfer of Records.

(a) In connection with the Purchase of Receivables hereunder, each Originator hereby sells, transfers, assigns and otherwise conveys to Buyer all of such Originator's right and title to and interest in the Records relating to all Receivables sold or contributed hereunder, without the need for any further documentation in connection with the Purchase. In connection with such transfer, each Originator hereby grants to each of Buyer, the Administrative Agent and the Master Servicer an irrevocable, non-exclusive license to use, without royalty or payment of any kind, all software used by such Originator to account for the Receivables, to the extent necessary to administer the Receivables, whether such software is owned by such Originator or is owned by others and used by such Originator under license agreements with respect thereto, provided that should the consent of any licensor of such software be required for the grant of the license described herein, to be effective, each Originator hereby agrees that upon the request of Buyer (or Buyer's assignee), such Originator will use its reasonable efforts to obtain the consent of such third-party licensor. The license granted hereby shall be irrevocable until the indefeasible payment in full of the Aggregate Unpays, and shall terminate on the date this Agreement terminates in accordance with its terms.

(b) Each Originator (i) shall take such action requested by Buyer and/or the Administrative Agent (as Buyer's assignee), from time to time hereafter, that may be necessary or appropriate to ensure that Buyer and its assigns under the Credit Agreement have an enforceable ownership interest in the

or sublicense or otherwise) to use all of the computer software used to account for the Receivables and/or to recreate such Records.

Section 1.7 Characterization.

If, notwithstanding the intention of the parties expressed in Q, any sale or contribution by any Originator to Buyer of Receivables hereunder shall be characterized as a secured loan and not a sale or such sale shall for any reason be ineffective or unenforceable, then this Agreement shall be deemed to constitute a security agreement under the UCC and other applicable law. For this purpose and without being in derogation of the parties' intention that the sale of Receivables hereunder shall constitute a true sale thereof, each Originator hereby grants to Buyer a duly perfected security interest in all of such Originator's right, title and interest in, to and under all Receivables now existing and hereafter arising, all Collections and Related Security with respect thereto, each Lock-Box and Collection Account, all other rights and payments relating to the Receivables and all proceeds of the foregoing, whether now owned or hereafter acquired, now existing or hereafter arising and wherever located, including, without limitation, any of the foregoing constituting accounts, deposit accounts, chattel paper, electronic chattel paper, instruments, general intangibles, payment intangibles, to secure the prompt and complete payment of a loan deemed to have been made in an amount equal to the Purchase Price of the Receivables together with all other obligations of each Originator hereunder, which security interest shall be prior to all other Adverse Claims thereto. Buyer and its assigns shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC and other applicable law, which rights and remedies shall be cumulative.

Article II

Representations and Warranties

Section 2.1 Representations and Warranties of Originators.

Each Originator hereby represents and warrants to Buyer as to itself, as of the date hereof, as of the date of each Purchase and as of each date that any Receivable of such Originator comes into existence that:

(a) Such Originator's jurisdiction of formation is correctly set forth in Exhibit II to this Agreement. Such Originator is duly organized under the laws of such jurisdiction and is a "registered organization" as defined in the UCC in effect in such jurisdiction. Such Originator is validly existing and in good standing under the laws of its state of organization. Such Originator is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all governmental licenses, authorizations, comments and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to do so qualify or so hold could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by such Originator of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and, such Originator's use of the proceeds of the Purchase made hereunder, are within its organizational powers and authority and have been duly authorized by all necessary organizational action on its part. This Agreement and each other Transaction Document to which such Originator is a party has been duly executed and delivered by such Originator.

(c) No Conflict. The execution and delivery by such Originator of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its Organizational Documents, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of such Originator or its Subsidiaries (except as created hereunder) except, in any case, where such contravention, violation, creation or imposition could not reasonably be expected to have a Material Adverse Effect; notwithstanding the foregoing, neither the execution and delivery by such Originator of each Transaction Document to which it is a party nor the performance of its obligations thereunder result in the creation or the imposition of any Adverse Claim on any portion or all of the Collateral; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Originator of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of such Originator's knowledge, threatened, against or affecting such Originator, or any of its properties, in or before any court, arbitrator or other body, that could reasonably be expected to have a Material Adverse Effect. Such Originator is not in default with respect to any order of any court, arbitrator or governmental body, except where such default could not reasonably be expected to have a Material Adverse Effect.

(f) Binding Effect. This Agreement and each other Transaction Document to which any Originator is a party constitute the legal, valid and binding obligations of such Originator enforceable against such Originator in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All information heretofore furnished by such Originator or any of its Affiliates to Buyer (or its assigns) for purposes of or in connection with

this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by such Originator or any of its Affiliates to Buyer (or its assigns) will be, true and accurate in every material respect as of the date such information is stated or certified and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(h) Use of Proceeds. No portion of any Purchase Price payment hereunder will be used (i) for a purpose that violates, or would be inconsistent with, any law, rule or regulation applicable to such Originator or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

(i) Good Title. Immediately prior to the Purchase hereunder and upon the creation of each Receivable coming into existence after the Initial Cut-Off Date, such Originator (i) is the legal and beneficial owner of the Receivables sold or contributed by it hereunder and (ii) is the legal and beneficial owner of the Related Security with respect thereto or possesses a valid and perfected security interest therein, in each case, free and clear of any Adverse Claim, except as created by the Transaction Documents or the Permitted Adverse Claim. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect such Originator's ownership interest in each Receivable sold or contributed by it hereunder, its Collections and the Related Security.

(j) Perfection. This Agreement, together with the filing of the financing statements contemplated hereby, is effective to transfer to Buyer (and Buyer shall acquire from such Originator) (i) legal and equitable title to, with the right to sell and encumber each Receivable existing and hereafter arising, together with the Collections with respect thereto, and (ii) all of such Originator's right, title and interest in the Related Security associated with each Receivable, in each case, free and clear of any Adverse Claim, except as created by the Transaction Documents and the Permitted Adverse Claim. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Buyer's ownership interest in the Receivables, the Related Security and the Collections. Such Originator's jurisdiction of organization is a jurisdiction whose law generally requires information concerning the existence of a nonpossessory security interest to be made generally available in a filing, record or registration system as a condition or result of such a security interest's obtaining priority over the rights of a lien creditor which respect to collateral.

(k) Places of Business and Locations of Records. The jurisdiction of formation, principal places of business and chief executive office of such Originator and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit II or such other locations of which Buyer has been notified in accordance with Section 4.2(a) in jurisdictions where all action required by Section 4.2(a) has been taken and completed. Such Originator's Federal Employer Identification Number is correctly set forth on Exhibit II.

(l) Collections. The conditions and requirements set forth in Section 4.1(i) have at all times been satisfied and duly performed. The names and addresses of all Collection Banks, together with the account numbers of the Collection Accounts of such Originator at each Collection Bank and the post office box number of each Lock-Box, are listed on Exhibit III. Such Originator has not granted any Person, other than Buyer (and its assigns) dominion and control of any Lock-Box or Collection Account, or the right to take dominion and control of any such Lock-Box or Collection Account at a future time or upon the occurrence of a future event.

(m) Material Adverse Effect. Each Originator represents and warrants that except as described in Exhibit VIII as delivered on the Closing Date or as amended thereafter with the prior written consent of the Administrative Agent (which consent may be withheld in its sole discretion), since June 30, 2001 no event has occurred that would have a Material Adverse Effect.

(n) Names. The name in which such Originator has executed this Agreement is identical to the name of such Originator as indicated on the public record of its state of organization which shows Originator to have been organized. Except as described in Exhibit II attached hereto, in the past five (5) years, such Originator has not used any corporate names, trade names or assumed names other than the name in which it has executed this Agreement.

(o) Ownership of Buyer. Louisiana-Pacific owns, directly or indirectly, 100% of the issued and outstanding equity interests of Buyer, free and clear of any Adverse Claim. Such equity interests are validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of Buyer.

(p) Not a Holding Company or an Investment Company. Such Originator is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. Such Originator is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(q) Compliance with Law. Such Originator has complied in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Receivable, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), and no part of such Contract is in violation of any such law, rule or regulation, except where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(r) Compliance with Credit and Collection Policy. Such Originator has complied in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract, except to the extent any such failure to comply could have a Material Adverse Effect, and has not made any change to such Credit and Collection Policy, except such change as to which Buyer (or its assigns) has been notified in accordance with Section 4.1(a)(vii).

(s) **Payments to Originators.** With respect to each Receivable transferred to Buyer hereunder, the Purchase Price received by such Originator constitutes reasonably equivalent value in consideration therefor. No transfer by such Originator of any Receivable hereunder is or may be voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C. §§ 101 *et seq.*), as amended.

(t) **Enforceability of Contracts.** Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(u) **Eligible Receivables.** Each Receivable reflected in any Purchase Report as an Eligible Receivable on the date of such Purchase Report was an Eligible Receivable on the last day of the period to which such Purchase Report relates.

(v) **Accounting.** The manner in which such Originator accounts for the transactions contemplated by this Agreement does not adversely affect the status of the transfers of Receivables, Related Security and all proceeds thereof to Buyer pursuant to this Agreement as true sales for bankruptcy purposes.

Article III

Conditions of Purchase

Section 3.1 Conditions Precedent to Purchase.

The initial Purchase under this Agreement is subject to the conditions precedent that (a) Buyer shall have been capitalized with the Initial Contributed Receivables, (b) Buyer shall have received on or before the Closing Date those documents listed on Schedule A and (c) all of the conditions to effectiveness of the Credit Agreement shall have been satisfied or waived in accordance with the terms thereof.

Section 3.2 Conditions Precedent to Subsequent Payments.

Buyer's obligation to pay for Receivables coming into existence after the Initial Cutoff Date shall be subject to the further conditions precedent that: (a) the Facility Termination Date shall not have occurred under the Credit Agreement; (b) Buyer (or its assigns) shall have received such other approvals, opinions or documents as it may reasonably request and (c) on the date such Receivable came into existence, the following statements shall be true (and acceptance of the proceeds of any payment for such Receivable shall be deemed a representation and warranty by the applicable Originator that such statements are then true):

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(i) the representations and warranties set forth in Q are true and correct on and as of the date such Receivable came into existence as though made on and as of such date; and

(ii) no event has occurred and is continuing that will constitute a Termination Event or an Unmatured Termination Event.

Notwithstanding the foregoing conditions precedent, upon payment of the Purchase Price for any Receivable (whether by payment of cash, through an increase in the amounts outstanding under the Subordinated Note, by offset of amounts owed to Buyer and/or by offset of capital contributions), title to such Receivable and the Related Security and Collections with respect thereto shall vest in Buyer, whether or not the conditions precedent to Buyer's obligation to pay for such Receivable were in fact satisfied. The failure of any Originator to satisfy any of the foregoing conditions precedent, however, shall give rise to a right of Buyer to rescind the related purchase and direct the applicable Originator to pay to Buyer an amount equal to the Purchase Price payment that shall have been made with respect to any Receivables related thereto.

Article IV

Covenants

Section 4.1 Affirmative Covenants of Originators.

Until the date on which this Agreement terminates in accordance with its terms, each Originator hereby covenants, as to itself, as set forth below:

(a) **Financial Reporting.** Such Originator will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish to Buyer (or its assigns):

(i) **Annual Reporting.** Within 90 days after the close of each of its respective fiscal years, audited, unqualified financial statements (which shall include balance sheets, statements of income and retained earnings and a statement of cash flows) for such Originator for such fiscal year certified in a manner acceptable to Buyer (or its assigns) by independent public accountants reasonably acceptable to Buyer (or its assigns).

(ii) **Quarterly Reporting.** Within 45 days after the close of the first three (3) quarterly periods of each of its respective fiscal years, balance sheets of such Originator as at the close of each such period and statements of income and retained earnings and a statement of cash flows for such Originator for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer.

(iii) **Compliance Certificate.** Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit IV signed by such Originator's Authorized Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

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(iv) Shareholders Statements and Reports. Promptly upon the furnishing thereof to the shareholders of such Originator, copies of all financial statements, reports and proxy statements so furnished; provided, however, that to the extent that copies of any such financial statements, reports or proxy statements are publicly available on EDGAR, the requirements of this clause (iv) shall be satisfied.

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which such Originator or any of its Subsidiaries files with the Securities and Exchange Commission; provided, however, that to the extent copies of such registration statements and annual, quarterly, monthly or other regular reports are publicly available on EDGAR, the requirements of this clause (v) shall be satisfied.

(vi) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than Buyer, the Administrative Agent or Blue Ridge, copies of the same.

(vii) Change in Credit and Collection Policy. At least seven (7) days prior to the effectiveness of any change in or amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such proposed change or amendment, and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables, requesting Buyer's (and the Administrative Agent's, as Buyer's assignee) consent thereto.

(viii) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables or the condition or operations, financial or otherwise, of such Originator as Buyer (or its assigns) may from time to time reasonably request in order to protect the interests of Buyer (and its assigns) under or as contemplated by this Agreement.

(b) Notices. Each Originator will notify Buyer (or its assigns), as to itself, in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Termination Events or Unmatured Termination Events. The occurrence of each Termination Event and each Unmatured Termination Event, by a statement of an Authorized Officer of such Originator.

(ii) Judgment and Proceedings. (A) The entry of any judgment or decree against such Originator or any of its Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against such Originator and its Subsidiaries exceeds \$25,000,000 after deducting (1) the amount with respect to which such Originator or any such Subsidiary is insured and with respect to which the insurer has assumed responsibility in writing, and (2) the amount for which such Originator or any such

Subsidiary is otherwise indemnified if the terms of such indemnification are satisfactory to Buyer (or its assigns), and (B) the institution of any litigation, arbitration proceeding or governmental proceeding against such Originator which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(iii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect.

(iv) Defaults Under Other Agreements. The occurrence of a default or an event of default under any Material Indebtedness or an event of default under any other financing arrangement pursuant to which such Originator is a debtor or an obligor.

(v) ERISA Events. The occurrence of any ERISA Event.

(vi) Downgrade of Originators. Any downgrade in the rating of any Indebtedness of such Originator by S&P or by Moody's, setting forth the Indebtedness affected and the nature of such change.

(c) Compliance with Laws and Preservation of Existence. Such Originator will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect. Such Originator will preserve and maintain its legal existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign entity in each jurisdiction where its business is conducted, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(d) Audits. Originator will furnish to Buyer (or its assigns) from time to time such information with respect to it and the Receivables as Buyer (or its assigns) may reasonably request. Such Originator will, from time to time during regular business hours as requested by Buyer (or its assigns), upon reasonable notice and at the sole cost of such Originator, permit Buyer (or its assigns) or their respective agents or representatives, (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Originator relating to the Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to such Originator's financial condition or the Receivables and the Related Security or any Originator's performance under any of the Transaction Documents or any such Originator's performance under the Contracts and, in each case, with any of the officers or employees of such Originator having knowledge of such matters (each of the foregoing examinations and visits a "Review"); provided, however, that so long as no Amortization Event has occurred, (A) the Originators shall only be responsible for the cost and expenses of a total of one (1) Review in any one calendar year hereunder and under Section 7.1(d) of the Credit Agreement, and (B) Buyer will not request more than a total of four (4) Reviews in any one calendar year hereunder and under Section 7.1(d) of the Credit Agreement; provided further that satisfaction of the audit requirements of Section 7.1(d) of the Credit Agreement shall satisfy the requirements of this Section 4.1(d).

(e) Keeping and Marking of Records and Books.

(i) Such Originator will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). Such Originator will give Buyer (or its assigns) notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Such Originator will (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Receivables with a legend, acceptable to Buyer (or its assigns), describing Buyer's ownership interests in the Receivables and further describing the interest therein of the Administrative Agent (on behalf of the Secured Parties) under the Credit Agreement and (B) upon the request of Buyer (or its assigns) following the occurrence of an Amortization Event, deliver to Buyer (or its assigns) all Contracts (including, without limitation, all multiple originals of any such Contract) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. Such Originator will timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and (ii) comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related Contract, except to the extent any such failure to comply could have a Material Adverse Effect.

(g) Ownership. Such Originator will take all necessary action to establish and maintain, irrevocably in Buyer, (A) legal and equitable title to the Receivables and the Collections and (B) all of Originator's right, title and interest in the Related Security associated with the Receivables, in each case, free and clear of any Adverse Claims other than Adverse Claims in favor of Buyer (and its assigns) (including, without limitation, promptly (but in no event later than December 15, 2001) obtaining a release with respect to the Permitted Adverse Claim, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Buyer's interest in such Receivables, Related Security and Collections and such other action to perfect, protect or more fully evidence the interest of Buyer as Buyer (or its assigns) may reasonably request).

(h) Reliance. Such Originator acknowledges that the Administrative Agent, the Lender and the Committed Banks are entering into the transactions contemplated by the Credit Agreement in reliance upon Buyer's identity as a legal entity that is separate from such Originator and any Affiliates thereof. Therefore, from and after the date of execution and delivery of this Agreement, such Originator will take all reasonable steps including, without

limitation, all steps that Buyer or any assignee of Buyer may from time to time reasonably request to maintain Buyer's identity as a separate legal entity and to make it manifest to third parties that Buyer is an entity with assets and liabilities distinct from those of such Originator and any Affiliates thereof and not just a division of such Originator or any such Affiliate. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, such Originator (i) will not hold itself out to third parties as liable for the debts of Buyer nor purport to own the Receivables and other assets acquired by Buyer, (ii) will at all times comply, and take all other actions necessary on its part to ensure that Buyer is at all times in compliance, with the "separateness covenants" set forth in Section 7.1(i) of the Credit Agreement, including without limitation, Section 7.1(i)(xviii) thereof and (iii) will cause all tax liabilities arising in connection with the transactions contemplated herein or otherwise to be allocated between such Originator and Buyer on an arm's-length basis and in a manner consistent with the procedures set forth in U.S. Treasury Regulations § 1.1552-1.

(i) Collections. Such Originator will cause (i) all proceeds from all Lock-Boxes to be directly deposited by a Collection Bank into a Collection Account and (ii) each Lock-Box and Collection Account to be subject at all times to a Collection Account Agreement that is in full force and effect. In the event any payments relating to Receivables are remitted directly to such Originator or any Affiliate of such Originator, such Originator will remit (or will cause all such payments to be remitted) directly to a Collection Bank and deposited into a Collection Account within two (2) Business Days following receipt thereof and, at all times prior to such remittance, such Originator will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of Buyer and its assigns. Such Originator will transfer exclusive ownership, dominion and control of each Lock-Box and Collection Account to Buyer and, will not grant the right to take dominion and control of any Lock-Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to Buyer (or its assigns) as contemplated by this Agreement and the Credit Agreement.

(j) Taxes. Such Originator will file all tax returns and reports required by law to be filed by it and promptly pay all taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. Such Originator will pay when due any taxes payable in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of Buyer and its assigns.

Section 4.2 Negative Covenants of Originators.

Until the date on which this Agreement terminates in accordance with its terms, each Originator hereby covenants, as to itself, that:

(a) Name Change, Offices and Records. Such Originator will not change its (i) jurisdiction of formation, (ii) name, (iii) identity or structure (within the meaning of Article 9 of any applicable enactment of the UCC) or relocate its chief executive office at any time while the location of its chief executive office is relevant to perfection of Buyer's interest in the

Receivables or the associated Related Security and Collections, or any office where Records are kept unless it shall have: (A) given Buyer (or its assigns) at least forty-five (45) days' prior written notice thereof and (B) delivered to Buyer (or its assigns) all financing statements, instruments and other documents requested by Buyer (or its assigns) in connection with such change or relocation.

(b) **Change in Payment Instructions to Obligors.** Without the prior written consents of the Buyer and the Administrative Agent, such Originator will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box or Collection Account, unless Buyer (or its assigns) shall have received, at least ten (10) days before the proposed effective date therefor, (i) written notice of such addition, termination or change and (ii) with respect to the addition of a Collection Bank or a Collection Account or Lock-Box, an executed Collection Account Agreement with respect to the new Collection Account or Lock-Box; provided, however, that such Originator may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account.

(c) **Modifications to Contracts and Credit and Collection Policy.** Without the prior written consents of the Buyer and the Administrative Agent, such Originator will not make any change to the Credit and Collection Policy that could adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables. Except as otherwise permitted in its capacity as Subservicer pursuant to the Credit Agreement, such Originator will not extend, amend or otherwise modify the terms of any Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

(d) **Sales, Liens.** Such Originator will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim other than the Permitted Adverse Claim, upon (including, without limitation, the filing of any financing statement) or with respect to, any Receivable, Related Security or Collections, or upon or with respect to any Contract under which any Receivable arises, or any Lock-Box or Collection Account, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of Buyer provided for herein), and such Originator will defend the right, title and interest of Buyer in, to and under any of the foregoing property, against all claims of third parties claiming through or under Originator. Such Originator shall not create or suffer to exist any mortgage, pledge, security interest, encumbrance, lien, charge or other similar arrangement on any of the proceeds of its inventory constituting Receivables or Related Security. If such Originator creates or suffers to exist any lien or encumbrance on any of its inventory, the Originator shall send each such agreement to the Administrative Agent prior to execution of any such agreement to enable the Administrative Agent to review any such security agreements, any financing statements and any other documents or instruments in connection with the creation of such lien or encumbrance to determine in its sole discretion that such lien or encumbrance does not relate to (i) any proceeds of any of such Originator's inventory constituting Receivables and Related Security and (ii) any of the Collateral. In the event that the Administrative Agent determines any such agreement, financing statement or other document or instrument relates to any portion or all of the

Receivables, the Related Security or the Collateral, the Originator shall not execute such security agreement, financing statement or other document or instrument.

(e) **Accounting for Purchase.** Such Originator will not, and will not permit any Affiliate to, account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than the sale of the Receivables and the Related Security by such Originator to Buyer or in any other respect account for or treat the transactions contemplated hereby in any manner other than as a sale of the Receivables and the Related Security by such Originator to Buyer except to the extent that such transactions are not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

Article V

Termination Events

Section 5.1 **Termination Events.**

The occurrence of any one or more of the following events shall constitute a Termination Event:

(a) Any Originator shall fail (i) to make any payment or deposit required hereunder when due and such failure shall continue for one (1) Business Day after notice thereof has been given by the Buyer (or its assigns) to such Originator, or (ii) to perform or observe any term, covenant or agreement hereunder (other than as referred to in clause (i), of this paragraph (a)) or any other Transaction Document to which it is a party and such failure shall continue for ten (10) consecutive Business Days.

(b) Any representation or warranty made by any Originator in any Transaction Document to which it is a party or in any other document delivered pursuant thereto shall prove to have been incorrect when made or deemed made or any other certification or statement by any Originator shall prove to have been incorrect in any material respect when made or deemed made.

(c) Failure of any Originator to pay any Indebtedness when due in excess of \$25,000,000; or the default by any Originator in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed that continues after the expiration of any applicable cure period or grace period or that is not waived by the holder or holders of such Indebtedness, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of any Originator shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(d) An Event of Bankruptcy shall occur with respect to any Originator or any of their respective Subsidiaries.

(e) A Change of Control shall occur.

(f) One or more final judgments for the payment of money in an amount in excess of \$25,000,000, individually or in the aggregate, shall be entered against any Originator on any of its Subsidiaries on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for thirty (30) consecutive days without a stay of execution.

(g) The Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Tax Code with regard to any of the Receivables and Related Security and such lien shall continue until the earlier of (i) seven (7) days after inception and (ii) knowledge by any Secured Party of such lien, or the PBGC shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the Receivables and Related Security.

(h) Any Plan of any Originator or any of its respective ERISA Affiliates:

(i) shall fail to be funded in accordance with the minimum funding standard resulting from an accumulated funding deficiency as required by applicable law, the terms of such Plan, Section 412 of the Tax Code or Section 302 of ERISA for any plan year or a waiver of such standard is sought or granted with respect to such Plan under applicable law, the terms of such Plan or Section 412 of the Tax Code or Section 303 of ERISA; or

(ii) is being, or has been, terminated or the subject of termination proceedings under applicable law or the terms of such Plan; or

(iii) shall require such Originator or any of its ERISA Affiliates to provide security under applicable law, the terms of such Plan, Section 401 or 412 of the Tax Code or Section 306 or 307 of ERISA; or

(iv) results in a liability to such Originator or any of its ERISA Affiliates under applicable law, the terms of such Plan, or Title IV ERISA,

and there shall result from any such failure, waiver, termination or other event a liability to the PBGC or a Plan that would have a Material Adverse Effect.

Section 5.2 Remedies.

Upon the occurrence and during the continuation of a Termination Event, Buyer may take any of the following actions: (a) declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Originator; provided, however, that upon the occurrence of a Termination Event described in Section 5.1(d), or of an actual or deemed entry of an order for relief with respect to any Originator under the Federal Bankruptcy Code, the Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Originator and (b) to the fullest extent

permitted by applicable law, declare that the Default Fee shall accrue with respect to any amounts then due and owing by the applicable Originator to Buyer. The aforementioned rights and remedies shall be without limitation and shall be in addition to all other rights and remedies of Buyer and its assigns otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

Article VI

Indemnification

Section 6.1 Indemnities by Originators.

Without limiting any other rights that Buyer may have hereunder or under applicable law, each Originator hereby agrees to indemnify (and pay upon demand to) Buyer and its assigns, officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including attorneys' fees (which attorneys may be employees of Buyer or any such assign) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by Buyer of an interest in the Receivables, excluding, however:

(a) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(c) taxes imposed by any jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition, either directly or indirectly, by the Lender, any Committed Bank or any Liquidity Bank of an interest in the Receivables under the Credit Agreement;

provided, however, that nothing contained in this sentence shall limit the liability of any Originator or limit the recourse of Buyer to such Originator for amounts otherwise specifically provided to be paid by such Originator under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, but subject in each case to clauses (a), (b) and (c) above, each Originator shall indemnify Buyer for Indemnified Amounts in excess of any Purchase Price Credit received by the Buyer with respect thereto, relating to or resulting from:

(i) any representation or warranty made by such Originator (or any officers of such Originator) under or in connection with any Purchase Report, this Agreement, any other Transaction Document or any other information or report delivered by such Originator pursuant hereto or thereto for which Buyer has not received a Purchase Price Credit that shall have been false or incorrect when made or deemed made;

(ii) the failure by such Originator, to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract related thereto included therein with any such applicable law, rule or regulation or any failure of such Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of such Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability, personal injury or damage, suit or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vi) the commingling of Collections of Receivables at any time with other funds;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of the Purchase hereunder, the ownership of the Receivables or any other investigation, litigation or proceeding relating to such Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) any Termination Event described in Section 5.1(d);

(x) any failure to vest and maintain vested in Buyer, or to transfer to Buyer, legal and equitable title to, and ownership of, the Receivables and the Collections, and all

of Originator's right, title and interest in the Related Security associated with the Receivables, in each case, free and clear of any Adverse Claim;

(xi) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents with respect to such Originator or Borrower under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivable, the Related Security and Collections with respect thereto, and the proceeds of any thereof, whether at the time of the Purchase or at any subsequent time;

(xii) any action or omission by such Originator which reduces or impairs the rights of Buyer with respect to any Receivable or the value of any such Receivable;

(xiii) any attempt by any Person to void the Purchase hereunder under statutory provisions or common law or equitable action; and

(xiv) the failure of any Receivable reflected as an Eligible Receivable in any Purchase Report to be an Eligible Receivable on the date of such Purchase Report.

Section 6.2 Defense of Claims.

(a) An Indemnified Party shall, after obtaining actual knowledge, thereof, promptly notify each Originators in writing of any Claim as to which indemnification is sought (unless any Originator theretofore has notified such Indemnified Party of such Claim); except that the failure to give such notice shall not release any Originator from any of its obligations under this Agreement, however, such Originator's obligations shall be reduced to the extent that failure to promptly give notice of any action, suit or proceeding against such Indemnified Party (i) impairs such Originator from defending such Claim or (ii) increases the amount for which such Originator is liable in accordance with Section 6.1. Within thirty (30) days after receiving notice from an Indemnified Party of any Claim as to which indemnification is sought, each Originator, if it so desires, may elect in writing, subject to the provisions of the following paragraph, to control, at its sole cost and expense, and to assume full responsibility for, the defense of such Claim with counsel acceptable to the Indemnified Parties in their reasonable discretion; provided, that such Originator has agreed in writing on or prior to the assumption of such defense to indemnify such Indemnified Party for such Claim. If any Originator elects to assume the defense of such Claim, such Originator shall keep the Indemnified Party which is the subject of such proceeding fully apprised of the status of the proceeding and shall provide such Indemnified Party with all information with respect to such proceeding as such Indemnified Party may reasonably request. If such Originator does not elect to assume control, as provided for above, and provided it is not prevented from assuming such control pursuant to the provisions of clause (b) below, the applicable Indemnified Party shall, at the expense of such Originator supply such Originator with all such information and documents reasonably requested by such Originator.

(b) Notwithstanding any of the foregoing to the contrary, no Originator shall be entitled to control and assume responsibility for the defense of such Claim if in the reasonable opinion of such Indemnified Party (i) there exists an actual or potential conflict of interest, such that such Indemnified Party determines that it is desirable to retain control of such proceeding (ii)

such Claim involves the risk of criminal liability to such Indemnified Party or (iii) the control of such Claim would involve a conflict of interest. In the circumstances described above, the Indemnified Party shall be entitled to control and assume responsibility for the defense of such claim or liability, subject to Section 6.1, at the expense of such Originator.

(c) No Indemnified Party shall settle any Claim without the prior consent of the applicable Originator (which consent shall not be unreasonably withheld). No Originator may settle any Claim without the prior written consent of each affected Indemnified Party which consent may not be unreasonably withheld or delayed in the case of a money settlement not involving an admission of liability of such Indemnified Party, nor may any Originator settle any Claim if such settlement results, or could reasonably be expected to result, in criminal liability of such Indemnified Party.

Section 6.3 Other Costs and Expenses.

The Originators shall pay to Buyer on demand all costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder. Each Originator shall pay to Buyer on demand any and all costs and expenses of Buyer, if any, including counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following a Termination Event.

Article VII

Miscellaneous

Section 7.1 Waivers and Amendments.

(a) No failure or delay on the part of Buyer (or its assigns) in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing signed by each Originator, Buyer and the Administrative Agent and, to the extent required under the Credit Agreement, the Liquidity Banks or the Required Liquidity Banks. Any material amendment, supplement, modification of waiver will require satisfaction of the Rating Agency Condition.

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Section 7.2 Notices.

All communications and notices provided for hereunder shall be in writing (including bank wire, facsimile or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or facsimile numbers set forth on the signature pages hereof or at such other address or facsimile number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (a) if given by facsimile, upon the receipt thereof, (b) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (c) if given by any other means, when received at the address specified in this Section 7.2.

Section 7.3 Protection of Ownership Interests of Buyer.

(a) Each Originator agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that Buyer (or its assigns) may request, to perfect, protect or more fully evidence the interest of Buyer hereunder and the Receivable Interests, or to enable Buyer (or its assigns) to exercise and enforce their rights and remedies hereunder. At any time, Buyer (or its assigns) may, at the applicable Originator's sole cost and expense, direct such Originator to notify the Obligors of Receivables of the ownership interests of Buyer under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to Buyer or its designee.

(b) If any Originator fails to perform any of its obligations hereunder, Buyer (or its assigns) may (but shall not be required to) perform, or cause performance of, such obligations, and Buyer's (or such assigns') costs and expenses incurred in connection therewith shall be payable by such Originator as provided in Section 6.2. Each Originator irrevocably authorizes Buyer (and its assigns) at any time and from time to time in the sole discretion of Buyer (or its assigns), and appoints Buyer (and its assigns) as its attorney(ies)-in-fact, to act on behalf of such Originator (i) to execute on behalf of such Originator as debtor and to file financing statements necessary or desirable in Buyer's (or its assigns') sole discretion to perfect and to maintain the perfection and priority of the interest of Buyer in the Receivables and associated Related Security and Collections and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as Buyer (or its assigns) in their sole discretion deem necessary or desirable to perfect and to maintain the perfection and priority of Buyer's interests in the Receivables. This appointment is coupled with an interest and is irrevocable. (A) Each Originator hereby authorizes Buyer (or its assigns) to file financing statements and other filing or recording documents with respect to the Receivables and Related Security (including any amendments thereto, or continuation or termination statements thereof), without the signature or other authorization of such Originator, in such form and in such offices as Buyer (or any of its assigns) reasonably determines appropriate to perfect or maintain the perfection of the ownership or security interests of Buyer (or its assigns) hereunder, (B) each Originator acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Receivables or Related Security (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by the Administrative

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Agent (as Buyer's assignee), consenting to the form and substance of such filing or recording document, and (C) each Originator approves, authorizes and ratifies any filings or recordings made by or on behalf of the Administrative Agent (as Buyer's assign) in connection with the perfection of the ownership or security interests in favor of Buyer or the Administrative Agent (as Buyer's assign).

Section 7.4 Confidentiality.

(a) Each Originator shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential or proprietary information with respect to the Administrative Agent, any Committed Bank and Blue Ridge and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that such Originator and its officers and employees may disclose such information to such Originator's external accountants and attorneys and as required by any applicable law or order of any judicial or administrative proceeding.

(b) Anything herein to the contrary notwithstanding, each Originator hereby consents to the disclosure of any nonpublic information with respect to it (i) to Buyer, the Administrative Agent, the Committed Banks, the Liquidity Banks or Blue Ridge by each other, (ii) by Buyer, the Administrative Agent, the Lender or the Committed Banks to any prospective or actual assignee or participant of any of them who executes a confidentiality agreement for the benefit of any Originator on terms comparable to those required of Buyer hereunder with respect to such disclosed information, and (iii) by the Administrative Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Blue Ridge or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Wachovia acts as the administrative agent, and (iv) to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided that each such Person is informed of the confidential nature of such information and in the case of any Person referred to in clause (iii), the Buyer (or its assigns) shall use reasonable efforts to cause each such Person to agree to keep such information confidential. In addition, the Committed Banks, Blue Ridge and the Administrative Agent may disclose any such nonpublic information with respect to any Originator to the extent required pursuant to any applicable law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings with competent jurisdiction (whether or not having the force or effect of law).

(c) Buyer shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential or proprietary information with respect to each Originator, the Obligors and their respective businesses obtained by it in connection with the due diligence evaluations, structuring, negotiating and execution of the Transaction Documents, and the consummation of the transactions contemplated herein and any other activities of Buyer arising from or related to the transactions contemplated herein provided, however, that each of Buyer and its employees and officers shall be permitted to disclose such confidential or proprietary information: (i) to the Administrative Agent, the Committed Banks, the Liquidity Banks and Blue Ridge, (ii) to any prospective or actual assignee

or participant of the Administrative Agent, the Lender or the Committed Banks who execute a confidentiality agreement for the benefit of such Originator and Buyer on terms comparable to those required of Buyer hereunder with respect to such disclosed information, (iii) to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Blue Ridge or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Wachovia acts as the administrative agent, and (iv) to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided that each such Person is informed of the confidential nature of such information and in the case of any Person referred to in clause (iii), the Buyer (or its assigns) shall use reasonable efforts to cause each such Person to agree to keep such information confidential. In addition, the Committed Banks, Blue Ridge and the Administrative Agent may disclose any such nonpublic information to the extent required pursuant to any applicable law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings with competent jurisdiction (whether or not having the force or effect of law).

Section 7.5 Bankruptcy Petition.

(a) Each Originator and Buyer hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

(b) Each Originator covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding obligations of Buyer under the Credit Agreement, it will not institute against, or join any other Person in instituting against, Buyer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 7.6 Limitation of Liability.

Except with respect to any claim arising out of the willful misconduct or gross negligence of Blue Ridge, the Administrative Agent, any Committed Bank or any Liquidity Bank, no claim may be made by any Originator, the Buyer or any of their respective Affiliates, against Blue Ridge, the Administrative Agent or any Liquidity Bank or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each Originator hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 7.7 CHOICE OF LAW.

THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS)

OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW) OF THE STATE OF NEW YORK.

Section 7.8 CONSENT TO JURISDICTION.

EACH ORIGINATOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT AND

ORIGINATOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF BUYER (OR ITS ASSIGNS) TO BRING PROCEEDINGS AGAINST ORIGINATOR IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ORIGINATOR AGAINST BUYER (OR ITS ASSIGNS) OR ANY AFFILIATE THEREOF INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

Section 7.9 WAIVER OF JURY TRIAL.

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 7.10 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of each Originator, Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). No Originator may assign any of its rights and obligations hereunder or any interest herein without the prior written consent of Buyer and the Administrative Agent. Buyer may, without the consent of the Originators, assign to the Administrative Agent, for the benefit of the

Secured Parties, its rights, remedies, powers and privileges hereunder and the Administrative Agent may further assign such rights, remedies, powers and privileges to the extent permitted in the Credit Agreement. Each Originator agrees that the Administrative Agent, as the assignee of Buyer, shall, subject to the terms of the Credit Agreement, have the right to enforce this Agreement and to exercise directly all of Buyer's rights and remedies under this Agreement (including, without limitation, the right to give or withhold any consents or approvals of Buyer to be given or withheld hereunder) and such Originator agrees to cooperate fully with the Administrative Agent in the exercise of such rights and remedies. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by Originator pursuant to Article II; (ii) the indemnification and payment provisions of Article VI; and (iii) Section 7.5 shall be continuing and shall survive any termination of this Agreement.

Section 7.11 Counterparts; Severability; Section References.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of a signature page by facsimile shall be effective as delivery of manually executed counterpart of this Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

LOUISIANA-PACIFIC CORPORATION

By: _____
Name: _____
Title: _____

Address:
805 S.W. Broadway
Portland, Oregon 97205-3033

LP WOOD POLYMERS, INC.

By: _____
Name: _____
Title: _____

Address:
c/o Louisiana-Pacific Corporation
805 S.W. Broadway
Portland, Oregon 97205-3033

LP RECEIVABLES CORPORATION

By: _____
Name: _____
Title: _____

Address:
c/o Louisiana-Pacific Corporation
805 S.W. Broadway
Portland, Oregon 97205-3033

Exhibit I

Definitions

This is Exhibit I to the Agreement (as hereinafter defined). As used in the Agreement and the Exhibits and Schedules thereto, capitalized terms have the meanings set forth in this Exhibit I (such meanings to be equally applicable to the singular and plural forms thereof). If a capitalized term is used in the Agreement, or any Exhibit or Schedule thereto, and is not otherwise defined therein or in this Exhibit I, such term shall have the meaning assigned thereto in Exhibit I to the Credit Agreement (hereinafter defined).

Administrative Agent: As defined in the Preliminary Statements..

Agreement: The Receivables Sale Agreement, dated as of November 15, 2001, between Originators and Buyer, as the same may be amended, restated or otherwise modified.

Blue Ridge: As defined in the Preliminary Statements..

Buyer: As defined in the preamble.

Calculation Period: Each Fiscal Month or portion thereof which elapses during the term of the Agreement. The first Calculation Period shall commence on the date of the first Purchase hereunder and the final Calculation Period shall terminate on the Termination Date.

Credit and Collection Policy: Each Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and delivered to Buyer and the Administrative Agent, as modified from time to time in accordance with the Agreement.

Credit Agreement: The meaning set forth in the Preliminary Statements to the Agreement.

Default Fee: A per annum rate of interest equal to the sum of (i) the Prime Rate, plus (ii) 2% per annum.

Discount Factor: As of any date, the quotient obtained by dividing (a) one, by (b) one plus the Discount Rate as of such date.

Discount Rate: As of any date, the product of (i) the sum of the Weighted Average Interest Rate, the Service Fee Rate and the Profit Rate as of such date and (ii) the quotient obtained by dividing (a) the Days Sales Outstanding as of such date, by (b) 360.

Eligible Receivables Finance Percentage: As of any date, one minus the greater of (i) the Required Reserve Factor Floor as of such date or (ii) the sum of the Loss Reserve, the Interest Reserve, the Dilution Reserve, the Cash Discount Reserve, the Rebate Reserve and the Servicing Reserve, each as of such date.

Eligible Receivables Pool Percentage: As of any date, the quotient obtained by dividing (i) the aggregate Outstanding Balance of all Eligible Receivables as of the Cut-Off Date immediately preceding such date by (ii) the aggregate Outstanding Balance of all Receivables as of the Cut-Off Date immediately preceding such date.

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preceding such date by (ii) the aggregate Outstanding Balance of all Receivables as of the Cut-Off Date immediately preceding such date.

ERISA Event: (i) a Reportable Event with respect to a Pension Plan; (ii) a withdrawal by Originator or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001 (a) (2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (iii) a complete or partial withdrawal by Originator or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (iv) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (v) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (vi) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Originator or any ERISA Affiliate.

Initial Contributed Receivables: As defined in Section 1.1.

Initial Cutoff Date: As defined in Section 1.1.

Loss Discount Factor: As of any date, one minus the quotient obtained by dividing (i) the losses (i.e., write-offs to the bad debt reserve or other write-offs consistent with the Credit and Collection Policy, in each case, net of recoveries) recognized for all Receivables during the period equal to twelve successive Calculation Periods ending on the Cut-Off Date immediately preceding such date, by (ii) the Collections on all Receivables received during such period.

Material Adverse Effect: A material adverse effect on (i) the financial condition or operations of any Originator and any of their respective Subsidiaries taken as a whole, (ii) the ability of any Originator to perform its obligations under this Agreement or any other Transaction Document to which it is a party, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document against any Originator, (iv) the Buyer's (or its assigns') security interest in the Receivables generally or in any significant portion of the Receivables, the Related Security or Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

Multiemployer Plan: A "multiemployer plan", within the meaning of Section 4001 (a) (3) of ERISA, to which Originator or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

Net Receivables Balance: With respect to any Purchase from an Originator, an amount equal to the product of (i) the Outstanding Balance of the Receivables being purchased as of the date of Purchase and (ii) the Loss Discount Factor.

Net Worth: As of the last Business Day of each Calculation Period preceding any date of determination, the excess, if any, of (i) the aggregate Outstanding Balance of the Receivables at such time, over (ii) the sum of (1) the Aggregate Principal outstanding at such time, plus (2) the aggregate outstanding principal balance of the Subordinated Loans (including any Subordinated Loan proposed to be made on the date of determination).

Non-Program Interest Rate: As of any date, the sum of (i) the offered per annum rate (rounded upwards to the nearest 1/16th of one percent) appearing in The Wall Street Journal for three month LIBOR loans on the immediately preceding Cut-Off Date and (ii) 3.00%.

Organizational Documents: For any Person, the documents for its formation and organization, which, for example, (i) for a corporation are its corporate charter and bylaws, (ii) for a partnership are its certificate of partnership (if applicable) and partnership agreement, (iii) for a limited liability company are its certificate of formation or organization and its operating agreement, regulations or the like and (iv) for a trust is the trust agreement, declaration of trust, indenture or bylaws under which it is created.

Original Balance: With respect to any Receivable coming into existence after the Initial Cutoff Date, the Outstanding Balance of such Receivable on the date it was created.

Originator: As defined in the preamble.

Originator Representative: As defined in the Subordinated Note.

Profit Rate: 1.00% per annum.

Program Interest Rate: As of any date, the sum of (i) the per annum rate (rounded upwards to the nearest 1/16 of one percent) appearing in The Wall Street Journal for 90-day dealer commercial paper on the immediately preceding Cut-Off Date and (ii) the then applicable per annum Program Fee Rate (as defined in the Fee Letter) for CP Loans.

Purchase: The purchase, transfer and assignment (whether by sale, capital contribution or otherwise), pursuant to Section 1.2(a) of the Agreement by Buyer from an Originator of the Receivables and the Related Security and Collections related thereto, together with all related rights in connection therewith.

Purchase Price: With respect to any Purchase from an Originator, the aggregate price to be paid by Buyer to such Originator in accordance with the terms of Section 1.3 of the Agreement for the Receivables, the Collections and the Related Security that are the subject of such Purchase, which price shall equal (i) the product of (A) the Net Receivables Balance of the Receivables that are the subject of such Purchase and (B) the then applicable Discount Factor, minus (ii) any outstanding Purchase Price Credits that have not previously been paid in accordance with Section 1.4.

Purchase Price Credit: As defined in Section 1.4

Purchase Report: As defined in Section 1.2(b)

Purchase Settlement Date: The second (2nd) Business Day after each Scheduled Monthly Reporting Date.

Receivable: All indebtedness and other obligations owed to each Originator (at the times it arises, and before giving effect to any transfer or conveyance under the Agreement) or Buyer (after giving effect to the transfers under the Agreement) or in which such Originator or Buyer has a security interest or other interest, including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of inventory by an Originator to any Obligor which, if a natural person, is a resident of the United States or, if a corporation or other business organization, is organized under the laws of the United States or any political subdivision thereof and has its chief executive office in the United States, and further includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided, further, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor such Originator treats such indebtedness, rights or obligations as a separate payment obligation.

Related Security: With respect to any Receivable:

- (i) All of each Originator's interest in the inventory and goods (including returned or repossessed inventory or goods), if any, the sale, financing or lease of which by an Originator gave rise to such Receivable, and all insurance contracts with respect thereto,
- (ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,
- (iii) all guaranties, letters of credit, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,
- (iv) all service contracts and other contracts and agreements associated with such Receivable,
- (v) all Records related to such Receivable,

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- (vi) all of Originator's right, title and interest in each Lock-Box and each Collection Account, and
- (vii) all proceeds of any of the foregoing.

Reportable Event: Any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

Required Capital Amount: As of any date of determination, an amount equal to the greater of (i) 3% of the Aggregate Commitment under the Credit Agreement, and (ii) the product of (A) 1.5 times the product of the Default Ratio times the Default Horizon Ratio, each as determined from the most recent Monthly Report received from the Master Servicer under the Credit Agreement, and (B) the Outstanding Balance of all Receivables as reported on the most recent Monthly Report, as determined from the most recent Monthly Report received from the Master Servicer under the Credit Agreement.

Subordinated Loan: As defined in Section 1.3(a)(ii) of the Agreement.

Subordinated Note: A promissory note in substantially the form of Exhibit VI hereto as more fully described in Section 1.3 of the Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

Tax Code: The Internal Revenue Code of 1986, as the same may be amended from time to time.

Termination Date: The earliest to occur of (i) the Facility Termination Date (as defined in the Credit Agreement), (ii) the Business Day immediately prior to the occurrence of a Termination Event set forth in Section 5.1(d), (iii) the Business Day specified in a written notice from Buyer to Originator following the occurrence of any other Termination Event, and (iv) the date which is one (1) Business Day after Buyer's receipt of written notice from an Originator that it wishes to terminate the facility evidenced by this Agreement.

Termination Event: As defined in Section 5.1 of the Agreement.

Unmatured Termination Event: An event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

Weighted Average Interest Rate: As of any date, the sum of (i) the product of (A) the Program Interest Rate, (B) the Eligible Receivables Pool Percentage, and (C) the Eligible Receivables Finance Percentage, all as of such date, and (ii) the product of (A) the Non-Program Interest Rate and (B) one minus the product of (1) the Eligible Receivables Pool Percentage and (2) the Eligible Receivables Finance Percentage, all as of such date.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

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Exhibit II

Jurisdiction of Formation; Places of Business; Locations of Records;
Federal Employer Identification Number(s); Other Names

Louisiana-Pacific Corporation

Jurisdiction of Formation: Delaware

Places of Business: 805 S.W Broadway, Portland, Oregon 97205-3033 (Chief Executive Office)

Locations of Records:

N. 13403 Government Way
Hayden Lake, Idaho 83835

340 E. Big Beaver Rd. #105
Troy, Michigan 48083

10115 Kincey Ave #150
Huntersville, NC 28078

Federal Employer Identification Number: 93-0609074

Legal, Trade and Assumed Names: Louisiana-Pacific Corporation.

LP Wood Polymers, Inc.

Jurisdiction of Formation: Oregon

Places of Business: 805 S.W Broadway, Portland, Oregon 97205-3033 (Chief Executive Office)

Locations of Records:

N. 13403 Government Way
Hayden Lake, Idaho 83835

340 E. Big Beaver Rd. #105
Troy, Michigan 48083

10115 Kincey Ave #150
Huntersville, NC 28078

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Federal Employer Identification Number: 93-1286785

Legal, Trade and Assumed Names: LP Wood Polymers, Inc.

Prior Names Used During Previous Five Years: ABT Deck, Inc.

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Exhibit III

Lock-boxes; Collection Accounts; Collection Banks

Company	Bank Name	Account No.	Acct. Purpose	Bank Address	City	State	Zip
LP Corp	Bank of America	12330-53134	Lockbox Account	File # 53564	Los Angeles	CA	90074
LP Corp	Bank of America	4970094285	Depository	2900 W. Davis	Conroe	TX	77304
LP Corp	Idaho Independent Bank	0200003838	Depository	8882 N. Government Way	Hayden Lake	ID	83835
LP Corp	Wachovia Atlanta	1864085323	Lockbox Account	PO Box 920022	Atlanta	GA	30392
LP Corp	Wachovia Dallas	1864085323	Lockbox Account	PO Box 951235	Dallas	TX	75395
LP Corp	Wells Fargo-Regulus West	4159576628	Lockbox Account	PO Box 4000-98	Portland	OR	97208
LP Corp	Wells Fargo-Regulus West	4159576628	Lockbox Account	PO Box 44479	San Francisco	CA	94144
LP Corp	First Union National Bank	2000000717265	Lockbox Account	PO Box 60335	Charlotte	NC	28260

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Exhibit IV

Form of Compliance Certificate

This Compliance Certificate is furnished pursuant to that certain Receivables Sale Agreement dated as of _____, 2001, between the originators named therein and LP Receivables Corporation (the "Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of [name of Originator] ("Originator").

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Originator and its Subsidiaries during the accounting period covered by the attached financial statements.

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Termination Event or an Unmatured Termination Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate[**, except as set forth below**].

[4. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Originator has taken, is taking, or proposes to take with respect to each such condition or event: _____].

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 200__.

[Name]

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Exhibit V

Credit and Collection Policy

[Previously Provided Under Separate Cover]

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Exhibit VII

Form of Subordinated Note

SUBORDINATED NOTE

November 15, 2001

1. **Note.** FOR VALUE RECEIVED, the undersigned, LP RECEIVABLES CORPORATION, a Delaware corporation ("SPV"), hereby unconditionally promises to pay to the order of Louisiana-Pacific Corporation, a Delaware corporation (the "Originator Representative") for the benefit of Louisiana-Pacific Corporation and LP Wood Polymers, Inc. (each an "Originator" and collectively, the "Originators"), pursuant to that certain Receivables Sale Agreement, dated as of November 15, 2001, by and among the Originators and the SPV (as amended, restated, supplemented or otherwise modified from time to time, the "Sale Agreement"), in lawful money of the United States of America and in immediately available funds, on or before the date following the Termination Date which is one year and one day after the date on which (i) the Outstanding Balance of all Receivables sold under the Sale Agreement has been reduced to zero and (ii) each Originator has paid to Buyer all indemnities, adjustments and other amounts which may be owed thereunder in connection with the Purchase thereunder (the "Collection Date"), the aggregate unpaid principal sum outstanding of all "Subordinated Loans" made from time to time by the Originators to SPV pursuant to and in accordance with the terms of the Sale Agreement. Reference to Section 1.3 of the Sale Agreement is hereby made for a statement of the terms and conditions under which the loans evidenced hereby have been and will be made. All terms which are capitalized and used herein and which are not otherwise specifically defined herein shall have the meanings ascribed to such terms in the Sale Agreement.

2. **Interest.** SPV further promises to pay interest on the outstanding unpaid principal amount hereof from the date hereof until payment in full hereof at a rate equal to the 1-month LIBOR rate published in The Wall Street Journal on the first Business Day of each month (or portion thereof) during the term of this Subordinated Note, computed for actual days elapsed on the basis of a year consisting of 360 days and changing on the first business day of each month hereafter ("LIBOR"); provided, however, that if SPV shall default in the payment of any principal hereof, SPV promises to pay, on demand, interest at the rate equal to LIBOR plus 2.00% per annum on any such unpaid amounts, from the date such payment is due to the date of actual payment. Interest shall be payable on the first Business Day of each month in arrears; provided, however, that SPV may elect on the date any interest payment is due hereunder to defer such payment and upon such election the amount of interest due but unpaid on such date shall constitute principal under this Subordinated Note. The outstanding principal of any loan made under this Subordinated Note shall be due and payable on the Collection Date and may be repaid or prepaid at any time without premium or penalty.

3. **Principal Payments.** Originator Representative is authorized and directed by SPV to enter on the grid attached hereto on behalf of each Originator, or, at its option, cause to be

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entered in the books and records of each Originator, the date and amount of each loan made by each Originator which is evidenced by this Subordinated Note and the amount of each payment of principal made by SPV, and absent manifest error, such entries shall constitute prima facie evidence of the accuracy of the

information so entered; provided that neither the failure of Originator Representative to make any such entry nor any error therein shall expand, limit or affect the obligations of SPV hereunder.

4. **Subordination.** Originator Representative shall have the right to receive, on behalf of each of the Originators, and SPV shall make, any and all payments and prepayments relating to the loans made under this Subordinated Note, provided that, after giving effect to any such payment or prepayment, the aggregate Outstanding Balance of Receivables (as each such term is defined in the Credit Agreement hereinafter referred to) owned by SPV at such time exceeds the sum of (i) the Aggregate Unpays (as defined in the Credit Agreement) outstanding at such time under the Credit Agreement, plus (ii) the aggregate outstanding principal balance of all loans made under this Subordinated Note. Each Originator and Originator Representative hereby agrees that at any time during which the conditions set forth in the proviso of the immediately preceding sentence shall not be satisfied, each Originator and Originator Representative shall be subordinate in right of payment to the prior payment of any indebtedness or obligation of SPV owing to the Administrative Agent, the Lender or any Committed Bank under the Credit Agreement. The subordination provisions contained herein are for the direct benefit of, and may be enforced by, the Administrative Agent, the Lender and the Committed Banks and/or any of their respective assignees (collectively, the "Senior Claimants") under the Credit Agreement. Until the date on which the "Aggregate Principal" outstanding under the Credit Agreement has been repaid in full and all other obligations of SPV and/or the Master Servicer thereunder and under the "Fee Letter" referenced therein (all such obligations, collectively, the "Senior Claim") have been indefeasibly paid and satisfied in full, no Originator nor Originator Representative shall institute against SPV any proceeding of the type described in Section 5.1(d) of the Sale Agreement unless and until the Collection Date has occurred. Should any payment, distribution or security or proceeds thereof be received by any Originator or Originator Representative on behalf of the Originators in violation of this Section 4, each such Originator or Originator Representative, as the case may be, agrees that such payment shall be segregated, received and held in trust for the benefit of, and deemed to be the property of, and shall be immediately paid over and delivered to the Administrative Agent for the benefit of the Senior Claimants.

5. **Bankruptcy; Insolvency.** Upon the occurrence of any proceeding of the type described in Section 5.1(d) of the Sale Agreement involving SPV as debtor, then and in any such event the Senior Claimants shall receive payment in full of all amounts due or to become due on or in respect of the Aggregate Principal and the Senior Claim (including "Interest" as defined and as accruing under the Credit Agreement after the commencement of any such proceeding, whether or not any or all of such Interest is an allowable claim in any such proceeding) before Originator Representative is entitled to receive payment on behalf of the Originators on account of this Subordinated Note, and to that end, any payment or distribution of assets of SPV of any kind or character, whether in cash, securities or other property, in any applicable insolvency proceeding, which would otherwise be payable to or deliverable upon or with respect to any or

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all indebtedness under this Subordinated Note, is hereby assigned to and shall be paid or delivered by the Person making such payment or delivery (whether a trustee in bankruptcy, a receiver, custodian or liquidating trustee or otherwise) directly to the Administrative Agent for application to, or as collateral for the payment of, the Senior Claim until such Senior Claim shall have been paid in full and satisfied.

6. **Amendments.** This Subordinated Note shall not be amended or modified except in accordance with Section 7.1 of the Sale Agreement. The terms of this Subordinated Note may not be amended or otherwise modified without the prior written consent of the Administrative Agent for the benefit of the Secured Parties.

7. **GOVERNING LAW.** THIS SUBORDINATED NOTE HAS BEEN MADE AND DELIVERED AT NEW YORK, NEW YORK, AND SHALL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS AND DECISIONS OF THE STATE OF NEW YORK. WHEREVER POSSIBLE EACH PROVISION OF THIS SUBORDINATED NOTE SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS SUBORDINATED NOTE SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS SUBORDINATED NOTE.

8. **Waivers.** All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor. Each Originator and Originator Representative additionally expressly waives all notice of the acceptance by any Senior Claimant of the subordination and other provisions of this Subordinated Note and expressly waives reliance by any Senior Claimant upon the subordination and other provisions herein provided.

9. **Assignment.** This Subordinated Note may not be assigned, pledged or otherwise transferred to any party other than Originator Representative on behalf of the Originators without the prior written consent of the Administrative Agent, and any such attempted transfer shall be void.

LP RECEIVABLES CORPORATION

By: _____
Name: _____
Title: _____

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Schedule
to
SUBORDINATED NOTE
SUBORDINATED LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Subordinated Loan	Amount of Principal Paid	Unpaid Principal Balance	Notation made by (initials)	Name of Originator
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Exhibit VII

[Form of] Purchase Report
 [Name of Originator]

For the Calculation Period beginning [date] and ending [date]

TO: BUYER AND THE AGENT (AS BUYER'S ASSIGNEE)

Aggregate Outstanding Balance of all Receivables sold during the period	\$ _____	A
Less: Purchase Price discount during the Period:	\$(_____)	(B)
Equals: Gross Purchase Price Payable during the period (A — B)	\$ _____	=C
Less: Total Purchase Price Credits arising during the Period:	\$(_____)	(D)
Equals: Net Purchase Price payable during the Period (C — D):	\$ _____	=E
Cash Purchase Price Paid to Originator during the Period:	\$ _____	F
Subordinated Loans made during the Period:	\$ _____	G
Less: Repayments of Subordinated Loans received during the Period:	\$(_____)	(H)
Equals: Purchase Price paid in Cash or Subordinated Loans during the period (F + G - H):	\$ _____	=I
Aggregate Outstanding Balance of Receivables contributed during the Period:	\$ _____	J

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Exhibit VIII

Material Adverse Effect

Since June 30, 2001, Louisiana-Pacific Corporation has filed the following reports with the Securities and Exchange Commission:

1. Quarterly Report on Form 10-Q filed on August 14, 2001.
2. Current Report on Form 8-K filed on August 13, 2001
3. Current Report on Form 8-K filed on July 20, 2001.

In addition, on October 24, 2001, Louisiana-Pacific released a press release regarding its third quarter 2001 financial results. (A copy of such release is attached hereto.)

Except for facts disclosed or described in the foregoing reports and press release, since June 30, 2001, no event has occurred that would have a material adverse effect on the financial condition or operations of Louisiana-Pacific and its Subsidiaries, taken as a whole, or the ability of Louisiana-Pacific to perform its obligations under this Agreement.

1. Executed copies of the Receivables Sale Agreement, duly executed by the parties thereto.
2. Copy of the Credit and Collection Policy.
3. A certificate of each Originator's Secretary certifying:
 - (a) A copy of the Resolutions of the Board of Directors of each Originator, authorizing such Originator's execution, delivery and performance of the Receivables Sale Agreement and the other documents to be delivered by it thereunder.
 - (b) A copy of the Organizational Documents of each Originator (also certified, to the extent that such documents are filed with any governmental authority, by the Secretary of State of the jurisdiction of organization of such Originator on or within thirty (30) days prior to closing).
 - (c) Good Standing Certificates for each Originator issued by the Secretary of State of such Originator's state of incorporation and each jurisdiction where such Originator has material operations, each of which is listed below, dated on or within thirty (30) days prior to closing:
 - a. Louisiana-Pacific Corporation: Alabama, California, Colorado, Delaware, Florida, Georgia, Idaho, Indiana, Louisiana, Maine, Michigan, Minnesota, Mississippi, Montana, North Carolina, Ohio, Oregon, Texas, Washington, Wisconsin, Wyoming;
 - b. LP Wood Polymers, Inc.: Oregon, Idaho.
 - (d) The names and signatures of the officers authorized on its behalf to execute the Receivables Sale Agreement and any other documents to be delivered by it hereunder.

4. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against each Originator dated on or within thirty (30) days prior to closing from the following jurisdictions:

- (a) Louisiana-Pacific Corporation: Delaware, Oregon, Multnomah, Oregon;
- (b) LP Wood Polymers, Inc.: Delaware, Oregon, Multnomah, Oregon.

5. Time stamped receipt copies of proper financing statements, duly filed under the UCC on or before the date of the initial Purchase (as defined in the Receivables Sale Agreement) in all jurisdictions as may be necessary or, in the opinion of Buyer (or its assigns), desirable,

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under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the ownership interests contemplated by the Receivables Sale Agreement.

6. Time stamped receipt copies of proper UCC termination statements, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by any Originator.

7. Executed copies of Collection Account Agreements for each Lock-Box and Collection Account.

8. A favorable opinion of legal counsel for the Originators reasonably acceptable to the Administrative Agent which addresses the following matters and such other matters as the Administrative Agent may reasonably request:

- (a) due authorization, execution, delivery, enforceability and other corporate matters with respect to each of the Originators;
- (b) the creation of a first priority perfected security interest in favor of the Buyer (and the Administrative Agent for the benefit of the Secured Parties as its assignee) in (1) all of the Receivables and Related Security and (2) all proceeds of any of the foregoing;
- (c) the existence of a "true sale" of the Receivables from each Originator to the Buyer under the Receivables Sale Agreement;
- (d) the inapplicability of the doctrine of substantive consolidation to Buyer and any Originator or in connection with any bankruptcy proceeding involving any Buyer or any Originator.

9. A Compliance Certificate of each Originator's chief financial officer certifying that, as of the closing date, no Termination Event or Unmatured Termination Event exists and is continuing.

10. Executed copies of 1. all consents from and authorizations by any Persons and 2. all waivers and amendments to existing credit facilities, that are necessary in connection with the Receivables Sale Agreement.

11. Executed Subordinated Note by Buyer in favor of each Originator.

12. If applicable, a direction letter executed by each Originator authorizing Buyer (and the Administrative Agent, as its assignee) and directing warehousemen to allow Buyer (and the Administrative Agent, as its assignee) to inspect and make copies from such Originator's books and records maintained at off-site data processing or storage facilities.

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CREDIT AND SECURITY AGREEMENT

dated as of November 15, 2001

among

**LP RECEIVABLES CORPORATION,
as Borrower,**

**LOUISIANA-PACIFIC CORPORATION,
as Master Servicer,**

**BLUE RIDGE ASSET FUNDING CORPORATION,
as Lender**

THE COMMITTED BANKS NAMED HEREIN

and

**WACHOVIA BANK, N.A.,
as Administrative Agent**

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CREDIT AND SECURITY AGREEMENT

THIS CREDIT AND SECURITY AGREEMENT, dated as of November 15, 2001 is entered into by and among:

(a) LP Receivables Corporation, a Delaware corporation (“Borrower”),

(b) Louisiana-Pacific Corporation, a Delaware corporation (“Louisiana-Pacific”), as initial Master Servicer (Louisiana-Pacific together with Borrower, the “Loan Parties” and each, a “Loan Party”),

(c) Blue Ridge Asset Funding Corporation, a Delaware corporation (“Blue Ridge”),

(d) the financial institutions identified on the signature pages of this Agreement as “Committed Banks” (together with their successors and assigns, the “Committed Banks”), and

(e) Wachovia Bank, N.A., as administrative agent for Blue Ridge, the Committed Banks and their respective assigns under the Transaction Documents and under the Liquidity Agreement (together with its successors and assigns in such capacity, the “Administrative Agent”).

Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in [Exhibit I](#).

PRELIMINARY STATEMENTS

Borrower desires to borrow from Blue Ridge and/or the Committed Banks from time to time.

Blue Ridge, either by issuing its Commercial Paper or availing itself of a Liquidity Funding to the extent available, and/or the Committed Banks shall make Advances to Borrower from time to time.

Wachovia Bank, N.A. has been requested and is willing to act as Administrative Agent on behalf of Blue Ridge and the Committed Banks and their respective assigns in accordance with the terms hereof.

Article I

The Advances

Section 1.1 Credit Facility.

(a) Upon the terms and subject to the conditions hereof (including, without limitation, [Article VI](#)), from time to time prior to the Facility Termination Date, Borrower may, at its option, request from the Lender prior to the Blue Ridge Termination Date and/or the Committed Banks prior to the Commitment Termination Date, Advances in an aggregate principal amount at

any one time outstanding not to exceed the lesser of the Aggregate Commitment and the Borrowing Base (such lesser amount, the “Borrowing Limit”) and the Lender may, or if the Lender shall decline to make such Advance, the Committed Banks shall, make such Advance.

Each of the Advances, and all other Aggregate Unpays, shall be secured by the Collateral as provided in [Article XIII](#). It is the intent of Blue Ridge to fund all Advances by the issuance of Commercial Paper. If for any reason Blue Ridge is unable, or determines that it is undesirable to issue Commercial Paper to fund or maintain Advances hereunder, or is unable for any reason to repay such Commercial Paper upon the maturity thereof, Blue Ridge will avail itself of a Liquidity Funding, to the extent available. If Blue Ridge funds or refinances any Advances made by it hereunder through a Liquidity Funding or if

any Advance is made by the Committed Banks through a Bank Funding, in lieu of paying CP Costs on the Aggregate Principal pursuant to Article III, Borrower shall pay interest thereon at the Alternate Base Rate or the LIBO Rate, selected in accordance with Article IV. Nothing herein shall be deemed to constitute a commitment of Blue Ridge to issue Commercial Paper.

(b) Borrower may, upon at least 30 days' notice to the Administrative Agent, terminate in whole or reduce in part the unused portion of the Aggregate Commitment; provided that each partial reduction of the Aggregate Commitment shall be in an amount equal to \$10,000,000 (or a larger integral multiple of \$1,000,000 if in excess thereof).

Section 1.2 Increases.

Borrower shall provide the Administrative Agent with at least two (2) Business Days' prior notice in a form set forth as Exhibit II hereto of each Advance (each, a "Borrowing Notice"). Each Borrowing Notice shall be subject to Section 6.2 and, except as set forth below, shall be irrevocable and shall specify the requested increase in Aggregate Principal (which shall not be less than \$1,000,000 or a larger integral multiple of \$100,000) and the Borrowing Date (which, in the case of any Advance after the initial Advance hereunder, shall occur no more than once per week). Following receipt of a Borrowing Notice, the Administrative Agent will determine whether Blue Ridge will fund the requested Advance through the issuance of Commercial Paper or through Liquidity Funding or whether the requested Advance will be funded by the Committed Banks through a Bank Funding. If the Administrative Agent determines that Blue Ridge will fund the requested Advance through a Liquidity Funding or if the Administrative Agent determines that the Committed Banks will fund the requested Advance through a Bank Funding, Borrower may cancel the Borrowing Notice or, in the absence of such a cancellation, the Advance will be funded through a Liquidity Funding, to the extent available, or a Bank Funding. On the date of each Advance, upon satisfaction of the applicable conditions precedent set forth in Article VI, Blue Ridge shall deposit to the Facility Account an amount equal to the principal amount of the requested Advance, or if Blue Ridge shall decline to make the Advance, each Committed Bank shall deposit to the Facility Account an amount equal to such Committed Bank's Pro Rata Share of such Advance.

Section 1.3 Decreases.

Except as provided in Section 1.4, Borrower shall provide the Administrative Agent with prior written notice in conformity with the Required Notice Period (a "Reduction Notice") of any

proposed reduction of Aggregate Principal. Such Reduction Notice shall designate (a) the date (the "Proposed Reduction Date") upon which any such reduction of Aggregate Principal shall occur (which date shall give effect to the applicable Required Notice Period), and (b) the amount of Aggregate Principal to be reduced which shall be applied to reduce the Aggregate Principal, as allocated by the Administrative Agent (giving consideration to the minimization of Broken Funding Costs) (the "Aggregate Reduction"). Only one (1) Reduction Notice shall be effective during any week.

Section 1.4 Deemed Collections; Borrowing Limit.

(a) If on any day:

(i) the Outstanding Balance of any Receivable is reduced as a result of any defective or rejected goods or services, any cash discount or any other adjustment by any Originator or any Affiliate thereof, or as a result of any tariff or other governmental or regulatory action, or

(ii) the Outstanding Balance of any Receivable is reduced or canceled as a result of a setoff in respect of any claim by the Obligor thereof (whether such claim arises out of the same or a related or an unrelated transaction), or

(iii) the Outstanding Balance of any Receivable is reduced on account of the obligation of any Originator or any Affiliate thereof to pay to the related Obligor any rebate or refund, or

(iv) the Outstanding Balance of any Receivable is less than the amount included in calculating the Net Pool Balance for purposes of any Monthly Report (for any reason other than such Receivable becoming a Defaulted Receivable or payment in full of the entire Outstanding Balance being made on such Receivable), or

(v) any of the representations or warranties of the Borrower set forth in Section 5.1(i), (j), (k), (r), (s), (t) or (u) were not true when made with respect to any Receivable,

then, on such day, without duplication, the Borrower shall be deemed to have received a Collection of such Receivable (A) in the case of clauses (i)-(iv) above, in the amount of such reduction or cancellation or the difference between the actual Outstanding Balance and the amount included in calculating such Net Pool Balance, as applicable; and (B) in the case of clause (v) above, in the amount of the Outstanding Balance of such Receivable and, effective as of the date on which such Collection is deemed to have been received, the Borrowing Base shall be reduced by the amount of such Deemed Collection.

(b) Borrower shall ensure that the Aggregate Principal at no time exceeds the Borrowing Limit. If on any day the Aggregate Principal exceeds the Borrowing Limit, Borrower shall pay to the Administrative Agent by the close of business on such day, an amount to be applied to reduce the Aggregate Principal shall be applied to reduce the Aggregate Principal, as allocated by the Administrative Agent (giving consideration to the minimization of Broken

Funding Costs) such that after giving effect to such payment the Aggregate Principal is less than or equal to the Borrowing Limit.

Section 1.5 Payment Requirements.

All amounts to be paid or deposited by any Loan Party pursuant to any provision of this Agreement shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (New York time) on the day when due in immediately available funds, and if not received before 12:00 noon (New York time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to the Lender or the Committed Banks, they shall be paid to the Administrative Agent's Account, for the account of the Lender and/or the Committed Banks, as the case may be, until otherwise notified by the Administrative Agent. Upon notice to Borrower, the Administrative Agent may debit the Facility Account for all amounts due and payable hereunder. All computations of CP Costs, Interest, per annum fees calculated as part of any CP Costs, per annum fees hereunder and per annum fees under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

Article II

Payments and Collections

Section 2.1 Payments of Recourse Obligations.

Borrower hereby promises to pay the following (collectively, the "Recourse Obligations"):

- (a) the Aggregate Principal on and after the Facility Termination Date as and when Collections are received;
- (b) the fees set forth in the Fee Letter on the dates specified therein;
- (c) all accrued and unpaid Interest on the Alternate Base Rate Loans on each Settlement Date applicable thereto;
- (d) all accrued and unpaid Interest on the LIBO Rate Loans on each Settlement Date applicable thereto;
- (e) all accrued and unpaid CP Costs on the CP Rate Loans on each Scheduled Settlement Date; and
- (f) all Broken Funding Costs and Indemnified Amounts upon demand.

Section 2.2 Settlements Prior to Amortization.

- (a) On each Settlement Date during the Revolving Period, the Master Servicer, at the direction of the Borrower, shall deposit to the Administrative Agent's Account, for distribution

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in accordance with the following provisions, as applicable, a portion of the Collections on deposit in the Collection Accounts or otherwise received by it during the preceding Settlement Period equal to the sum of the following amounts for application to the Aggregate Unpays in the order specified:

first, to the Lender and each Committed Bank ratably to the payment of all accrued and unpaid CP Costs, Interest and Broken Funding Costs (if any) that are then due and owing,

second, to the Master Servicer for the payment of the accrued and unpaid Servicing Fee (so long as the Master Servicer is not Louisiana-Pacific or an Affiliate of Louisiana-Pacific)

third, to the relevant party, ratably to the payment of all accrued and unpaid fees under the Fee Letter (if any) that are then due and owing,

fourth, to the Lender and the Committed Banks, ratably if required under Section 1.3 or 1.4, to the ratable reduction of Aggregate Principal,

fifth, to the Lender and the Committed Banks, ratably for the ratable payment of all other unpaid Aggregate Unpays, if any, that are then due and owing,

sixth, to the Master Servicer for the payment of the accrued and unpaid Servicing Fee (so long as Master Servicer is Louisiana-Pacific or an Affiliate of Louisiana-Pacific), and

seventh, the balance, if any, to Borrower or otherwise in accordance with Borrower's instructions.

Section 2.3 Settlements Following Amortization.

- (a) On each day on which any of the conditions precedent set forth in Section 6.2 are not satisfied and on the Amortization Date and each day after the Amortization Date, the Master Servicer shall set aside and hold in trust, for the Secured Parties, all Collections received by it on such day. On each day on which any of the conditions precedent set forth in Section 6.2 are not satisfied, on each Settlement Date on and after the Amortization Date and on each other Business Day on or after the Amortization Date specified by the Administrative Agent, the Master Servicer, at the direction of the Borrower, shall (i) remit to the Administrative Agent's Account the amounts set aside pursuant to the preceding sentence and all funds in the Collection Accounts, and (ii) apply such amounts to reduce the Aggregate Unpays as follows:

first, to the reimbursement of the Administrative Agent's costs of collection and enforcement of this Agreement,

second, to the Lender and each Committed Bank ratably to the payment of all accrued and unpaid CP Costs, Interest and Broken Funding Costs,

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third, to the Master Servicer for the payment of the accrued and unpaid Servicing Fee (so long as the Master Servicer is not Louisiana-Pacific or an Affiliate of Louisiana-Pacific),

fourth, to the relevant party, ratably to the payment of all accrued and unpaid fees under the Fee Letter,

fifth, to the Lender and the Committed Banks, ratably to the ratable reduction of Aggregate Principal,

sixth, to the Lender and the Committed Banks, for the ratable payment of all other unpaid Aggregate Unpays, and

seventh, to the Master Servicer for the payment of the accrued and unpaid Servicing Fee (so long as the Master Servicer is Louisiana-Pacific or an Affiliate of Louisiana-Pacific), and

eighth, after the Aggregate Unpays have been indefeasibly reduced to zero, to Borrower.

Section 2.4 Payment Recission.

No payment of any of the Aggregate Unpays shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. Borrower shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the Administrative Agent (for application to the Person or Persons who suffered such recission, return or refund) the full amount thereof, plus Interest on such amount at the Default Rate from the date of any such recission, return or refunding.

Article III

Blue Ridge Funding

Section 3.1 CP Costs.

Borrower shall pay CP Costs with respect to the portion of the Aggregate Principal funded with Commercial Paper. Each Loan of Blue Ridge that is funded substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share that the principal in respect of such Loan represents in relation to all assets held by Blue Ridge and funded substantially with Pooled Commercial Paper.

Section 3.2 Calculation of CP Costs.

Not later than the third Business Day immediately preceding each Scheduled Monthly Reporting Date, Blue Ridge shall calculate the aggregate amount of CP Costs applicable to its

CP Rate Loans for the Calculation Period then most recently ended and shall notify Borrower of such aggregate amount.

Section 3.3 CP Costs Payments.

On each Scheduled Settlement Date, Borrower shall pay to the Administrative Agent (for the benefit of Blue Ridge) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the principal associated with all CP Rate Loans for the Calculation Period then most recently ended in accordance with Article II.

Section 3.4 Default Rate.

From and after the occurrence of an Amortization Event, all Loans of Blue Ridge shall accrue Interest at the Default Rate.

Article IV

Bank Fundings and Liquidity Fundings

Section 4.1 Bank Fundings and Liquidity Funding.

Prior to the occurrence of an Amortization Event, the portion of the Aggregate Principal funded with a Bank Funding or a Liquidity Funding shall accrue interest for each day during its Interest Period at either the LIBO Rate or the Alternate Base Rate in accordance with the terms and conditions hereof. Until Borrower gives notice to the Administrative Agent of another Interest Rate in accordance with Section 4.4, the initial Interest Rate for any Loan funded with a Bank Funding or a Liquidity Funding shall be the Alternate Base Rate (unless the Default Rate is then applicable). If any Loan initially funded with Commercial Paper is sold to the Liquidity Banks pursuant to the Liquidity Agreement, each Loan so assigned shall each be deemed to have an Interest Period commencing on the date of any such assignment.

Section 4.2 Interest Payments.

(a) Not later than the third Business Day preceding each Settlement Date, the Administrative Agent shall calculate the aggregate amount of interest payable with respect to the Loans of the Liquidity Banks and the Committed Banks for the related Interest Period and shall notify Borrower of such aggregate amount.

(b) On the Settlement Date for each Loan that is funded with a Liquidity Funding or a Bank Funding, Borrower shall pay to the Administrative Agent (for the benefit of the Liquidity Banks or the Committed Banks, as the case may be) an aggregate amount equal to the accrued and unpaid Interest for the entire Interest Period of each such Bank Funding or Liquidity Funding in accordance with Article II.

Section 4.3 Selection and Continuation of Interest Periods.

(a) With consultation from (and approval by) the Administrative Agent, Borrower shall from time to time request Interest Periods for the Bank Fundings and Liquidity Fundings,

provided that if at any time any Bank Funding or Liquidity Funding is outstanding, Borrower shall always request Interest Periods such that at least one Interest Period shall end on the date specified in clause (i) of the definition of Settlement Date.

(b) Borrower or the Administrative Agent, upon notice to and consent by the other received at least three (3) Business Days prior to the end of an Interest Period (the “Terminating Tranche”) for any Bank Funding or Liquidity Funding, may, effective on the last day of the Terminating Tranche: (i) divide any such Bank Funding or Liquidity Funding into multiple Bank Fundings or Liquidity Fundings, as the case may be, (ii) combine any such Bank Funding or Liquidity Funding with one or more other Bank Fundings or Liquidity Fundings, as the case may be, that have a Terminating Tranche ending on the same day as such Terminating Tranche or (iii) combine any such Bank Funding or Liquidity Funding with a new Bank Funding or Liquidity Funding, as the case may be, to be made by the Committed Banks (with respect to any Bank Funding) or the Liquidity Banks (with respect to any Liquidity Funding) on the day such Terminating Tranche ends.

Section 4.4 Liquidity Bank Interest Rates.

Borrower may select the LIBO Rate (subject to Section 4.5) or the Alternate Base Rate for each Bank Funding and Liquidity Funding. Borrower shall by 12:00 noon (New York time): (a) at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBO Rate is being requested as a new Interest Rate and (b) at least one (1) Business Day prior to the expiration of any Terminating Tranche with respect to which the Alternate Base Rate is being requested as a new Interest Rate, give the Administrative Agent irrevocable written notice of the new Interest Rate for the Bank Funding or Liquidity Funding associated with such Terminating Tranche. Until Borrower gives written notice to the Administrative Agent of another Interest Rate, the initial Interest Rate for any Loan transferred to the Liquidity Banks pursuant to the Liquidity Agreement or funded with a Bank Funding shall be the Alternate Base Rate (unless the Default Rate is then applicable).

Section 4.5 Suspension of the LIBO Rate.

(a) If any Committed Bank or Liquidity Bank notifies the Administrative Agent that it has determined that funding its ratable share of the Bank Fundings or Liquidity Fundings, as the case may be, at a LIBO Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to match fund its Bank Funding or Liquidity Funding, as the case may be, at such LIBO Rate are not available or (ii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Bank Funding or Liquidity Funding, as the case may be, at such LIBO Rate, then the Administrative Agent shall suspend the availability of such LIBO Rate and require Borrower to select the Alternate Base Rate for any Bank Funding or Liquidity Funding accruing Interest at such LIBO Rate.

(b) If less than all of the Committed Banks (with respect to any Bank Funding) or all of the Liquidity Banks (with respect to any Liquidity Funding) give a notice to the Administrative Agent pursuant to Section 4.5(a), each Committed Bank or each Liquidity Bank, as the case may be, which gave such a notice shall be obliged, at the request of Borrower, Blue

Ridge or the Administrative Agent, to assign all of its rights and obligations hereunder to (i) another Committed Bank or Liquidity Bank, as the case may be, that has not given such notice or (ii) another funding entity nominated by Borrower or the Administrative Agent that is an Eligible Assignee willing to participate in this Agreement through the Liquidity Termination Date in the place of such notifying Liquidity Bank, or in the case of a Bank Funding, willing to become a Committed Bank through the Commitment Termination Date for the related Committed Bank; provided that (A) the notifying Committed Bank or Liquidity Bank, as the case may be, receives payment in full, pursuant to an Assignment and Acceptance, of all Aggregate Unpays owing to it (whether due or accrued), and (B) in the case of a Liquidity Funding, the replacement Liquidity Bank otherwise satisfies the requirements of the Liquidity Agreement.

Section 4.6 Default Rate.

From and after the occurrence of an Amortization Event, all Bank Fundings and Liquidity Fundings shall accrue Interest at the Default Rate.

Section 4.7 Replacement of Committed Banks on the Existing Commitment Termination Date; Advance Account Deposit.

(a) With respect to any Committed Bank, Borrower may, at its sole expense and effort, on the applicable Commitment Termination Date then in effect with respect to such Committed Bank (the “Existing Commitment Termination Date”) replace any Non-Renewing Committed Bank with one or more other Committed Banks (which may include any existing Committed Bank, each such Person prior to such existing Commitment Termination Date, an “Additional Committed Bank”) and each such Additional Committed Banks shall have entered into an Assignment and Acceptance pursuant to which such Additional Committed Bank shall, effective as of such Existing Commitment Termination Date, undertake a commitment as a Committed Bank to make Advances hereunder (and, if any such Additional Committed Bank is already a Committed Bank, its Commitment shall be increased by the applicable amount on such date). The right of Borrower to replace any such Committed Bank with an Additional Committed Bank shall be subject to the conditions that (i) the Commitment of the Additional Committed Bank (determined as of such existing Commitment Termination Date) shall in no event be less than \$7,500,000 and (ii) the Additional Committed Bank shall be an Eligible Assignee. Any Additional Committed Bank who is not an existing Committed Bank shall become an Additional Committed Bank only upon the consent of the Administrative Agent.

(b) If, at any time during the Revolving Period either (i) any Committed Bank has not agreed to extend its Commitment hereunder for an additional 364 day period commencing on such Committed Bank’s Commitment Termination Date and such Committed Bank has not been replaced by an Additional Committed Bank (each such Committed Bank, a “Non-Renewing Committed Bank”), on and after the fifteenth (15th) day preceding such Committed Bank’s Commitment Termination Date to and including such Committed Bank’s Commitment Termination Date, or (ii) a Downgrading Event

shall occur with respect to a Committed Bank that has not been replaced (a “Downgraded Committed Bank”), then Borrower may request a deposit (an “Advance Account Deposit”) to be made to an Advance Account by delivering to such Non-Renewing Committed Bank or such Downgraded Committed Bank, as applicable, (with a copy to the Administrative Agent) a Notice of Committed Bank Advance in substantially

the form attached hereto as Exhibit XI not later than 1:00 P.M. (New York City time), on the date of such proposed funding of such Advance Account Deposit. Each such Notice of Committed Bank Advance shall specify (A) the aggregate amount of such Advance Account Deposit (which shall equal such Committed Bank’s Commitment minus the Aggregate Principal advanced by it, whether hereunder or pursuant to the Liquidity Agreement) and (B) the requested date of such Advance Account Deposit (which shall be a Business Day). Each such Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, shall, by 2:00 P.M. (New York City time) on such requested date, (1) establish such Person’s Advance Account and (2) deposit the aggregate amount of the Advance Account Deposit to be made on such date by the deposit of such amount in same day funds to such Person’s Advance Account. Each such Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, may, in its sole discretion, invest the proceeds and the proceeds of any investments with respect to such Person’s Advance Account Deposit from time to time.

(c) At any and all times prior to the Committed Bank Maturity Date for the Advance Account Deposits, Borrower shall have the right to convert all or any portion of such Advance Account Deposits to a Loan. Whenever Borrower wishes to convert all or any portion of the Advance Account Deposits to a Loan, the Master Servicer, on behalf of Borrower, shall deliver to the Administrative Agent, who shall in turn deliver to the applicable Committed Banks, a Notice of Conversion (each, a “Notice of Conversion”) in substantially the form of Exhibit XII hereto by no later than 1:00 P.M. (New York City time) on the date on which the related Advance is requested to be made. Each such Notice of Conversion shall meet the requirements set forth in Section 6.2. Each Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, shall, before 3:00 P.M. (New York City time) on the proposed date of such conversion, subject to the applicable conditions set forth in Article VI, withdraw from its Advance Account and make available to Borrower its Pro-Rata Share of the aggregate amount requested to be converted into Loans on such date by wire transfer in accordance with written wire transfer instructions provided by Master Servicer, on behalf of Borrower.

(d) From and after the date on which any Advance Account Deposit is made by any Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, and until the earlier of (i) the assignment (with the consent of Borrower (not to be unreasonably withheld or delayed)) by such Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, of all of its rights pursuant to Section 12.1 and (ii) the Committed Bank Maturity Date, all payments in respect of the Aggregate Principal advanced by such Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, (whether or not originally funded from such Person’s Advance Account) shall be made by depositing the related funds into such Advance Account, whereupon such funds shall be deemed to have been converted into a Advance Account Deposit to the extent of the payment of such Aggregate Principal and available for conversion to Advances pursuant to Section 4.7(c). For avoidance of doubt, if a Downgraded Committed Bank becomes a Non-Renewing Committed Bank, the Advance Account Deposit of such Committed Bank shall remain available for Advances pursuant to Section 4.6(c) until the Committed Bank Maturity Date applicable to a Non-Renewing Committed Bank. In addition, if at any time a Committed Bank is both a Non-Renewing Committed Bank and a Downgraded Committed Bank, such Committed Bank is obligated to make only one Advance Account Deposit which shall be in the amount described in Section 4.7(b).

(e) Upon the earlier of (i) the assignment by such Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, of all of its rights pursuant to Section 12.1 and (ii) the Committed Bank Maturity Date, all funds then held in the Advance Accounts (after giving effect to any Advances to be made on such date) shall be paid by such Person to its own account, and thereafter all payments in respect of the Aggregate Principal advanced by such Person shall be paid directly to such Person in accordance with the terms of this Agreement. In addition to the foregoing, if the Commitment of such Person is reduced in part pursuant to Section 1.3 or by reason of a partial assignment pursuant to Section 12.1 (with the consent of Borrower (not to be unreasonably withheld or delayed)), then, in either such event, such Person shall pay to its own account an amount of funds then held in the Advance Account equal to the amount of such partial reduction. Upon the occurrence of the Committed Bank Maturity Date, all funds in each Advance Account shall be immediately paid to the related Committed Bank.

(f) Each Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, shall pay to its own account on behalf of the applicable party under the definition of Advance Account (the “Advance Account Party”), as interest on any Advance Account Deposit, an amount equal to the amount of all realized interest and/or other income earned from the investment of such Advance Account Deposit pursuant to the last sentence of Section 4.7(b) received in connection with the investment of funds on deposit in the Advance Account of such Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, such payment to be made on each Settlement Date commencing after the date the relevant Advance Account Deposit was made by such Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be, (or more frequently as may be acceptable to the Advance Account Party and such Non-Renewing Committed Bank or Downgraded Committed Bank, as the case may be). No other interest shall be payable to such Committed Bank in respect of such Advance Account Deposit, and neither Borrower nor the Master Servicer, or the Advance Account Party shall have any liability therefore. Notwithstanding anything contained herein to the contrary, neither Borrower nor the Master Servicer, or the Advance Account Party shall have any liability for any loss arising from any investment or reinvestment made with funds on deposit in any Advance Account. The parties hereto agree to reasonably cooperate as requested by any such party (including the execution of such documents reasonably requested by such party) in connection with the Advance Deposit Accounts, if any, established pursuant hereto.

(g) After the Commitment Termination Date applicable to a Committed Bank, such Committed Bank shall have no obligation to make Advances hereunder; it being understood and agreed that funds on deposit in such Committed Bank’s Advance Deposit Account shall remain available to fund, on a revolving basis, such Committed Bank’s Pro Rata Share of Advances during the Revolving Period.

Article V

Representations and Warranties

Section 5.1 Representations and Warranties of the Loan Parties.

Each Loan Party hereby represents and warrants to the Administrative Agent, the Committed Banks and Blue Ridge, as to itself, as of the date hereof, as of the date of each Advance and as of each Settlement Date that:

(a) Existence and Power. Such Loan Party's jurisdiction of formation is correctly set forth in the preamble to this Agreement. Such Loan Party is duly organized under the laws of that jurisdiction. Such Loan Party is validly existing and in good standing under the laws of its state of organization. Such Loan Party is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by such Loan Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and, in the case of Borrower, Borrower's use of the proceeds of Advances made hereunder, are within its corporate powers and authority and have been duly authorized by all necessary corporate action on its part. This Agreement and each other Transaction Document to which such Loan Party is a party has been duly executed and delivered by such Loan Party.

(c) No Conflict. The execution and delivery by such Loan Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of such Loan Party or its Subsidiaries (except as created hereunder) except, in any case, where such contravention, violation, creation or imposition could not reasonably be expected to have a Material Adverse Effect; notwithstanding the foregoing, neither the execution and delivery by such Loan Party of each Transaction Document to which it is a party nor the performance of its obligations thereunder result in the creation or imposition of any Adverse Claim on all or any portion of the Collateral; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Loan Party of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of such Loan Party's knowledge, threatened, against or affecting such Loan Party, or any of its properties, in or before any court, arbitrator or other body, that could reasonably be expected to have a Material Adverse Effect. Such Loan Party is not in default with respect to any order of any court, arbitrator or governmental body, except where such default could not reasonably be expected to have a Material Adverse Effect.

(f) Binding Effect. This Agreement and each other Transaction Document to which such Loan Party is a party constitute the legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All information heretofore furnished by such Loan Party or any of its Affiliates to the Administrative Agent, the Committed Banks or the Lender for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by such Loan Party or any of its Affiliates to the Administrative Agent, the Committed Banks or the Lender will be, true and accurate in every material respect on the date such information is stated or certified and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(h) Use of Proceeds. No proceeds of any Advance hereunder will be used (i) for a purpose that violates, or would be inconsistent with, (A) Section 7.2(e) or (B) Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

(i) Good Title. Borrower is the legal and beneficial owner of the Receivables, Related Security with respect thereto and all proceeds thereof, free and clear of any Adverse Claim, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Borrower's ownership interest in each Receivable, its Collections and the Related Security.

(j) Perfection. This Agreement is effective to create a valid security interest in favor of the Administrative Agent for the benefit of the Secured Parties in the Collateral to secure payment of the Aggregate Unpays, free and clear of any Adverse Claim except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Administrative Agent's (on behalf of the Secured Parties) security interest in the Collateral. Borrower is a duly registered organization under the laws of the State of Delaware and is located for the purposes of Article 9 of the UCC in such state. The initial Master Servicer is a duly registered organization under the laws of the State of Delaware and is located for the purposes of Article 9 of the UCC in such state.

(k) Places of Business and Locations of Records. The jurisdiction of formation, principal places of business and chief executive office of such Loan Party and the offices where it keeps all of its Records are located at the address(es) listed on Exhibit III or such other locations of which the

Administrative Agent has been notified in accordance with Section 7.2(a) in jurisdictions where all action required by Section 14.3(a) has been taken and completed. Borrower's Federal Employer Identification Number is correctly set forth on Exhibit III.

(l) Collections. The conditions and requirements set forth in Section 7.1(j) and Section 8.2 have at all times been satisfied and duly performed. The names, addresses and jurisdictions of organization of all Collection Banks, together with the account numbers of the Collection Accounts of Borrower at each Collection Bank and the post office box number of each Lock-Box, are listed on Exhibit IV. Borrower has not granted any Person, other than the Administrative Agent as contemplated by this Agreement, dominion and control of any Lock-Box or Collection Account, or the right to take dominion and control of any such Lock-Box or Collection Account at a future time or upon the occurrence of a future event.

(m) Material Adverse Effect. (i) The initial Master Servicer represents and warrants that except as described in Exhibit XV as delivered on the Closing Date or as amended thereafter with the prior written consent of the Administrative Agent (which consent may be withheld in its sole discretion), since June 30, 2001, no event has occurred that would have a material adverse effect on the financial condition or operations of the initial Master Servicer and its Subsidiaries, taken as a whole, or the ability of the initial Master Servicer to perform its obligations under this Agreement, and (ii) Borrower represents and warrants that since the date of this Agreement, no event has occurred that would have a material adverse effect on (A) the financial condition or operations of Borrower, (B) the ability of Borrower to perform its obligations under the Transaction Documents, or (C) the collectibility of the Receivables generally or any material portion of the Receivables.

(n) Names. The name in which Borrower has executed this Agreement is identical to the name of Borrower as indicated on the public record of its state of organization which shows Borrower to have been organized. In the past five (5) years, Borrower has not used any corporate names, trade names or assumed names other than the name in which it has executed this Agreement.

(o) Ownership of Borrower. Louisiana-Pacific owns, directly or indirectly, 100% of the issued and outstanding capital stock of the Borrower, free and clear of any Adverse Claim. Such capital stock is validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of the Borrower.

(p) Not a Holding Company or an Investment Company. Such Loan Party is not a "holding company" or a "subsidiary holding company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or any successor statute. Such Loan Party is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute.

(q) Compliance with Law. Such Loan Party has complied in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to

which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Receivable, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), and no part of such Contract is in violation of any such law, rule or regulation, except where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(r) Compliance with Credit and Collection Policy. Such Loan Party has complied in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract except to the extent any such failure to comply could have a Material Adverse Effect, and has not made any change to such Credit and Collection Policy, except such change as to which the Administrative Agent has been notified in accordance with Section 7.1(a)(vii).

(s) Payments to Applicable Originator. With respect to each Receivable transferred to Borrower under the Receivables Sale Agreement, Borrower has given reasonably equivalent value to the applicable Originator in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by any Originator of any Receivable under the Receivables Sale Agreement is or may be voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C. §§ 101 *et seq.*), as amended.

(t) Enforceability of Contracts. Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(u) Eligible Receivables. Each Receivable included in the Net Pool Balance as an Eligible Receivable on the date of any Monthly Report was an Eligible Receivable on the last day of the period to which such Monthly Report relates.

(v) Borrowing Limit. Immediately after giving effect to each Advance and each settlement on any Settlement Date hereunder, the Aggregate Principal is less than or equal to the Borrowing Limit.

(w) Accounting. The manner in which such Loan Party accounts for the transactions contemplated by this Agreement and the Receivables Sale Agreement does not adversely affect the status of the transfers of Receivables, Related Security and all proceeds thereof to Borrower pursuant to the Receivables Sale Agreement as true sales for bankruptcy purposes.

Section 6.1 Conditions Precedent to Closing and Initial Advance.

This Agreement shall not be effective and the Committed Banks shall not be obligated to make the initial Advance hereunder, nor shall the Lender, the Administrative Agent or any Committed Bank be obligated to fulfill or perform any other action hereunder until the following conditions have been met (a) the Administrative Agent shall have received on or before the Closing Date those documents listed on Schedule A to the Receivables Sale Agreement and those documents listed on Schedule A to this Agreement, and (b) the Administrative Agent shall have received all fees and expenses required to be paid on or before the Closing Date pursuant to the terms of this Agreement and the Fee Letter.

Section 6.2 Conditions Precedent to All Advances.

Each Advance and each rollover or continuation of any Advance shall be subject to the further conditions precedent that (a) the Master Servicer shall have delivered to the Administrative Agent on or prior to the date thereof, in form and substance satisfactory to the Administrative Agent, all Monthly Reports as and when due under Section 8.5; (b) the Facility Termination Date shall not have occurred; (c) the Administrative Agent shall have received such other approvals, opinions or documents as it may reasonably request; and (d) on the date thereof, the following statements shall be true (and acceptance of the proceeds of such Advance shall be deemed a representation and warranty by Borrower that such statements are then true):

- (i) the representations and warranties set forth in Section 5.1 are true and correct on and as of the date of such Advance as though made on and as of such date;
- (ii) no event has occurred and is continuing, or would result from such Advance (or the continuation thereof), that will constitute an Amortization Event, and no event has occurred and is continuing, or would result from such Advance (or the continuation thereof), that would constitute an Unmatured Amortization Event; and
- (iii) after giving effect to such Advance (or the continuation thereof), the Aggregate Principal will not exceed the Borrowing Limit.

Article VII

Covenants

Section 7.1 Affirmative Covenants of the Loan Parties.

Until the Final Payout Date, each Loan Party hereby covenants, as to itself, as set forth below:

(a) Financial Reporting. Such Loan Party will maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and furnish or cause to be furnished to the Administrative Agent:

- (i) Annual Reporting. Within 90 days after the close of each of its respective fiscal years, audited, unqualified financial statements (which shall include balance sheets, statements of income and retained earnings and a statement of cash flows) for such Loan

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Party for such fiscal year certified in a manner acceptable to the Administrative Agent by independent public accountants reasonably acceptable to the Administrative Agent.

(ii) Quarterly Reporting. Within 45 days after the close of the first three (3) quarterly periods of each of its respective fiscal years, balance sheets of each of the Loan Parties as at the close of each such period and statements of income and retained earnings and a statement of cash flows for each such Person for the period from the beginning of such fiscal year to the end of such quarter, all certified by its respective chief financial officer.

(iii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit V signed by such Loan Party's Authorized Officer and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(iv) Shareholders Statements and Reports. Promptly upon the furnishing thereof to the shareholders of such Loan Party copies of all financial statements, reports and proxy statements so furnished; provided, however that to the extent that copies of any such financial statements, reports or proxy statements are publicly available on EDGAR, the requirements of this clause (iv) shall be satisfied.

(v) S.E.C. Filings. Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which any Loan Party or any of its Affiliates files with the Securities and Exchange Commission; provided, however, that to the extent that copies of such registration statements and annual, quarterly, monthly or other regular reports are publicly available on EDGAR, the requirements of this clause (v) shall be satisfied.

(vi) Copies of Notices. Promptly upon its receipt of any notice, request for consent, financial statements, certification, report or other communication under or in connection with any Transaction Document from any Person other than the Administrative Agent, any Committed Bank or the Lender, copies of the same.

(vii) Change in Credit and Collection Policy. At least seven (7) days prior to the effectiveness of any change in or amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables, requesting the Administrative Agent's consent thereto.

(viii) Other Information. Promptly, from time to time, such other information, documents, records or reports relating to the Receivables or the condition or operations, financial or otherwise, of such Loan Party as the Administrative Agent may from time to time reasonably request in

(b) Notices. Such Loan Party will notify the Administrative Agent in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Amortization Events or Unmatured Amortization Events. The occurrence of each Amortization Event and each Unmatured Amortization Event, by a statement of an Authorized Officer of such Loan Party.

(ii) Judgments and Proceedings. (A) (1) The entry of any judgment or decree against Performance Guarantor, the Master Servicer or any of their respective Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against Performance Guarantor, the Master Servicer and their respective Subsidiaries exceeds \$25,000,000 after deducting (I) the amount with respect to which Performance Guarantor, the Master Servicer or any such Subsidiary, as the case may be, is insured and with respect to which the insurer has assumed responsibility in writing, and (II) the amount for which Performance Guarantor, the Master Servicer or any such Subsidiary is otherwise indemnified if the terms of such indemnification are satisfactory to the Administrative Agent, and (2) the institution of any litigation, arbitration proceeding or governmental proceeding against Performance Guarantor or the Master Servicer which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; and (B) the entry of any judgment or decree or the institution of any litigation, arbitration proceeding or governmental proceeding against Borrower.

(iii) Material Adverse Effect. The occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect.

(iv) Termination Date. The occurrence of the “Termination Date” under and as defined in the Receivables Sale Agreement.

(v) Defaults Under Other Agreements. The occurrence of a default or an event of default under any Material Indebtedness or an event of default under any other financing arrangement pursuant to which such Loan Party is a debtor or an obligor.

(vi) Notices under Receivables Sale Agreement. Copies of all notices delivered under the Receivables Sale Agreement.

(vii) Downgrade of Performance Guarantor. Any downgrade in the rating of any Indebtedness of Performance Guarantor by S&P or Moody's, setting forth the Indebtedness affected and the nature of such change.

(viii) Fiscal Months. No later than September 30 of each calendar year, an updated Exhibit XIV, showing each of the Fiscal Months for the immediately succeeding fiscal year and the Monthly Reporting Dates with respect thereto.

(c) Compliance with Laws and Preservation of Corporate Existence. Such Loan Party will comply in all respects with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Such Loan

Party will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where its business is conducted, except where the failure to so preserve and maintain or qualify could not reasonably be expected to have a Material Adverse Effect.

(d) Audits. Such Loan Party will furnish to the Administrative Agent from time to time such information with respect to it and the Receivables as the Administrative Agent may reasonably request. Such Loan Party will, from time to time during regular business hours as requested by the Administrative Agent upon reasonable notice and at the sole cost of such Loan Party, permit the Administrative Agent, or its agents or representatives (and shall cause each Originator to permit the Administrative Agent or its agents or representatives): (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Person relating to the Collateral, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Person for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to such Person's financial condition or the Collateral or any Loan Party's, the Performance Guarantor's or any Originator's performance under any of the Transaction Documents or any such Person's performance under the Contracts and, in each case, with any of the officers or employees of Borrower or the Master Servicer having knowledge of such matters (each of the foregoing examinations and visits, a “Review”); provided, however, that, so long as no Amortization Event has occurred, (A) the Loan Parties shall only be responsible for the costs and expenses of a total of four (4) Reviews in any one calendar year hereunder and under Section 4.1(d) of the Sale Agreement (at least two (2) of which shall be conducted by independent auditors), and (B) the Administrative Agent will not request more than a total of four (4) Reviews in any one calendar year hereunder and under Section 4.1(d) of the Sale Agreement; provided, further that satisfaction of the audit requirements with respect to the Originators in Section 4.1(d) of the Sale Agreement shall satisfy the audit requirements of this Section 7.1(d) with respect to the Originators. No later than ninety days after the Closing Date, each Loan Party shall permit the Administrative Agent, or its agents or representatives (and shall have caused each Originator to permit the Administrative Agent, or its agents or representatives) to conduct one Review at the expense of such Loan Party which Review shall include examinations with respect to each Loan Party and each Originator.

(e) Keeping and Marking of Records and Books.

(i) The Master Servicer will (and will cause each Originator to) maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Master Servicer will (and will cause each Originator to) give the Administrative Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) Such Loan Party will (and will cause each Originator to): (A) on or prior to the date hereof, mark its master data processing records and other books and records relating to the Loans with a legend, acceptable to the Administrative Agent, describing the Administrative Agent's security interest in the Collateral and (B) upon the request of the Administrative Agent following the occurrence of an Amortization Event, deliver to the Administrative Agent all Contracts (including, without limitation, all multiple originals of any such Contract constituting an instrument, a certificated security or chattel paper) relating to the Receivables.

(f) Compliance with Contracts and Credit and Collection Policy. Such Loan Party will (and will cause each Originator to) timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and (ii) comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related Contract, except to the extent any such failure to comply could have a Material Adverse Effect.

(g) Performance and Enforcement of Receivables Sale Agreement. Borrower will, and will require each Originator to, perform each of their respective obligations and undertakings under and pursuant to the Receivables Sale Agreement, will purchase Receivables thereunder in strict compliance with the terms thereof and will vigorously enforce the rights and remedies accorded to Borrower under the Receivables Sale Agreement. Borrower will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Administrative Agent for the benefit of the Secured Parties as assignee of Borrower) under the Receivables Sale Agreement as the Administrative Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Receivables Sale Agreement.

(h) Ownership. Borrower will (or will cause each Originator to) take all necessary action to (i) vest legal and equitable title to the Collateral purchased under the Receivables Sale Agreement irrevocably in Borrower, free and clear of any Adverse Claims (other than Adverse Claims in favor of the Administrative Agent, for the benefit of the Secured Parties), the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Borrower's interest in such Collateral and such other action to perfect, protect or more fully evidence the interest of Borrower therein as the Administrative Agent may reasonably request, and (ii) establish and maintain, in favor of the Administrative Agent, for the benefit of the Secured Parties, a valid and perfected first priority security interest in all Collateral, free and clear of any Adverse Claims, including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Administrative Agent's (for the benefit of the Secured Parties) security interest in the Collateral and such other action to perfect, protect or more fully evidence the interest of the Administrative Agent for the benefit of the Secured Parties as the Administrative Agent may reasonably request.

(i) Reliance. Borrower acknowledges that the Administrative Agent, the Lender and each Committed Bank is entering into the transactions contemplated by this Agreement in reliance upon Borrower's identity as a legal entity that is separate from each Originator.

Therefore, from and after the date of execution and delivery of this Agreement, Borrower shall take all steps, including, without limitation, all steps that the Administrative Agent, any Committed Bank or the Lender may from time to time request, to maintain Borrower's identity as a separate legal entity and to make it manifest to third parties that Borrower is an entity with assets and liabilities distinct from those of each Originator and any Affiliates thereof (other than Borrower) and not just a division of any Originator or any such Affiliate. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, Borrower will:

(i) conduct its own business in its own name and require that all full-time employees of Borrower, if any, identify themselves as such and not as employees of any Originator (including, without limitation, by means of providing appropriate employees with business or identification cards identifying such employees as Borrower's employees);

(ii) compensate all employees, consultants and agents directly, from Borrower's own funds, for services provided to Borrower by such employees, consultants and agents and, to the extent any employee, consultant or agent of Borrower is also an employee, consultant or agent of any Originator or any Affiliate thereof, allocate the compensation of such employee, consultant or agent between Borrower and such Originator or such Affiliate, as applicable, on a basis that reflects the services rendered to Borrower and such Originator or such Affiliate, as applicable;

(iii) clearly identify its offices (by signage or otherwise) as its offices and, if such office is located in the offices of any Originator, Borrower shall lease such office at a fair market rent;

(iv) have a separate telephone number, which will be answered only in its name and separate stationery and checks in its own name;

(v) conduct all transactions with each Originator and the Master Servicer (including, without limitation, any delegation of its obligations hereunder as Master Servicer) strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between Borrower and such Originator on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(vi) at all times have a Board of Directors consisting of three members, at least one member of which is an Independent Director;

(vii) observe all corporate formalities as a distinct entity, and ensure that all corporate actions relating to (A) the selection, maintenance or replacement of the Independent Director, (B) the dissolution or liquidation of Borrower or (C) the initiation of, participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving Borrower, are duly authorized by unanimous vote of its Board of Directors (which shall include the vote of the Independent Director except with respect to clause (A) above);

(viii) maintain Borrower's books and records separate from those of each Originator and any Affiliate thereof and otherwise readily identifiable as its own assets rather than assets of any Originator or any Affiliate thereof;

(ix) prepare its financial statements separately from those of each Originator and insure that any consolidated financial statements of any Originator or any Affiliate thereof that include Borrower and that are filed with the Securities and Exchange Commission or any other governmental agency have notes clearly stating that Borrower is a separate corporate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of Borrower;

(x) except as herein specifically otherwise provided, maintain the funds or other assets of Borrower separate from, and not commingled with, those of any Originator or any Affiliate thereof and only maintain bank accounts or other depository accounts to which Borrower alone is the account party, into which Borrower alone makes deposits and from which Borrower alone (or the Administrative Agent hereunder) has the power to make withdrawals;

(xi) pay all of Borrower's operating expenses from Borrower's own assets (except for certain payments by any Originator or other Persons pursuant to allocation arrangements that comply with the requirements of this Section 7.1(i));

(xii) operate its business and activities such that: it does not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, other than the transactions contemplated and authorized by this Agreement and the Receivables Sale Agreement; and does not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (A) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (B) the incurrence of obligations under this Agreement, (C) the incurrence of obligations, as expressly contemplated in the Receivables Sale Agreement, to make payment to the applicable Originator thereunder for the purchase of Receivables from such Originator under the Receivables Sale Agreement, and (D) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated by this Agreement;

(xiii) maintain its corporate charter in conformity with this Agreement, such that it does not amend, restate, supplement or otherwise modify its Certificate of Incorporation or By-Laws in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, Section 7.1(i) of this Agreement;

(xiv) maintain the effectiveness of, and continue to perform under the Receivables Sale Agreement and the Performance Undertaking, such that it does not amend, restate, supplement, cancel, terminate or otherwise modify the Receivables Sale Agreement or the Performance Undertaking, or give any consent, waiver, directive or approval thereunder or waive any default, action, omission or breach under the

Receivables Sale Agreement or the Performance Undertaking or otherwise grant any indulgence thereunder, without (in each case) the prior written consent of the Administrative Agent;

(xv) maintain its corporate separateness such that it does not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person, nor at any time create, have, acquire, maintain or hold any interest in any Subsidiary.

(xvi) maintain at all times the Required Capital Amount (as defined in the Receivables Sale Agreement) and refrain from making any dividend, distribution, redemption of capital stock or payment of any subordinated indebtedness which would cause the Required Capital Amount to cease to be so maintained;

(xvii) maintain and cause the Master Servicer and any Subservicer to maintain books and records which contain such information from time to time as may be necessary for determination as of any particular date (after due allowance of time needed for reconciliation of book and record entries reflecting transactions on such date) of the amounts of the Receivables purchased from the respective Originators that actually came into existence on such date and the corresponding amounts of Purchase Price (as defined in the Sale Agreement) paid respectively to such Originators on such date pursuant to Sections 1.3(d) and 1.5 of the Sale Agreement and amounts applied on such date in payment or prepayment of obligations under the Subordinated Note.

(xviii) take such other actions as are necessary on its part to ensure that the facts and assumptions set forth in the opinions issued by Brobeck, Phleger & Harrison LLP as counsel for Borrower, in connection with the closing or initial Advance under this Agreement and relating to true sale and substantive consolidation issues, and in the certificates and the Separateness Agreement accompanying such opinions, remain true and correct, and are complied with, in all material respects at all times.

(j) Collections. Such Loan Party will cause (i) all proceeds from all Lock-Boxes to be directly deposited by a Collection Bank into a Collection Account and (ii) each Lock-Box and Collection Account to be subject at all times to a Collection Account Agreement that is in full force and effect. In the event any payments relating to the Collateral are remitted directly to Borrower or any Affiliate of Borrower, Borrower will remit (or will cause all such payments to be remitted) directly to a Collection Bank and deposited into a Collection Account within two (2) Business Days following receipt thereof, and, at all times prior to such remittance, Borrower will itself hold or, if applicable, will cause such payments to be held in trust for the exclusive benefit of the Administrative Agent, the Committed Banks and the Lender. Borrower will maintain exclusive ownership, dominion and control (subject to the terms of this Agreement) of each Lock-Box and Collection Account and shall not grant the right to take dominion and control of any Lock-Box or Collection Account at a future time or upon the occurrence of a future event to any Person, except to the Administrative Agent as contemplated by this Agreement.

(k) Taxes. Such Loan Party will file all tax returns and reports required by law to be filed by it and will promptly pay all taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate

proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. Borrower will pay when due any taxes payable in connection with the Receivables, exclusive of taxes on or measured by income or gross receipts of the Administrative Agent, any Committed Bank or the Lender.

(l) **Payment to Applicable Originator.** With respect to any Receivable purchased by Borrower from any Originator, such purchase shall be effected under, and in strict compliance with the terms of, the Receivables Sale Agreement, including, without limitation, the terms relating to the amount and timing of payments to be made to such Originator in respect of the purchase price for such Receivable.

Section 7.2 Negative Covenants of the Loan Parties.

Until the Final Payout Date, each Loan Party hereby covenants, as to itself, that:

(a) **Change of Jurisdiction of Formation, Name Change, Offices and Records.** Such Loan Party will not change its name, identity or structure (within the meaning of any applicable enactment of the UCC), relocate its chief executive office at any time while the location of its chief executive office is relevant to perfection of the Administrative Agent's security interest, for the benefit of the Secured Parties, in the Receivables, Related Security and Collections, change its jurisdiction of formation, or change any office where Records are kept unless it shall have: (i) given the Administrative Agent at least forty-five (45) days' prior written notice thereof and (ii) delivered to the Administrative Agent all financing statements, instruments, legal opinions and other documents requested by the Administrative Agent in connection with such change or relocation.

(b) **Change in Payment Instructions to Obligors.** Except as may be required by the Administrative Agent pursuant to Section 8.2(b), such Loan Party will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box or Collection Account, unless the Administrative Agent shall have received, at least ten (10) days before the proposed effective date therefor, (i) written notice of such addition, termination or change and (ii) with respect to the addition of a Collection Bank or a Collection Account or Lock-Box, an executed Collection Account Agreement with respect to the new Collection Account or Lock-Box; provided, however, that the Master Servicer may make changes in instructions to Obligors regarding payments if such new instructions require such Obligor to make payments to another existing Collection Account.

(c) **Modifications to Contracts and Credit and Collection Policy.** Without the prior written consent of the Administrative Agent, such Loan Party will not, and will not permit any Originator to, make any change to the Credit and Collection Policy that could adversely affect the collectibility of the Receivables or decrease the credit quality of any newly created Receivables. Except as provided in Section 8.2(d), the Master Servicer will not, and will not permit any Originator to, extend, amend or otherwise modify the terms of any Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

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(d) **Sales, Liens.** Borrower will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, any of the Collateral, or assign any right to receive income with respect thereto (other than, in each case, the creation of a security interest therein in favor of the Administrative Agent as provided for herein), and Borrower will defend the right, title and interest of the Secured Parties in, to and under any of the foregoing property, against all claims of third parties claiming through or under Borrower or any Originator. Borrower will not create or suffer to exist any mortgage, pledge, security interest, encumbrance, lien, charge or other similar arrangement on any of its inventory.

(e) **Use of Proceeds.** Borrower will not use the proceeds of the Advances for any purpose other than (i) paying for Receivables and Related Security under and in accordance with the Receivables Sale Agreement, including without limitation, making payments on the Subordinated Notes to the extent permitted thereunder and under the Receivables Sale Agreement, (ii) paying its ordinary and necessary operating expenses when and as due, and (iii) making Restricted Junior Payments to the extent permitted under this Agreement.

(f) **Termination Date Determination.** Borrower will not designate the Termination Date (as defined in the Receivables Sale Agreement), or send any written notice to any Originator in respect thereof, without the prior written consent of the Administrative Agent, except with respect to the occurrence of such Termination Date arising pursuant to Section 5.1(d) of the Receivables Sale Agreement.

(g) **Restricted Junior Payments.** Borrower will not make any Restricted Junior Payment if after giving effect thereto, Borrower's Net Worth (as defined in the Receivables Sale Agreement) would be less than the Required Capital Amount (as defined in the Receivables Sale Agreement).

(h) **Borrower Indebtedness.** Borrower will not incur or permit to exist any Indebtedness except: (i) the Aggregate Unpays, (ii) the Subordinated Notes, and (iii) other current accounts payable arising in the ordinary course of business and not overdue.

(i) **Prohibition on Additional Negative Pledges.** No Loan Party will enter into or assume any agreement (other than this Agreement and the other Transaction Documents) prohibiting the creation or assumption of any Adverse Claim upon the Collateral except as contemplated by the Transaction Documents, or otherwise prohibiting or restricting any transaction contemplated hereby or by the other Transaction Documents, and no Loan Party will enter into or assume any agreement creating any Adverse Claim upon the Subordinated Note.

(j) **Ownership of Borrower.** Borrower shall not have more than one stockholder at any time.

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Article VIII

Administration and Collection

Section 8.1 Designation of Master Servicer.

(a) The servicing, administration and collection of the Receivables shall be conducted by such Person (the “Master Servicer”) so designated from time to time in accordance with this Section 8.1. Louisiana-Pacific is hereby designated as, and hereby agrees to perform the duties and obligations of, the Master Servicer pursuant to the terms of this Agreement. The Administrative Agent may at any time after the occurrence of an LP Downgrade Event designate as Master Servicer any Person to succeed Louisiana-Pacific or any successor Master Servicer provided that the Rating Agency Condition is satisfied. In addition, with the prior written consent of the Administrative Agent in its sole discretion, Borrower may at any time designate any Person to succeed Louisiana-Pacific or any successor Master Servicer provided that the Rating Agency Condition is satisfied.

(b) Louisiana-Pacific may delegate, and Louisiana-Pacific hereby advises the Lender, the Committed Banks and the Administrative Agent that it has delegated, to the other Originators, as sub-Master Servicers of the Master Servicer (each a “Subservicer”), certain of its duties and responsibilities as Master Servicer hereunder in respect of the Receivables originated by such other Originator. Without the prior written consent of the Administrative Agent, Louisiana-Pacific shall not be permitted to delegate any of its duties or responsibilities as Master Servicer to any Person other than (i) Borrower, (ii) the other Originators, and (iii) with respect to Defaulted Receivables, outside collection agencies in accordance with its customary practices. Neither Borrower nor any Subservicer shall be permitted to further delegate to any other Person any of the duties or responsibilities of the Master Servicer delegated to it by Louisiana-Pacific. If at any time pursuant to the terms hereof the Administrative Agent or the Borrower pursuant to the foregoing subsection (a) shall designate as Master Servicer any Person other than Louisiana-Pacific, all duties and responsibilities theretofore delegated by Louisiana-Pacific to Borrower or any Subservicer may, at the discretion of the Administrative Agent, be terminated forthwith on notice given by the Administrative Agent to Louisiana-Pacific and to Borrower and each Subservicer; provided, however, upon the revocation of the power of the Master Servicer, each Subservicer’s power to act hereunder shall be automatically revoked.

(c) Notwithstanding the foregoing subsection (b) as long as Louisiana-Pacific or an Affiliate of Louisiana-Pacific is Master Servicer hereunder: (i) Louisiana-Pacific shall be and remain primarily liable to the Administrative Agent, the Committed Banks and the Lender for the full and prompt performance of all duties and responsibilities of the Master Servicer hereunder and (ii) the Administrative Agent, the Committed Banks and the Lender shall be entitled to deal exclusively with Louisiana-Pacific in matters relating to the discharge by the Master Servicer of its duties and responsibilities hereunder. So long as Louisiana-Pacific is the Master Servicer, none of Administrative Agent, the Committed Banks or the Lender shall be required to give notice, demand or other communication to any Person other than Louisiana-Pacific in order for communication to the Master Servicer and its Subservicer or other delegate with respect thereto to be accomplished. Louisiana-Pacific, at all times that it is the Master

Servicer, shall be responsible for providing any Subservicer or other delegate of the Master Servicer with any notice given to the Master Servicer under this Agreement.

Section 8.2 Duties of Master Servicer.

(a) The Master Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) The Master Servicer will instruct all Obligors to pay all Collections directly to a Lock-Box or Collection Account. The Master Servicer shall effect a Collection Account Agreement substantially in the form of Exhibit VI (or such other form as the Administrative Agent shall approve in its sole discretion) with each bank party to a Collection Account at any time. In the case of any remittances received in any Lock-Box or Collection Account that shall have been identified, to the satisfaction of the Master Servicer, to not constitute Collections or other proceeds of the Receivables or the Related Security, the Master Servicer shall promptly remit such items to the Person identified to it as being the owner of such remittances. From and after the date the Administrative Agent delivers to any Collection Bank a Collection Notice pursuant to Section 8.3, the Administrative Agent may request that the Master Servicer, and the Master Servicer thereupon promptly shall instruct all Obligors with respect to the Receivables, to remit all payments thereon to a new depositary account specified by the Administrative Agent and, at all times thereafter, Borrower and the Master Servicer shall not deposit or otherwise credit, and shall not permit any other Person to deposit or otherwise credit to such new depositary account any cash or payment item other than Collections.

(c) The Master Servicer shall administer the Collections in accordance with the procedures described herein and in Article II. The Master Servicer shall set aside and hold in trust for the account of Borrower, the Committed Banks and the Lender their respective shares of the Collections in accordance with Article II. The Master Servicer shall, upon the request of the Administrative Agent, segregate, in a manner acceptable to the Administrative Agent, all cash, checks and other instruments received by it from time to time constituting Collections from the general funds of the Master Servicer or Borrower prior to the remittance thereof in accordance with Article II. If the Master Servicer shall be required to segregate Collections pursuant to the preceding sentence, the Master Servicer shall segregate and deposit with a bank designated by the Administrative Agent such allocable share of Collections of Receivables set aside for the Lender and the Committed Banks on the first Business Day following receipt by the Master Servicer of such Collections, duly endorsed or with duly executed instruments of transfer. Notwithstanding the foregoing, neither the Master Servicer nor any Subservicer shall have any disbursement or other authority in respect of the Collection Accounts except in accordance with the Collection Account Agreements and the specific or standing authorizations from time to time given by the Administrative Agent or Authorized Officers of the Borrower and in effect.

(d) The Master Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding Balance of any Receivable as the Master Servicer determines to be appropriate to maximize Collections thereof; provided, however, that such extension or adjustment shall not alter the status of such Receivable as a

Delinquent Receivable or Defaulted Receivable or limit the rights of the Administrative Agent, the Committed Banks or the Lender under this Agreement. Notwithstanding anything to the contrary contained herein, the Administrative Agent shall, after the occurrence of an Incipient Event, have the absolute and unlimited right to direct the Master Servicer to commence or settle any legal action with respect to any Receivable or to foreclose upon or repossess any Related Security.

(e) The Master Servicer shall hold in trust for Borrower and the Administrative Agent on behalf of the Secured Parties all Records that (i) evidence or relate to the Receivables, the related Contracts and Related Security or (ii) are otherwise necessary or desirable to collect the Receivables and

shall, as soon as practicable upon demand of the Administrative Agent, deliver or make available to the Administrative Agent all such Records, at a place selected by the Administrative Agent. The Master Servicer shall, as soon as practicable following receipt thereof turn over to Borrower any cash collections or other cash proceeds received with respect to Indebtedness not constituting Receivables. The Master Servicer shall, from time to time at the request of the Administrative Agent, furnish to the Administrative Agent (promptly after any such request) a calculation of the amounts set aside for the Committed Banks and the Lender pursuant to Article II.

(f) Any payment by an Obligor in respect of any indebtedness owed by it to Originator or Borrower shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Administrative Agent, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 8.3 Collection Notices.

The Administrative Agent is authorized at any time to date and to deliver to the Collection Banks the Collection Notices. Borrower hereby transfers to the Administrative Agent for the benefit of the Secured Parties, effective when the Administrative Agent delivers such notice, the exclusive ownership and control of each Lock-Box and the Collection Accounts. In case any authorized signatory of Borrower whose signature appears on a Collection Account Agreement shall cease to have such authority before the delivery of such notice, such Collection Notice shall nevertheless be valid as if such authority had remained in force. Borrower hereby authorizes the Administrative Agent, and agrees that the Administrative Agent shall be entitled (a) at any time after delivery of the Collection Notices, to endorse Borrower's name on checks and other instruments representing Collections, (b) at any time after the occurrence of an Amortization Event, to enforce the Receivables, the related Contracts and the Related Security, and (c) at any time after the occurrence of an Amortization Event, to take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Administrative Agent rather than Borrower.

Section 8.4 Responsibilities of Borrower.

Anything herein to the contrary notwithstanding, the exercise by the Administrative Agent, the Committed Banks and the Lender of their rights hereunder shall not release the

Master Servicer, any Originator or Borrower from any of their duties or obligations with respect to any Receivables or under the related Contracts. None of the Administrative Agent, the Lender nor the Committed Banks shall have any obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of Borrower.

Section 8.5 Monthly Reports.

The Master Servicer shall prepare and forward to the Administrative Agent (a) on each Monthly Reporting Date, a Monthly Report and an electronic file of the data contained therein and (b) at such times as the Administrative Agent shall request, a listing by Obligor of all Receivables together with an aging of such Receivables; provided, however that the Master Servicer shall deliver a Monthly Report more frequently than monthly upon the request of the Administrative Agent.

Section 8.6 Servicing Fee.

As compensation for the Master Servicer's servicing activities on its behalf, including the Master Servicer's undertaking of the indemnification obligations provided for in Section 5 and Section 11 of the Multi-Party Agreement Relating To Lockbox Services, dated as of November 15, 2001 among the Borrower, the Master Servicer, the Administrative Agent and Bank of America, N.A. or any other Collection Account Agreement, Borrower hereby agrees to pay the Master Servicer the Servicing Fee, which fee shall be paid in arrears on each Scheduled Settlement Date out of Collections. No Subservicer shall be entitled to receive any Servicing Fee provided for herein, but shall be entitled to receive a monthly fee for each Calculation Period in respect of its duties as Subservicer solely from the Master Servicer in an amount agreed to by such Subservicer and the Master Servicer.

Article IX

Amortization Events

Section 9.1 Amortization Events.

The occurrence of any one or more of the following events shall constitute an Amortization Event:

(a) Any Loan Party or Performance Guarantor shall fail to make any payment or deposit required to be made by it under the Transaction Documents when due and such failure shall continue for one (1) Business Day after notice thereof has been given by the Administrative Agent to such Loan Party or Performance Guarantor, as the case may be.

(b) Any representation or warranty made by Performance Guarantor or any Loan Party in any Transaction Document to which it is a party or in any other document delivered pursuant thereto shall prove to have been incorrect when made or deemed made or any other certification or statement made by Performance Guarantor or any Loan Party shall prove to have been incorrect in any material respect when made or deemed made.

(c) Any Loan Party shall fail to perform or observe any covenant contained in Section 7.2 or 8.5 when due.

(d) Any Loan Party or Performance Guarantor shall fail to perform or observe any other covenant or agreement under any Transaction Documents and such failure shall continue for ten (10) consecutive Business Days.

(e) Failure of Borrower to pay any Indebtedness (other than the Aggregate Unpays) when due or the default by Borrower in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of Borrower shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(f) Failure of Performance Guarantor, the Louisiana-Pacific or any of their respective Subsidiaries (other than Borrower) to pay Indebtedness in excess of \$25,000,000 in aggregate principal amount (hereinafter, "Material Indebtedness") when due; or the default by Performance Guarantor, the Louisiana-Pacific or any of their respective Subsidiaries other than Borrower in the performance of any term, provision or condition contained in any agreement under which any Material Indebtedness was created or is governed that continues after the expiration of any applicable cure or grace period or that is not waived by the holder or holders of such Indebtedness, the effect of which is to cause, or to permit the holder or holders of such Material Indebtedness to cause, such Material Indebtedness to become due prior to its stated maturity; or any Material Indebtedness of Performance Guarantor, Louisiana-Pacific or any of their respective Subsidiaries other than Borrower shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(g) An Event of Bankruptcy shall occur with respect to Performance Guarantor, any Loan Party or any of their respective Subsidiaries.

(h) As at the end of any Calculation Period:

(i) the three-month rolling average Delinquency Ratio shall exceed 2.20%,

(ii) the three-month rolling average Default Ratio shall exceed .75%, or

(iii) the three-month rolling average Dilution Ratio shall exceed .75%.

(i) A Change of Control shall occur.

(j) (i) One or more final judgments for the payment of money in an amount in excess of \$25,000,000, individually or in the aggregate, shall be entered against Performance Guarantor or any of its Subsidiaries (other than Borrower) on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for thirty (30) consecutive days without a stay of execution, or (ii) one or more final judgments for the payment of money in an aggregate amount of \$10,750 or more shall be entered against Borrower.

(k) The "Termination Date" under and as defined in the Receivables Sale Agreement shall occur under the Receivables Sale Agreement or any Originator shall for any reason cease to transfer, or cease to have the legal capacity to transfer, or otherwise be incapable of transferring Receivables to Borrower under the Receivables Sale Agreement.

(l) This Agreement shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of Borrower, or any Obligor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability, or the Administrative Agent for the benefit of the Secured Parties shall cease to have a valid and perfected first priority security interest in the Collateral.

(m) On any Settlement Date, after giving effect to the turnover of Collections by the Master Servicer on such date and the application thereof to the Aggregate Unpays in accordance with this Agreement, the Aggregate Principal shall exceed the Borrowing Limit.

(n) The Performance Undertaking shall cease to be effective or to be the legally valid, binding and enforceable obligation of Performance Guarantor, or Performance Guarantor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability of its obligations thereunder.

(o) The Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Tax Code with regard to any of the Collateral and such lien shall continue until the earlier of (i) seven (7) days after inception and (ii) knowledge by any Secured Party of such lien, or the PBGC shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the Collateral.

(p) Any Plan of Performance Guarantor or any of its ERISA Affiliates:

(i) shall fail to be funded in accordance with the minimum funding standard resulting from an accumulated funding deficiency as required by applicable law, the terms of such Plan, Section 412 of the Tax Code or Section 302 of ERISA for any plan year or a waiver of such standard is sought or granted with respect to such Plan under applicable law, the terms of such Plan or Section 412 of the Tax Code or Section 303 of ERISA; or

(ii) is being, or has been, terminated or the subject of termination proceedings under applicable law or the terms of such Plan; or

(iii) shall require Performance Guarantor or any of its ERISA Affiliates to provide security under applicable law, the terms of such Plan, Section 401 or 412 of the Tax Code or Section 306 or 307 of ERISA; or

(iv) results in a liability to Performance Guarantor or any of its ERISA Affiliates under applicable law, the terms of such Plan, or Title IV ERISA,

and there shall result from any such failure, waiver, termination or other event a liability to the PBGC or a Plan that would have a Material Adverse Effect.

(q) Any event shall occur which (i) materially and adversely impairs the ability of the Originators to originate Receivables of a credit quality that is at least equal to the credit quality of the Receivables sold or contributed to Borrower on the date of this Agreement or (ii) has, or could be reasonably expected to have a Material Adverse Effect.

(r) An LP Downgrade Event shall occur.

(s) Immediately after giving effect to each settlement on any Settlement Date, the Net Pool Balance shall be less than the sum of the Aggregate Principal plus the Required Reserve.

Section 9.2 Remedies.

Upon the occurrence of an Amortization Event and/or at any time thereafter, the Administrative Agent may, or upon the direction of the Required Liquidity Banks shall, take any of the following actions: (a) replace the Person then acting as Master Servicer if the Administrative Agent has not already done so (b) declare the Amortization Date to have occurred, whereupon the Aggregate Commitment shall immediately terminate and the Amortization Date shall forthwith occur, all without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Loan Party; provided, however, that upon the occurrence of an Event of Bankruptcy with respect to any Loan Party, the Amortization Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Loan Party, (c) deliver the Collection Notices to the Collection Banks, (d) exercise all rights and remedies of a secured party upon default under the UCC and other applicable laws, and (e) notify Obligors of the Administrative Agent's security interest in the Receivables and other Collateral. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Administrative Agent, the Committed Banks and the Lender otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

Article X

Indemnification

Section 10.1 Indemnities by the Loan Parties.

Without limiting any other rights that the Administrative Agent, the Lender or any Committed Bank may have hereunder or under applicable law, (a) Borrower hereby agrees to indemnify (and pay upon demand to) the Administrative Agent, the Lender, each of the Committed Banks, each of the Liquidity Banks and each of the respective assigns, officers, directors, agents and employees of the foregoing (each, an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including attorneys' fees (which attorneys may be employees of the Administrative Agent, the Committed Banks or the Lender) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or

indirectly, by the Lender, any Committed Bank or any Liquidity Bank of an interest in the Receivables, and (b) the Master Servicer hereby agrees to indemnify (and pay upon demand to) each Indemnified Party for Indemnified Amounts awarded against or incurred by any of them arising out of the Master Servicer's activities as Master Servicer hereunder excluding, however, in all of the foregoing instances under the preceding clauses (a) and (b):

(i) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(ii) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(iii) taxes imposed by any jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition by any Committed Bank or the Lender of Loans as a loan or loans by such Committed Bank or the Lender to Borrower secured by the Receivables, the Related Security, the Collection Accounts and the Collections;

provided, however, that nothing contained in this sentence shall limit the liability of any Loan Party or limit the recourse of any Committed Bank or the Lender to any Loan Party for amounts otherwise specifically provided to be paid by such Loan Party under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, Borrower shall indemnify the Administrative Agent, each Committed Bank and the Lender for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to Borrower or the Master Servicer) relating to or resulting from:

(c) any representation or warranty made by any Loan Party or any Originator (or any officers of any such Person) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(d) the failure by Borrower, the Master Servicer or any Originator to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract related thereto included therein with any such applicable law, rule or regulation or any failure of any Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(e) any failure of Borrower, the Master Servicer or any Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(f) any products liability, personal injury or damage suit, or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;

(g) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(h) the commingling of Collections of Receivables at any time with other funds;

(i) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of any Advance, the Collateral or any other investigation, litigation or proceeding relating to Borrower, the Master Servicer or any Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(j) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(k) any Amortization Event;

(l) any failure of Borrower to acquire and maintain legal and equitable title to, and ownership of any of the Collateral from the applicable Originator, free and clear of any Adverse Claim (other than as created hereunder); or any failure of Borrower to give reasonably equivalent value to any Originator under the Receivables Sale Agreement in consideration of the transfer by such Originator of any Receivable, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action;

(m) any failure to vest and maintain vested in the Administrative Agent for the benefit of the Secured Parties, or to transfer to the Administrative Agent for the benefit of the Secured Parties, a valid first priority perfected security interests in the Collateral, free and clear of any Adverse Claim (except as created by the Transaction Documents);

(n) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents with respect to any Originator or any Loan Party under the UCC of any applicable jurisdiction or other applicable laws with respect to any Collateral, and the proceeds thereof, whether at the time of any Advance or at any subsequent time;

(o) any action or omission by any Loan Party which reduces or impairs the rights of the Administrative Agent, the Committed Banks or the Lender with respect to any Collateral or the value of any Collateral;

(p) any attempt by any Person to void any Advance or the Administrative Agent's security interest in the Collateral under statutory provisions or common law or equitable action; and

(q) the failure of any Receivable included in the calculation of the Net Pool Balance as an Eligible Receivable to be an Eligible Receivable at the time so included.

Section 10.2 Defense of Claims.

(a) An Indemnified Party shall, after obtaining actual knowledge, thereof, promptly notify Borrower in writing of any action, suit or proceeding brought against such Indemnified Party which could give rise to any payment by Borrower or the Master Servicer under Section 10.1 (a "Claim") as to which indemnification is sought (unless Borrower or Master Servicer theretofore has notified such Indemnified Party of such Claim); except that the failure to give such notice shall not release Borrower or the Master Servicer, as the case may be, from any of its obligations under this Agreement, however Borrower's or the Master Servicer's, as the case may be, obligations shall be reduced to the extent that failure to promptly give notice of any action, suit or proceeding against such Indemnified Party (i) impairs Borrower or the Master Servicer, as the case may be, from defending such Claim or (ii) increases the amount for which Borrower or the Master Servicer, as the case may be, is liable in accordance with Section 10.1. Within forty-five days after receiving notice from an Indemnified Party of any Claim as to which indemnification is sought, Borrower or the Master Servicer, as the case may be, if so desires may elect in writing, subject to the provisions of the following paragraph, to control, at its sole cost and expense, and to assume full responsibility for, the defense of such Claim with counsel acceptable to the Indemnified Parties in their reasonable discretion; provided, that the Borrower has agreed in writing on or prior to the assumption of such defense to indemnify such Indemnified Party for such Claim. If Borrower or the Master Servicer, as the case may be, elects to assume the defense of such Claim, it shall keep the Indemnified Party which is the subject of such proceeding fully apprised of the status of the proceeding and shall provide such Indemnified Party with all information with respect to such proceeding as such Indemnified Party may reasonably request. If Borrower or Master Servicer, as the case may be, does not elect to assume control, as provided for above, and provided it is not preventing from assuming such control pursuant to the provisions of clause (b) below, the applicable Indemnified Party shall, at the expense of Borrower or the Master Servicer, as the case may be, supply Borrower with all such information and documents reasonably requested by Borrower or Master Servicer, as the case may be.

(b) Notwithstanding any of the foregoing to the contrary, Borrower or the Master Servicer, as the case may be, shall not be entitled to control and assume responsibility for the defense of such Claim if in the reasonable opinion of such Indemnified Party, (i) there exists an actual or potential conflict of interest, such that such Indemnified Party determines that it is desirable to retain control of such proceeding (ii) such Claim involves the risk of criminal liability to such Indemnified Party or (iii) the control of such Claim would involve a conflict of interest. In the circumstances described above, the Indemnified Party shall be entitled to control and assume responsibility for the defense of such claim or liability, subject to Section 10.1, at the expense of Borrower or the Master Servicer, as the case may be.

(c) No Indemnified Party shall settle any Claim without the prior written consent of Borrower or the Master Servicer, as the case may be (which consent shall not be unreasonably withheld or delayed). Neither Borrower nor the Master Servicer, as the case may be, may settle any Claim without the prior written consent of each affected Indemnified Party which consent may not be unreasonably withheld or delayed in the case of a money settlement not involving an admission of liability of such Indemnified Party, nor may Borrower or the Master Servicer, as the case may be, settle any Claim if such settlement results, or could reasonably be expected to result, in criminal liability of such Indemnified Party.

Section 10.3 Increased Cost and Reduced Return.

If after the date hereof, any Funding Source shall be charged any fee, expense or increased cost on account of the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy) or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency (a "Regulatory Change") : (a) that subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall net income of a Funding Source or taxes excluded by Section 10.1) or (b) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (c) that imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon demand by the Administrative Agent, subject to Section 10.5, Borrower shall pay to the Administrative Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or such amounts to otherwise compensate such Funding Source for such increased cost or such reduction.

Section 10.4 Other Costs and Expenses.

Borrower shall pay to the Administrative Agent, each Committed Bank and the Lender on demand all costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the cost of each such Person's auditors auditing the books, records and procedures of Borrower (but only to the extent Borrower is obligated to pay such audit expenses pursuant to the Fee Letter and Section 7.1(d)), fees and out-of-pocket expenses of legal counsel for the Lender, each Committed Bank and the Administrative Agent (which such counsel may be employees of the Lender, such Committed Bank or the Administrative Agent) with respect thereto and with respect to advising the Lender,

any Committed Bank and the Administrative Agent as to their respective rights and remedies under this Agreement. Borrower shall pay to the Administrative Agent on demand any and all costs and expenses of the Administrative Agent, any Committed Bank and the Lender, if any, including counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Amortization Event. Subject to Section 10.4, Borrower shall reimburse Blue Ridge on demand for all other costs and expenses incurred by Blue Ridge ("Other Costs"), including, without limitation, the cost of auditing Blue Ridge's books by certified public accountants, the cost of rating the Commercial Paper by independent financial rating agencies, and the fees and out-of-pocket expenses of counsel for Blue Ridge or any counsel for any shareholder of Blue Ridge with respect to advising Blue Ridge or such shareholder as to matters relating to Blue Ridge's operations.

Section 10.5 Allocations.

Blue Ridge or the Administrative Agent on behalf of Blue Ridge shall allocate the liability for Other Costs and/or Regulatory Changes among Borrower and other Persons with whom Blue Ridge has entered into agreements to purchase interests in or finance receivables and other financial assets ("Other Customers"). If any Other Costs and/or any Regulatory changes are attributable to Borrower and not attributable to any Other Customer, Borrower shall be solely liable for such Other Costs and/or Regulatory changes. However, if Other Costs and/or Regulatory changes are attributable to Other Customers and not attributable to Borrower, such Other Customer shall be solely liable for such Other Costs and/or Regulatory changes. All allocations to be made pursuant to the foregoing provisions of this Article X shall be made by Blue Ridge or the Administrative Agent on behalf of Blue Ridge in its sole discretion and shall be binding on Borrower and the Master Servicer.

Article XI

The Administrative Agent

Section 11.1 Authorization and Action.

The Lender and each Committed Bank, on behalf of itself and its assigns, hereby designates and appoints Wachovia to act as its agent under the Transaction Documents and under the Liquidity Agreement, and authorizes the Administrative Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of the Liquidity Agreement or the Transaction Documents, together with such powers as are reasonably incidental thereto. The Administrative Agent shall not have any duties or responsibilities, except those expressly set forth in the Liquidity Agreement or in any Transaction Document, or any fiduciary relationship with the Committed Banks and the Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Administrative Agent shall be read into the Liquidity Agreement or any Transaction Document or otherwise exist for the Administrative Agent. In performing its functions and duties under the Liquidity Agreement and the Transaction Documents, the Administrative Agent shall act solely as agent for the Committed Banks and the Lender and does not assume nor shall

be deemed to have assumed any obligation or relationship of trust or agency with or for any Loan Party or any of such Loan Party's successors or assigns. The Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to the Liquidity Agreement or any Transaction Document or applicable law. The appointment and authority of the Administrative Agent hereunder shall terminate upon the indefeasible payment in full of all Aggregate Unpays. Each Committed Bank and the Lender hereby authorizes the Administrative Agent to execute each of the UCC financing statements, each Collection Account Agreement on behalf of the Secured Parties (the terms of which shall be binding on each Secured Party).

Article XII

Assignments; Participations

Section 12.1 Assignments.

(a) Each of the Administrative Agent, the Loan Parties and the Liquidity Banks hereby agrees and consents to the complete or partial assignment by Blue Ridge of all or any portion of its rights under, interest in, title to and obligations under this Agreement to the Liquidity Banks pursuant to the Liquidity Agreement.

(b) Each of the parties hereto, on behalf of its successors and assigns, hereby agrees and consents to the complete or partial sale by any Committed Bank of all or any portion of its rights under, interest in, title to and obligations under this Agreement to an Eligible Assignee regardless of whether such sale constitutes an assignment or the sale of a participation in such rights and obligations; provided, however, that any partial sale by a Committed Bank shall be in a minimum amount of \$25,000,000 or an integral multiple of \$1,000,000 in excess thereof; provided further that any complete or partial sale by a Committed Bank shall, prior to an Amortization Event, be subject to the prior written consent of the Borrower (which consent shall not be unreasonably withheld). Each Committed Bank shall deliver to each of its assignees an assignment in substantially the form the Assignment and Acceptance, which shall be duly executed by such Committed Bank, assigning any such rights under, interest in, title to and obligations under this Agreement to the assignee. Upon any assignment pursuant to this Section 12.1(b) the respective assignee receiving such assignment shall have all the rights of the assigning Committed Bank hereunder and all references to the Committed Banks shall be deemed to apply to such assignee.

(c) No Loan Party may assign any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent, each of the Committed Banks and the Lender and without satisfying the Rating Agency Condition.

(d) There shall be no more than 99 beneficial owners of an interest in this Agreement or the obligations of the Borrower hereunder.

Article XIII

Security Interest

Section 13.1 Grant of Security Interest.

To secure the due and punctual payment of the Aggregate Unpays, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, without limitation, all Indemnified Amounts, in each case pro rata according to the respective amounts thereof, the Borrower hereby grants to the Administrative Agent, for the benefit of the Secured Parties, a security interest in, all of the Borrower's right, title and interest, whether now owned and existing or hereafter arising in and to all accounts, deposit accounts, chattel paper, electronic chattel paper, instruments, general intangibles and other assets and all proceeds thereof, whether now owned or hereafter acquired, now existing or hereafter arising and wherever located, including, without limitation, all Receivables, the Related Security, the Collections, all accounts, general intangibles, bank accounts, securities, instruments and other assets of Borrower and all proceeds of the foregoing (collectively, the "Collateral").

Section 13.2 Termination after Final Payout Date.

Each of the Secured Parties hereby authorizes the Administrative Agent, and the Administrative Agent hereby agrees, promptly after the Final Payout Date to execute and deliver to the Borrower such UCC termination statements as may be necessary to terminate the Administrative Agent's security interest in and Lien upon the Collateral, all at the Borrower's expense. Upon the Final Payout Date, all right, title and interest of the Administrative Agent and the other Secured Parties in and to the Collateral shall terminate.

Article XIV

Miscellaneous

Section 14.1 Waivers and Amendments.

(a) No failure or delay on the part of the Administrative Agent, any Committed Bank or the Lender in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 14.1(b). The Lender, the Required Committed Banks, Borrower and the Administrative Agent, at the direction of the Required Liquidity Banks, may enter into written modifications or waivers of any provisions of this Agreement, provided, however, that no such modification or waiver shall:

(i) without the consent of the Lender, each Committed Bank and each affected Liquidity Bank, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Collections by Borrower or the Master Servicer, (B) reduce the rate or extend the time of payment of Interest or any CP Costs (or any component of Interest or CP Costs), reduce any fee payable to the Administrative Agent for the benefit of the Lender and the Committed Banks, (C) change the amount of the principal of any Loan or the Aggregate Principal, (D) amend, modify or waive any provision of the definition of Required Liquidity Banks or this Section 14.1(b), (E) consent to or permit the assignment or transfer by Borrower of any of its rights and obligations under this Agreement, (F) change the definition of "Eligible Receivable," "Loss Reserve," "Dilution Reserve," "Interest Reserve," "Servicing Reserve," "Servicing Fee Rate," "Required Reserve" or "Required Reserve Factor Floor" or (G) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions set forth in such clauses; or

(ii) without the written consent of the then Administrative Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of such Administrative Agent,

and any material amendment, waiver or other modification of this Agreement shall require satisfaction of the Rating Agency Condition.

Section 14.2 Notices.

Except as provided in this Section 14.2, all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (a) if given by telecopy, upon the receipt thereof, (b) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (c) if given by any other means, when received at the address specified in this Section 14.2. Borrower hereby authorizes the Administrative Agent to effect Advances and Interest Period and Interest Rate selections based on telephonic notices made by any Person whom the Administrative Agent in good faith believes to be acting on behalf of Borrower. Borrower agrees to deliver promptly to the Administrative Agent a written confirmation of each telephonic notice signed by an authorized officer of Borrower; provided, however, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the Administrative Agent, the records of the Administrative Agent shall govern absent manifest error.

Section 14.3 Protection of Administrative Agent's Security Interest.

(a) Borrower agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or

desirable, or that the Administrative Agent may request, to perfect, protect or more fully evidence the Administrative Agent's security interest in the Collateral, or to enable the Administrative Agent, the Committed Banks or the Lender to exercise and enforce their rights and remedies hereunder. At any time, the Administrative Agent may, or the Administrative Agent may direct Borrower or the Master Servicer to, notify the Obligors of Receivables, at Borrower's expense, of the security interests of the Administrative Agent for the benefit of the Secured Parties under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Administrative Agent or its designee. Borrower or the Master Servicer (as applicable) shall, at the request of the Lender or any Committed Bank, withhold the identity of such Person in any such notification.

(b) If any Loan Party fails to perform any of its obligations hereunder, the Administrative Agent, the Committed Banks or the Lender may (but shall not be required to) perform, or cause performance of, such obligations, and the Administrative Agent's, the Committed Banks' or the Lender's costs and expenses incurred in connection therewith shall be payable by Borrower as provided in Section 10.4. Each Loan Party irrevocably authorizes the Administrative Agent at any time and from time to time in the sole discretion of the Administrative Agent, and appoints the Administrative Agent as its attorney-in-fact, to act on behalf of such Loan Party (i) to execute on behalf of Borrower as debtor and to file financing statements necessary or desirable in the Administrative Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Secured Parties in the Receivables and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables as a financing statement in such offices as the Administrative Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Administrative Agent's security interest in the Collateral, for the benefit of the Secured Parties. This appointment is coupled with an interest and is irrevocable. (A) each of the Loan Parties hereby authorizes the Administrative Agent to file financing statements and other filing or recording documents with respect to the Receivables and Related Security (including any amendments thereto, or continuation or termination statements thereof), without the signature or other authorization of such Loan Party, in such form and in such offices as the Administrative Agent reasonably determines appropriate to perfect or maintain the perfection of the security interest of the Administrative Agent hereunder, (B) each of the Loan Parties acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Receivables or Related Security (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by the Administrative Agent, consenting to the form and substance of such filing or recording document, and (C) each of the Loan Parties approves, authorizes and ratifies any filings or recordings made by or on behalf of the Administrative Agent in connection with the perfection of the security interests in favor of Borrower or the Administrative Agent.

Section 14.4 Confidentiality.

(a) Each Loan Party, each Committed Bank, the Administrative Agent and the Lender shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and the other confidential or proprietary information with respect to each Loan Party, the Administrative Agent, any Committed Bank and Blue Ridge and

their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that such Loan Party, the Administrative Agent, any Committed Bank and the Lender and its officers and employees may disclose such information to such Person's respective external accountants and attorneys and as required by any applicable law or order of any judicial or administrative proceeding.

(b) Anything herein to the contrary notwithstanding, each Loan Party hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Administrative Agent, the Committed Banks, the Liquidity Banks or Blue Ridge by each other, (ii) by the Administrative Agent, any Committed Bank or the Lender to any prospective or actual assignee or participant of any of them who executes a confidentiality agreement for the benefit of the applicable Loan Party on terms comparable to those required of the Administrative Agent, the Lender and any Committed Bank hereunder with respect to such disclosed information, (iii) by the Administrative Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Blue Ridge or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Wachovia acts as the administrative agent and (iv) to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided that each such Person is informed of the confidential nature of such information and in the case of any Person referred to in clause (iii), the Administrative Agent shall use reasonable efforts to cause each such Person to agree to keep such information confidential. In addition, the Committed Banks, the Lender and the Administrative Agent may disclose any such nonpublic information with respect to any Loan Party to the extent required pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings with competent jurisdiction (whether or not having the force or effect of law).

Section 14.5 Bankruptcy Petition.

Borrower, the Master Servicer, the Administrative Agent, each Committed Bank and each Liquidity Bank hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 14.6 Limitation of Liability.

Except with respect to any claim arising out of the willful misconduct or gross negligence of Blue Ridge, the Administrative Agent, any Committed Bank or any Liquidity Bank, no claim may be made by any Loan Party or any other Person against Blue Ridge, the Administrative Agent, any Committed Bank or any Liquidity Bank or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each Loan Party hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 14.7 CHOICE OF LAW.

THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW.

Section 14.8 CONSENT TO JURISDICTION.

EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT, AND EACH SUCH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE COMMITTED BANKS OR THE LENDER TO BRING PROCEEDINGS AGAINST ANY LOAN PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY LOAN PARTY AGAINST THE ADMINISTRATIVE AGENT, THE COMMITTED BANKS OR THE LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT, THE LENDER OR ANY COMMITTED BANK INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH LOAN PARTY PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

Section 14.9 WAIVER OF JURY TRIAL.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY LOAN PARTY PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 14.10 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any

breach of any representation and warranty made by any Loan Party pursuant to Article V, (ii) the indemnification and payment provisions of Article X, and Sections 14.5 and 14.6 shall be continuing and shall survive any termination of this Agreement.

Section 14.11 Counterparts; Severability; Section References.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of a signature page by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

LP RECEIVABLES CORPORATION
as Borrower

By: _____
Name: _____
Title: _____

Address:
LP Receivables Corporation
c/o Louisiana-Pacific Corporation
805 S.W. Broadway
Portland, OR 97205-3033

LOUISIANA-PACIFIC CORPORATION
as Master Servicer

By: _____
Name: _____
Title: _____

Address:
Louisiana-Pacific Corporation
805 S.W. Broadway
Portland, OR 97205-3033

BLUE RIDGE ASSET FUNDING CORPORATION

BY: WACHOVIA BANK, N.A.,
as Attorney-In-Fact

By: _____
Name: _____
Title: _____

Address:
Blue Ridge Asset Funding Corporation
c/o Wachovia Bank, N.A., as Administrative Agent
100 North Main Street
Winston-Salem, NC 27150
Telephone: (336) 735-6097
Facsimile: (336) 735-6099

WACHOVIA BANK, N.A.,
as Administrative Agent

By: _____
Name: _____
Title: _____

Address:
Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, GA 30303
Telephone: (404) 332-1398
Facsimile: (404) 332-5152

WACHOVIA BANK, N.A.,
as Committed Bank

By: _____
Name: _____
Title: _____

Address:
Wachovia Bank, N.A.
191 Peachtree Street, N.E.
Atlanta, GA 30303
Telephone: (404) 332-1398
Facsimile: (404) 332-5152

Commitment: \$125,000,000.

EXHIBIT I

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

Adjusted Dilution Ratio: At any time, the rolling average of the Dilution Ratio for the 12 Calculation Periods then most recently ended.

Additional Committed Bank: As defined in Section 4.7(a).

Advance: A borrowing hereunder consisting of the aggregate amount of the several Loans made on the same Borrowing Date.

Adverse Claim: A lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

Administrative Agent: As defined in the preamble to this Agreement.

Administrative Agent's Account: Account #8735-098787 at Wachovia Bank, N.A., ABA #053100494.

Advance Account: A cash collateral account in the name of Administrative Agent and maintained by a Committed Bank at an Eligible Institution (which may include such Committed Bank, so long as such Committed Bank is an Eligible Institution) and which is established to fund Advances hereunder by such Committed Bank pursuant to Section 4.7.

Advance Account Deposit: As defined in Section 4.7(b).

Advance Account Party: As defined in Section 4.7(f).

Affiliate: With respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

Aggregate Commitment: \$125,000,000.

Aggregate Principal: On any date of determination, the aggregate outstanding principal amount of all Advances outstanding on such date.

Aggregate Reduction: As defined in Section 1.3.

Aggregate Unpays: At any time, an amount equal to the sum of (i) the Aggregate Principal, plus (ii) all Recourse Obligations (whether due or accrued) at such time.

Agreement: This Credit and Security Agreement, as it may be amended or modified and in effect from time to time.

Alternate Base Rate: For any day, the rate *per annum* equal to the higher as of such day of (i) the Prime Rate, or (ii) one-half of one percent (0.50)% above the Federal Funds Effective Rate. For purposes of determining the Alternate Base Rate for any day, changes in the Prime Rate or the Federal Funds Effective Rate shall be effective on the date of each such change.

Alternate Base Rate Loan: A Loan which bears interest at the Alternate Base Rate or the Default Rate.

Amortization Date: The earliest to occur of (i) the Business Day immediately prior to the occurrence of an Event of Bankruptcy with respect to any Loan Party, (ii) the Business Day specified in a written notice from the Administrative Agent following the occurrence of any other Amortization Event, (iii) the date which is 1 Business Day after the Administrative Agent's receipt of written notice from Borrower that it wishes to terminate the facility evidenced by this Agreement and (iv) November 15, 2004.

Amortization Event: As defined in Article IX.

Assignment and Acceptance: An assignment and acceptance entered into by a Committed Bank and an Eligible Assignee and accepted by the Administrative Agent in substantially the form of Exhibit XIII.

Authorized Officer: With respect to any Person, its president, corporate controller, treasurer, assistant treasurer, chief financial officer or chief executive officer.

Bank Funding: The portion of the Aggregate Principal that is funded by the Committed Banks pursuant to Section 1.1(a).

Blue Ridge: As defined in the preamble to this Agreement.

Blue Ridge Termination Date: November 15, 2002.

Borrower: As defined in the preamble to this Agreement.

Borrowing Base: On any date of determination, the Net Pool Balance as of the last day of the period covered by the most recent Monthly Report, minus the Required Reserve as of the last day of the period covered by the most recent Monthly Report, minus Deemed Collections that have occurred since the most recent Cut-Off Date to the extent that such Deemed Collections exceed the Dilution Reserve, minus the Rebate Reserve as of the most recent Cut-Off Date.

Borrowing Date: A Business Day on which an Advance is made hereunder.

Borrowing Limit: As defined in Section 1.1(a).

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Borrowing Notice: As defined in Section 1.2.

Broken Funding Costs: For any CP Rate Loan or LIBO Rate Loan which: (i) in the case of a CP Rate Loan, has its principal reduced without compliance by Borrower with the notice requirements hereunder, (ii) in the case of a CP Rate Loan, is assigned under the Liquidity Agreement, or (iii) in the case of a LIBO Rate Loan, is terminated or reduced prior to the last day of its Interest Period, an amount equal to the excess, if any, of (A) the CP Costs or Interest (as applicable) that would have accrued on such Loan during the remainder of the Interest Period or the tranche period for Commercial Paper determined by the Administrative Agent to relate to such Loan (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the principal of such Loan if such reduction, assignment or termination had not occurred or such Reduction Notice had not been delivered, over (B) the sum of (x) to the extent all or a portion of such principal is allocated to another Loan, the amount of CP Costs or Interest actually accrued during the remainder of such period on such principal for the new Loan, and (y) to the extent such principal is not allocated to another Loan, the income, if any, actually received during the remainder of such period by the holder of such Loan from investing the portion of such principal not so allocated. In the event that the amount referred to in clause (B) exceeds the amount referred to in clause (A), the Lender, the Liquidity Bank or Committed Bank, as the case may be, agree to pay to Borrower the amount of such excess. If any CP Rate Loan or LIBO Rate Loan does not become subject to an Aggregate Reduction following the delivery of any Reduction Notice, the applicable Broken Funding Costs shall be an amount equal to all costs incurred as a result of the failure to make such Aggregate Reduction which are not recovered through the payment of interest hereunder. All Broken Funding Costs shall be due and payable hereunder upon demand.

Business Day: Any day on which banks are not authorized or required to close in New York, New York or Atlanta, Georgia, and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

Calculation Period: A Fiscal Month.

Cash Discount Reserve: The highest Cash Discount Reserve Percentage over the past 12 Calculation Periods.

Cash Discount Reserve Percentage: As of any Cut-Off Date, the ratio (expressed as a percentage), computed by dividing the aggregate amount of contractual cash discounts given by the Originators during the Calculation Period ending on such Cut-Off Date by the aggregate sales generated by the Originators during the immediately preceding Calculation Period.

Change of Control: (a) Louisiana-Pacific shall cease to own 100% of the outstanding equity interests of Borrower free and clear of any Adverse Claim or, (b) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan),

becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire (such right, an “option right”), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 30% or more of the Stock of any Originator or the Performance Guarantor entitled to vote for members of the board of directors or equivalent governing body of such Person on a partially diluted basis (i.e., taking into account all such securities that such person or group has the right to acquire pursuant to any option rights in both the dividend and divisor used in calculating such percentage); or (c) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of any Originator or the Performance Guarantor cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

Claim: As defined in Section 10.2(a).

Closing Date: November 15, 2001.

Collateral: As defined in Section 13.1.

Collection Account: Each concentration account, depository account, lock-box account or similar account in which any Collections are collected or deposited and which is listed on Exhibit IV as such exhibit may be updated from time to time in accordance with Section 7.2(b).

Collection Account Agreement: An agreement substantially in the form of Exhibit VI among an Originator, Master Servicer, Borrower, the Administrative Agent and a Collection Bank (or such other form as the Administrative Agent shall approve in its sole discretion).

Collection Bank: At any time, any of the banks holding one or more Collection Accounts.

Collection Notice: A notice, in substantially the form of Annex A to Exhibit VI, from the Administrative Agent to a Collection Bank.

Collections: With respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Receivable.

Commercial Paper: Promissory notes of Blue Ridge issued by Blue Ridge in the commercial paper market.

Commitment: As to each Committed Bank, the dollar amount of its commitment to make Advances under this Agreement, as set forth on the signature pages hereto, which Commitments in the aggregate shall equal the Borrowing Limit.

Committed Bank: As defined in the preamble.

Committed Bank Maturity Date: With respect to any Advance Account Deposit, (i) if established in respect of a Non-Renewing Committed Bank, the earlier of the Amortization Date and the close of business of the Administrative Agent on the third anniversary of the Closing Date or (ii) if established in respect of a Downgraded Committed Bank, the earlier of the Amortization Date and such Committed Bank’s Commitment Termination Date or, if such Committed Bank is or becomes a Non-Renewing Committed Bank, the earlier of (i) the Amortization Date and (ii) the close of business of the Administrative Agent on the third anniversary of the Closing Date.

Commitment Termination Date: With respect to each Committed Bank, November 15, 2004 or such later date as may be agreed in writing from time to time by Borrower, the Master Servicer, the Lender, the Administrative Agent and such Committed Bank.

Contingent Obligation: Of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

Contract: With respect to any Receivable, any and all instruments, agreements, invoices or other writings pursuant to which such Receivable arises or which evidences such Receivable.

CP Costs: For each day, the sum of (1) discount or interest accrued on Pooled Commercial Paper on such day, plus (2) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (3) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase or other financing facilities which are funded by Pooled Commercial Paper for such day, minus (4) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase or financing facilities funded substantially with Pooled Commercial Paper, minus (5) any payment received on such day net of expenses in respect of Broken Funding Costs (or similar costs) related to the prepayment of any investment of Blue Ridge pursuant to the terms of any receivable purchase or financing facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if Borrower shall request any Advance during any period of time determined by the Administrative Agent in its sole discretion to result in incrementally higher CP Costs applicable to such Advance, the principal associated with any such Advance shall, during such period, be deemed to be funded by Blue Ridge in a special pool (which may include capital associated with other receivable purchase or financing facilities) for purposes of

determining such additional CP Costs applicable only to such special pool and charged each day during such period against such principal.

CP Rate Loan: Each Loan of Blue Ridge prior to the time, if any, when (i) it is refinanced with a Liquidity Funding pursuant to the Liquidity Agreement, or (ii) an Amortization Event occurs and the accrual of Interest thereon at the Default Rate commences.

Credit and Collection Policy: Borrower's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in Exhibit VII hereto, as modified from time to time in accordance with this Agreement.

Cut-Off Date: The last day of a Calculation Period.

Days Sales Outstanding: As of any day, an amount equal to the product of (i) the sum of the actual number of days in the preceding three (3) Calculation Periods, multiplied by (ii) the amount obtained by dividing (A) the aggregate outstanding balance of Receivables as of the most recent Cut-Off Date, by (B) the aggregate amount of Receivables created during the three (3) Calculation Periods including and immediately preceding such Cut-Off Date.

Deemed Collections: Collections deemed received by the Borrower under Section 1.4(a).

Default Horizon Ratio: As of any Cut-Off Date, the ratio (expressed as a decimal) computed by dividing (i) the aggregate sales generated by the Originators during the three Calculation Periods ending on such Cut-Off Date, by (ii) the Net Pool Balance as of such Cut-off Date.

Default Rate: A rate per annum equal to the sum of (i) the Alternate Base Rate plus (ii) 2.00%, changing when and as the Alternate Base Rate changes.

Default Ratio: As of any Cut-Off Date, the ratio (expressed as a percentage) computed by dividing (i) the total amount of Receivables which became Defaulted Receivables during the Calculation Period that includes such Cut-Off Date, by (ii) the aggregate sales generated by the Originators during the Calculation Period occurring three months prior to the Calculation Period ending on such Cut-Off Date.

Defaulted Receivable: A Receivable: (i) as to which the Obligor thereof has suffered an Event of Bankruptcy; (ii) which, consistent with the Credit and Collection Policy, would be written off Borrower's books as uncollectible; or (i) as to which any payment, or part thereof, remains unpaid for 61 days or more from the original due date for such payment.

Delinquency Ratio: At any time, a percentage equal to (i) the aggregate Outstanding Balance of all Receivables that were Delinquent Receivables at such time divided by (ii) the aggregate Outstanding Balance of all Receivables at such time.

Delinquent Receivable: A Receivable as to which any payment, or part thereof, remains unpaid for 31-60 days from the original due date for such payment.

Dilution: The amount of any reduction or cancellation of the Outstanding Balance of a Receivable as described in Section 1.4(a) other than any such reduction or cancellation resulting for any cash discount, rebate or refund.

Dilution Horizon Ratio: As of any Cut-off Date, a ratio (expressed as a decimal), computed by dividing (i) the aggregate sales generated by the Originators during the one Calculation Period ending on such Cut-Off Date, by (ii) the Net Pool Balance as of such Cut-Off Date.

Dilution Ratio: As of any Cut-Off Date, a ratio (expressed as a percentage), computed by dividing (i) the total amount of decreases in Outstanding Balances due to Dilutions during the Calculation Period ending on such Cut-Off Date, by (ii) the aggregate sales generated by the Originators during the Calculation Period one Calculation Period prior to the current Calculation Period ending on such Cut-Off Date.

Dilution Reserve: For any Calculation Period, the product (expressed as a percentage) of:

- (i) the sum of (A) two (2) times the Adjusted Dilution Ratio as of the immediately preceding Cut-Off Date, plus (B) the Dilution Volatility Component as of the immediately preceding Cut-Off Date, times

(ii) the Dilution Horizon Ratio as of the immediately preceding Cut-Off Date.

Dilution Volatility Component: For any Calculation Period, as of the most recent Cut-Off Date, the product (expressed as a percentage) of (i) the difference between (A) the highest three (3)-month rolling average Dilution Ratio over the past 12 Calculation Periods and (B) the Adjusted Dilution Ratio, and (ii) a fraction, the numerator of which is equal to the amount calculated in (i)(A) of this definition and the denominator of which is equal to the amount calculated in (i)(B) of this definition.

Downgraded Committed Bank: As defined in Section 4.6.

Downgraded Liquidity Bank: A Liquidity Bank which has been the subject of a Downgrading Event.

Downgrading Event: With respect to any Person means the lowering of the rating with regard to the short-term securities of such Person to below (i) A-1 by S&P, or (ii) P-1 by Moody's.

Eligible Assignee: A commercial bank (i) having a combined capital and surplus of at least \$250,000,000 (ii) with a rating of its short-term securities equal to or higher than (x) A-1 by S&P and (y) P-1 by Moody's and (iii) that is reasonably acceptable to Louisiana-Pacific, provided such consent shall not be required following the occurrence of an Incipient Event or an Amortization Event.

Eligible Institution: A depository institution or trust company, organized under the laws of the United States or any state thereof, that (i) is a member of the Federal Deposit Insurance Corporation, (ii) has a combined capital and surplus of not less than \$250,000,000 and (iii) has (or is a Subsidiary of a Person that has) a long-term unsecured debt rating of at least A or better by S&P and A2 or better by Moody's.

Eligible Receivable: At any time, a Receivable:

- (i) the Obligor of which (A) if a natural person, is a resident of the United States or, if a corporation or other business organization, is organized under the laws of the United States or any political subdivision thereof and has its chief executive office in the United States; (B) is not an Affiliate of any of the parties hereto; and (C) is not a government or a governmental subdivision or agency,
- (ii) which is not a Defaulted Receivable or owing from an Obligor as to which more than 50% of the aggregate Outstanding Balance of all Receivables owing from such Obligor are Defaulted Receivables,
- (iii) which was not a Defaulted Receivable or a Delinquent Receivable on the date on which it was acquired by Borrower from the applicable Originator,
- (iv) which by its terms is due and payable within 61 days of the original billing date therefor and has not had its payment terms extended more than once,
- (v) which is an “account” or a “payment intangible” within the meaning of Section 9-102, of the UCC of all applicable jurisdictions,
- (vi) which is denominated and payable only in United States dollars in the United States,
- (vii) which arises under a Contract which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms subject to no offset, counterclaim or other defense,
- (viii) which arises under a Contract which (A) does not require the Obligor under such Contract to consent to the transfer, sale, pledge or assignment of the rights and duties of the applicable Originator or any of its assignees under such Contract and (B) does not contain a confidentiality provision that purports to restrict the ability of the Lender or the Committed Banks to exercise their rights under this Agreement, including, without limitation, its right to review the Contract,
- (ix) which arises under a Contract that contains an obligation to pay a specified sum of money, contingent only upon the sale of goods or the provision of services by the applicable Originator,
- (x) which, together with the Contract related thereto, does not contravene any law, rule or regulation applicable thereto (including, without limitation, any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no part of the Contract related thereto is in violation of any such law, rule or regulation,

- (xi) which satisfies in all material respects all applicable requirements of the Credit and Collection Policy except to the extent such failure to comply could have a Material Adverse Effect,
- (xii) which was generated in the ordinary course of the applicable Originator’s business,
- (xiii) which arises solely from the sale of goods or the provision of services to the related Obligor by the applicable Originator, and not by any other Person (in whole or in part),
- (xiv) which is not subject to any dispute, counterclaim, right of rescission, set-off, counterclaim or any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor against the applicable Originator or any other Adverse Claim, and the Obligor thereon holds no right as against such Originator to cause such Originator to repurchase the goods or merchandise the sale of which shall have given rise to such Receivable (except with respect to sale discounts effected pursuant to the Contract, or defective goods returned in accordance with the terms of the Contract); provided, however, that if such dispute, offset, counterclaim or defense affects only a portion of the Outstanding Balance of such Receivable, then such Receivable may be deemed an Eligible Receivable to the extent of the portion of such Outstanding Balance which is not so affected, and provided, further, that Receivables of any Obligor which has any accounts payable by the applicable Originator or by a wholly-owned Subsidiary of such Originator (thus giving rise to a potential offset against such Receivables) may be treated as Eligible Receivables to the extent that the Obligor of such Receivables has agreed pursuant to a written agreement in form and substance satisfactory to the Administrative Agent, that such Receivables shall not be subject to such offset,
- (xv) as to which the applicable Originator has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor,
- (xvi) as to which each of the representations and warranties contained in Sections 5.1(i), (j), (r), (s), and (t) is true and correct, and
- (xvii) all right, title and interest to and in which has been validly transferred by the applicable Originator directly to Borrower under and in accordance with the Receivables Sale Agreement, as to which all conditions to the transfer by the Originator thereof under the Receivables Sale Agreement have been satisfied, as to which all representations and warranties made by the Originator thereof are true and correct in, under and in accordance with the Receivables Sale Agreement and Borrower has good and marketable title thereto free and clear of any Adverse Claim.

ERISA: The Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

ERISA Affiliate: Any trade or business (whether or not incorporated) under common control with Performance Guarantor within the meaning of Section 414(b) or (c) of the Tax Code (and Sections 414(m) and (o) of the Tax Code for purposes of provisions relating to Section 412 of the Tax Code).

Event of Bankruptcy: Shall be deemed to have occurred with respect to a Person if either:

- (i) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or
- (ii) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

Existing Commitment Termination Date: As defined in Section 4.7(a).

Facility Account: Borrower's account no. 6261-003003 at Wachovia.

Facility Termination Date: The earlier of (i) the Committed Bank Termination Date and (ii) the Amortization Date.

Federal Bankruptcy Code: Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

Federal Funds Effective Rate: For any period, a fluctuating interest rate per annum for each day during such period equal to (i) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Government Securities; or (ii) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 11:30 a.m. (New York time) for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

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Fee Letter: That certain letter agreement dated as of the date hereof among Borrower, Louisiana-Pacific and the Administrative Agent, as it may be amended or modified and in effect from time to time.

Final Payout Date: The date on which all Aggregate Unpays have been paid in full and the Aggregate Commitment has been terminated.

Finance Charges: With respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

Fiscal Month: A fiscal month of Louisiana-Pacific and its Subsidiaries as described on Exhibit XIV, as such exhibit may be updated pursuant to Section 7.1(b)(viii); provided, if Louisiana-Pacific fails to timely deliver an updated Exhibit XIV, a Fiscal Month not covered by the existing Exhibit XIV shall be deemed to be a calendar month until such date as an updated Exhibit XIV is provided to the Administrative Agent.

Funding Agreement: (i) this Agreement, (ii) the Liquidity Agreement and (iii) any other agreement or instrument executed by any Funding Source with or for the benefit of Blue Ridge.

Funding Source: (i) any Liquidity Bank or (ii) any insurance company, bank or other funding entity providing liquidity, credit enhancement or back-up purchase support or facilities to Blue Ridge.

GAAP: Generally accepted accounting principles in effect in the United States of America as of the date of this Agreement.

Incipient Event: An event or circumstance which the Administrative Agent determines in its sole discretion may either (i) materially and adversely affect any portion or all of the Collateral or the financial prospects of any Loan Party, Performance Guarantor or any Originator or (ii) otherwise have a Material Adverse Effect.

Indebtedness: Of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

Independent Director: A member of the Board of Directors of Borrower who is not at such time, and has not been at any time during the preceding five (5) years: (i) a director, officer, employee or affiliate of Performance Guarantor, any Originator or any of their respective Subsidiaries or Affiliates (other than Borrower), or (ii) the beneficial owner (at the time of such individual's appointment as an Independent Director or at any time thereafter while serving as an

Interest: For each respective Interest Period relating to Loans funded with a Liquidity Funding or a Bank Funding, an amount equal to the product of the applicable Interest Rate for each Loan multiplied by the principal of such Loan for each day elapsed during such Interest Period, annualized on a 360 day basis.

Interest Period: With respect to any Loan held by a Liquidity Bank or a Committed Bank:

- (i) if Interest for such Loan is calculated on the basis of the LIBO Rate, a period of one, two, three or six months, or such other period as may be mutually agreeable to the Administrative Agent and Borrower, commencing on a Business Day selected by Borrower or the Administrative Agent pursuant to this Agreement. Such Interest Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Interest Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Interest Period shall end on the last Business Day of such succeeding month; or
- (ii) if Interest for such Loan is calculated on the basis of the Alternate Base Rate, a period commencing on a Business Day selected by Borrower and agreed to by the Administrative Agent, provided that no such period shall exceed one month.

If any Interest Period would end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that in the case of Interest Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Interest Period shall end on the immediately preceding Business Day. In the case of any Interest Period for any Loan which commences before the Amortization Date and would otherwise end on a date occurring after the Amortization Date, such Interest Period shall end on the Amortization Date. The duration of each Interest Period which commences after the Amortization Date shall be of such duration as selected by the Administrative Agent.

Interest Rate: With respect to each Loan of the Liquidity Banks and the Committed Banks, the LIBO Rate, the Alternate Base Rate or the Default Rate, as applicable.

Interest Reserve: For any Calculation Period, the product (expressed as a percentage) of (i) 1.5 times (ii) the Alternate Base Rate as of the immediately preceding Cut-Off Date times (iii) a fraction the numerator of which is the highest Days Sales Outstanding for the most recent 12 Calculation Periods and the denominator of which is 360.

Lender: Blue Ridge.

LIBO Rate: For any Interest Period, the rate per annum determined on the basis of the offered rate for deposits in U.S. dollars of amounts equal or comparable to the principal amount of the related Loan offered for a term comparable to such Interest Period, which rates appear on a Bloomberg L.P. terminal, displayed under the address "US0001M <Index> Q <Go>" effective as of 11:00 A.M., London time, two Business Days prior to the first day of such Interest Period, provided that if no such offered rates appear on such page, the LIBO Rate for such Interest Period will be the arithmetic average (rounded upwards, if necessary, to the next higher 1/100th of 1%) of rates quoted by not less than two major banks in New York, New York, selected by the Administrative Agent, at approximately 10:00 a.m.(New York time), two Business Days prior to

the first day of such Interest Period, for deposits in U.S. dollars offered by leading European banks for a period comparable to such Interest Period in an amount comparable to the principal amount of such Loan, divided by (ii) one minus the maximum aggregate reserve requirement (including all basic, supplemental, marginal or other reserves) which is imposed against the Administrative Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time (expressed as a decimal), applicable to such Interest Period. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

LIBO Rate Loan: A Loan which bears interest at the LIBO Rate.

Liquidity Agreement: That certain Liquidity Asset Purchase Agreement dated as of November 15, 2001, by and among Blue Ridge, the Administrative Agent and the banks from time to time party thereto, as the same may be amended, restated and/or otherwise modified from time to time.

Liquidity Banks: The commercial lending institutions from time to time party to the Liquidity Agreement as liquidity providers thereunder.

Liquidity Commitment: As to each Liquidity Bank, its commitment under the Liquidity Agreement (which shall equal 102% of its Commitment hereunder).

Liquidity Funding: (i) A purchase made by any Liquidity Bank pursuant to its Liquidity Commitment of all or any portion of, or any undivided interest in, a Loan held by Blue Ridge.

Liquidity Termination Date: The earlier to occur of the following:

- (i) the date on which the Liquidity Banks' Liquidity Commitments expire, cease to be available to Blue Ridge or otherwise cease to be in full force and effect; or
- (ii) the date on which a Downgrading Event with respect to a Liquidity Bank shall have occurred and been continuing for not less than 30 days, and either (A) the Downgraded Liquidity Bank shall not have been replaced by an Eligible Assignee pursuant to the Liquidity Agreement, or (B) the Liquidity Commitment of such Downgraded Liquidity Bank shall not have been funded or collateralized in such a manner that will avoid a reduction in or withdrawal of the credit rating applied to the Commercial Paper to which such Liquidity Agreement applies by any of the rating agencies then rating such Commercial Paper.

Loan: Any loan made by the Lender or any Committed Bank to the Borrower pursuant to this Agreement. Each Loan shall either be a CP Rate Loan, an Alternate Base Rate Loan or a LIBO Rate Loan, selected in accordance with the terms of this Agreement.

Loan Parties: As defined in the preamble to this Agreement.

Lock-Box: Each locked postal box with respect to which a bank who has executed a Collection Account Agreement has been granted exclusive access for the purpose of retrieving and processing payments made on the Receivables and which is listed on Exhibit IV.

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Loss Reserve: For any Calculation Period, the product (expressed as a percentage) of (i) 2.0, times (ii) the highest three-month rolling average Default Ratio during the 12 Calculation Periods ending on the immediately preceding Cut-Off Date, times (iii) the Default Horizon Ratio as of the immediately preceding Cut-Off Date.

Louisiana-Pacific: As defined in the preamble to this Agreement.

LP Downgrade Event: The occurrence of any of the following: (i) the long-term unsecured senior debt rating of Louisiana-Pacific shall be downgraded below BB- by S&P and Ba3 by Moody's, (ii) during the Ratings Downgrade Period, either (x) the rating agency which did not issue a downgrade shall downgrade the long-term unsecured senior debt rating of Louisiana-Pacific or (y) any rating agency shall downgrade the long-term unsecured senior debt rating of Louisiana-Pacific a second time or (iii) the Ratings Downgrade Period shall have expired.

Master Servicer: At any time the Person (which may be the Administrative Agent) then authorized pursuant to Article VIII to service, administer and collect Receivables.

Material Adverse Effect: A material adverse effect on (i) the financial condition or operations of Borrower or the financial condition or operations of Louisiana-Pacific, Performance Guarantor, any Originator and any of their respective Subsidiaries taken as a whole, (ii) the ability of any Loan Party to perform its obligations under this Agreement or any other Transaction Document to which it is a party or the Performance Guarantor to perform its obligations under the Performance Undertaking, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document against any Loan Party, Performance Guarantor or any Originator, (iv) the Administrative Agent's security interest, for the benefit of the Secured Parties, in the Receivables generally or in any significant portion of the Receivables, the Related Security or the Collections with respect thereto, or (v) the collectibility of the Receivables generally or of any material portion of the Receivables.

Monthly Report: A report in substantially the form of Exhibit IX (appropriately completed), furnished by the Master Servicer to the Administrative Agent pursuant to Section 8.5.

Monthly Reporting Date: Each date indicated on Exhibit XIV as the Monthly Reporting Date or with respect to any additional Monthly Report requested by the Administrative Agent pursuant to Section 8.5, such date as the Administrative Agent shall indicate in any such request; provided, however, if such Exhibit XIV is not updated as required by Section 7.1(b)(viii), then the Monthly Reporting Date shall be the fifteenth day of each calendar month (or if any such day is not a Business Day, the next succeeding Business Day thereafter).

Moody's: Moody's Investors Service, Inc.

Net Pool Balance: At any time, the aggregate Outstanding Balance of all Eligible Receivables at such time reduced by which the aggregate Outstanding Balance of all Eligible Receivables of each Obligor and its Affiliates exceeds the Obligor Concentration Limit for such Obligor.

Non-Renewing Committed Bank: As defined in Section 4.7(b).

Notice of Conversion: As defined in Section 4.7(c).

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Obligor: A Person obligated to make payments pursuant to a Contract.

Obligor Concentration Limit: At any time, in relation to the aggregate Outstanding Balance of Receivables owed by any single Obligor and its Affiliates (if any), the applicable concentration limit shall be determined as follows for Obligors who have short term unsecured debt ratings currently assigned to them by S&P and Moody's (or in the absence thereof, the equivalent long term unsecured senior debt ratings):

S&P Rating	Moody's Rating	Allowable % of Eligible Receivables
A-1+	P-1	10%
A-1	P-1	8%
A-2	P-2	6%
A-3	P-3	3%
Below A-3 or Not Rated by either S&P or Moody's	Below P-3 or Not Rated by either S&P or Moody's	2%

;provided, however, that (i) if any Obligor has a split rating, the applicable rating will be the lower of the two, (ii) if any Obligor is not rated by either S&P or Moody's, the applicable Obligor Concentration Limit shall be the one set forth in the last line of the table above, and (iii) subject to satisfaction of the Rating Agency Condition and/or an increase in the Required Reserve Factor Floor upon the Borrower's request from time to time, the Administrative Agent may agree to a higher percentage of Eligible Receivables for a particular Obligor and its Affiliates (each such higher percentage, a "Special Concentration Limit"), it being understood that any Special Concentration Limit may be cancelled by the Administrative Agent upon not less than five (5) Business Days' written

notice to the Loan Parties; provided, further that for the purposes of computing the Net Pool Balance, the Special Concentration Limit with respect to Home Depot, Inc. and Boise Cascade Corporation shall be the sum of the amount computed based to the applicable rating of Home Depot, Inc. or Boise Cascade Corporation, as the case may be, described above plus \$5,500,000 with respect to Home Depot, Inc. and \$2,500,000 with respect to Boise Cascade Corporation.

Originator: Each of Louisiana-Pacific and LP Wood Polymers, Inc., in its capacity as a originator under the Receivables Sale Agreement.

Outstanding Balance: Of any Receivable at any time means the then outstanding principal balance thereof.

Participant: As defined in Section 12.2.

PBGC: The Pension Benefit Guaranty Corporation, or any successor thereto.

Pension Plan: A pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which Performance Guarantor sponsors or maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in

Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

Performance Guarantor: Louisiana-Pacific.

Performance Undertaking: That certain Performance Undertaking, dated as of November 15, 2001 by Performance Guarantor in favor of Borrower, substantially in the form of Exhibit X, as the same may be amended, restated or otherwise modified from time to time.

Person: An individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

Plan: An employee benefit plan (as defined in Section 3(3) of ERISA) which Performance Guarantor or any of its ERISA Affiliates sponsors or maintains or to which Performance Guarantor or any of its ERISA Affiliates makes, is making, or is obligated to make contributions and includes any Pension Plan, other than a Plan maintained outside the United States primarily for the benefit of Persons who are not U.S. residents.

Pooled Commercial Paper: Commercial Paper notes of Blue Ridge subject to any particular pooling arrangement by Blue Ridge, but excluding Commercial Paper issued by Blue Ridge for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by Blue Ridge.

Prime Rate: A rate per annum equal to the prime rate of interest announced from time to time by Wachovia (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

Proposed Reduction Date: As defined in Section 1.3.

Pro Rata Share: At any time with respect to any Committed Bank, (i) with respect to any payment to be made to such Committed Bank, the percentage equivalent of a fraction the numerator of which is equal to the portion of the Aggregate Principal that has been funded by such Person at such time and the denominator of which is equal to the Aggregate Principal at such time and (ii) with respect to any Advance to be made by any Committed Bank, the percentage equivalent of a fraction, the numerator of which is equal to such Person's Commitment and the denominator of which is equal to the Borrowing Limit.

Rating Agency Condition: That Blue Ridge has received written notice from S&P and Moody's that an amendment, a change, a waiver or other action will not result in a withdrawal or downgrade of the then current ratings on Blue Ridge's Commercial Paper.

Ratings Downgrade Period: The period beginning on the date on which S&P or Moody's downgrades the long-term unsecured senior debt rating of Louisiana-Pacific to below BB- by S&P or Ba3 by Moody's and ending on the date six months thereafter.

Rebate and Allowance Accrual: As of any Cut-Off Date, the aggregate balance of the accrual for rebates and allowances held by the Originators during the Calculation Period ending on such Cut-Off Date for the payment of rebates and allowances in future Calculation Periods.

Rebate Reserve: As of any Cut-Off Date, the Rebate and Allowance Accrual times 1.5.

Receivable: All indebtedness and other obligations owed to Borrower or any Originator (at the time it arises, and before giving effect to any transfer or conveyance under the Receivables Sale Agreement) or in which Borrower or an Originator has a security interest or other interest, including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of inventory by an Originator to any Obligor, if a natural person, who is a resident of the United States or, if a corporation or other business organization, who is organized under the laws of the United States or any political subdivision thereof and has its chief executive office in the United States, and further includes, without limitation, the obligation to pay any Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; provided further, that any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor or Borrower treats such indebtedness, rights or obligations as a separate payment obligation.

Receivables Sale Agreement: That certain Receivables Sale Agreement, dated as of November 15, 2001, among the Originators and Borrower, as the same may be amended, restated or otherwise modified from time to time.

Records: With respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

Recourse Obligations: As defined in Section 2.1.

Reduction Notice: As defined in Section 1.3.

Regulatory Change: As defined in Section 10.3.

Related Security: All of Borrower's right, title and interest in, to and under the Performance Undertaking, each Collection Account and with respect to any Receivable:

(i) all of Borrower's interest in the inventory and goods (including returned or repossessed inventory or goods), if any, the sale of which by an Originator gave rise to such Receivable, and all insurance contracts with respect thereto,

(ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the

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Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,

(iii) all guaranties, letters of credit, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(iv) all service contracts and other contracts and agreements associated with such Receivable,

(v) all Records related to such Receivable,

(vi) all of Borrower's right, title and interest in, to and under the Receivables Sale Agreement in respect of such Receivable, and

(vii) all proceeds of any of the foregoing.

Required Committed Banks: At any time, Committed Banks with commitments in excess of 66-2/3% of the Aggregate Commitment.

Required Liquidity Banks: At any time, Liquidity Banks with commitments in excess of 66-2/3% of the Aggregate Commitment.

Required Notice Period: The number of days required notice set forth below applicable to the Aggregate Reduction indicated below:

<u>Aggregate Reduction</u>	<u>Required Notice Period</u>
< 25% of the Aggregate Commitment	2 Business Days
> 25% but < 50% of the Aggregate Commitment	4 Business Days
> 50% of Aggregate Commitment	5 Business Days

Required Reserve: On any day, the sum of the Roll Forward Differential Reserve plus the product of (i) the greater of (A) the Required Reserve Factor Floor and (B) the sum of the Loss Reserve, the Interest Reserve, the Dilution Reserve, the Cash Discount Reserve and the Servicing Reserve, times (ii) the Net Pool Balance as of the last day of the period covered by the most recent Monthly Report.

Required Reserve Factor Floor: For any Calculation Period, the sum (expressed as a percentage) of (i) 8.0% plus (ii) the product of the Adjusted Dilution Ratio and the Dilution Horizon Ratio, in each case, as of the immediately preceding Cut-Off Date.

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Restricted Junior Payment: (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of Borrower now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock of Borrower, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of Borrower now or hereafter outstanding, (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to the Subordinated Notes (as defined in the Receivables Sale Agreement), (iv) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of Borrower now or hereafter outstanding, and (v) any payment of management fees by Borrower (except for reasonable management fees to any Originator or its Affiliates in reimbursement of actual management services performed).

Review: As defined in Section 7.1(d).

Revolving Period: The period from the Closing Date to the Amortization Date.

Roll Forward Differential Reserve: \$1,000,000; provided that the Administrative Agent may require a lower, higher or no Roll Forward Differential Reserve in its sole discretion based upon audits conducted with respect to the Receivables.

S&P: Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

Scheduled Monthly Reporting Date: The 20th day of each Fiscal Month.

Scheduled Settlement Date: The 2nd Business Day after each Scheduled Monthly Reporting Date.

Secured Parties: The Administrative Agent, the Lender, the Liquidity Banks, the Indemnified Parties and the Committed Banks.

Separateness Agreement: That certain Separateness Agreement, dated as of November 19, 2001 by and among Louisiana-Pacific, the Borrower and LP Wood Polymers, Inc.

Servicing Fee: For each day in a Calculation Period:

(i) an amount equal to (A) the Servicing Fee Rate (or, at any time while Louisiana-Pacific or one of its Affiliates is the Master Servicer, such lesser percentage as may be agreed between the Borrower and the Master Servicer on an arms' length basis based on then prevailing market terms for similar services), times (B) the aggregate Outstanding Balance of all Receivables at the close of business on the Cut-Off Date immediately preceding such Calculation Period, times (C) 1/360; or

(ii) on and after the Master Servicer's reasonable request made at any time when Louisiana-Pacific or one of its Affiliates is no longer acting as Master Servicer hereunder, an alternative amount specified by the successor Master Servicer not

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exceeding (A) 110% of such Master Servicer's reasonable costs and expenses of performing its obligations under this Agreement during the preceding Calculation Period, divided by (B) the number of days in the current Calculation Period.

Servicing Fee Rate: 1.0% per annum.

Servicing Reserve: For any Calculation Period, the product (expressed as a percentage) of (i) the Servicing Fee Rate, times (ii) a fraction, the numerator of which is the highest Days Sales Outstanding for the most recent 12 Calculation Periods and the denominator of which is 360.

Settlement Date: (i) the 2nd Business Day after each Monthly Reporting Date, and (ii) the last day of the relevant Interest Period in respect of each Loan of the Liquidity Banks, or the Committed Banks, as the case may be.

Settlement Period: (i) in respect of each Loan funded through the issuance of Commercial Paper, the immediately preceding Calculation Period, and (ii) in respect of each Loan funded through a Liquidity Funding or Bank Funding, the entire Interest Period of such Liquidity Funding or Bank Funding, as the case may be.

Subservicer: As defined in Section 8.1(b).

Subsidiary: Of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, limited liability company, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

Tax Code: The Internal Revenue Code of 1986, as the same may be amended from time to time.

Terminating Tranche: As defined in Section 4.3(b).

Transaction Documents: Collectively, this Agreement, each Borrowing Notice, the Receivables Sale Agreement, each Collection Account Agreement, the Performance Undertaking, the Fee Letter, the Subordinated Note (as defined in the Receivables Sale Agreement) and all other instruments, documents and agreements executed and delivered in connection herewith.

UCC: The Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

Unmatured Amortization Event: An event which, with the passage of time or the giving of notice, or both, would constitute an Amortization Event.

Wachovia: Wachovia Bank, N.A. in its individual capacity.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

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EXHIBIT II

FORM OF BORROWING NOTICE

[Borrower's Name]

BORROWING NOTICE
dated _____, 20_____
for Borrowing on _____, 20____

Wachovia Bank, N.A., as Administrative Agent
191 Peachtree Street, N.E., GA-423
Atlanta, Georgia 30303

Attention: Elizabeth R. Wagner, Fax No. (404) 332-5152

Ladies and Gentlemen:

Reference is made to the Credit and Security Agreement dated as of November 15, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") among LP Receivables Corporation (the "Borrower"), Louisiana-Pacific, as initial Master Servicer, Blue Ridge Asset Funding Corporation, as Lender and Wachovia Bank N.A., individually and as Administrative Agent. Capitalized terms defined in the Credit Agreement are used herein with the same meanings.

1. The [Master Servicer, on behalf of the] Borrower hereby certifies, represents and warrants to the Administrative Agent, the Committed Banks and the Lender that on and as of the Borrowing Date (as hereinafter defined):

- (a) all applicable conditions precedent set forth in Article VI of the Credit Agreement have been satisfied;
- (b) each of its representations and warranties contained in Section 5.1 of the Credit Agreement will be true and correct as if made on and as of the Borrowing Date;
- (c) no event will have occurred and is continuing, or would result from the requested Advance, that constitutes an Amortization Event or Unmatured Amortization Event;
- (d) the Facility Termination Date has not occurred; and
- (e) after giving effect to the Loans comprising the Advance requested below, the Aggregate Principal will not exceed the Borrowing Limit.

2. The [Master Servicer, on behalf of the] Borrower hereby requests that Blue Ridge make an Advance on _____, 20___ (the "Borrowing Date") as follows:

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(a) Aggregate Amount of Advance: \$_____.

(b) If the Advance is funded with a Liquidity Funding or a Bank Funding, [Master Servicer on behalf of the] Borrower requests that Blue Ridge make an Alternate Base Rate Loan that converts into LIBO Rate Loan with an Interest Period of _____ months on the third Business Day after the Borrowing Date.

3. Please disburse the proceeds of the Loans as follows:

[Apply \$_____ to payment of principal and interest of existing Loans due on the Borrowing Date]. [Apply \$_____ to payment of fees due on the Borrowing Date]. [Wire transfer \$_____ to account no. _____ at _____ Bank, in [city, state], ABA No. _____, Reference: _____].

IN WITNESS WHEREOF, the [Master Servicer, on behalf of the] Borrower has caused this Borrowing Request to be executed and delivered as of this _____ day of _____.

[Louisiana-Pacific Corporation, as Master Servicer, on behalf of:] LP
Receivables Corporation, as Borrower

By: _____
Name: _____
Title: _____

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EXHIBIT III

JURISDICTION OF FORMATION; PLACES OF BUSINESS OF THE LOAN PARTIES; LOCATIONS OF RECORDS,

FEDERAL EMPLOYER IDENTIFICATION NUMBER(S)

LP Receivables Corporation

Jurisdiction of Formation: Delaware

Places of Business: 805 S.W Broadway, Portland, Oregon 97205-3033 (Chief Executive Office)

Locations of Records:

N. 13403 Government Way
Hayden Lake, Idaho 83835

340 E. Big Beaver Rd. #105
Troy, Michigan 48083

10115 Kincey Ave #150
Huntersville, NC 28078

Federal Employer Identification Number: 93-1329216

Legal, Trade and Assumed Names: LP Receivables Corporation.

Louisiana-Pacific Corporation

Jurisdiction of Formation: Delaware

Places of Business: 805 S.W Broadway, Portland, Oregon 97205-3033 (Chief Executive Office)

Locations of Records:

N. 13403 Government Way
Hayden Lake, Idaho 83835

340 E. Big Beaver Rd. #105
Troy, Michigan 48083

10115 Kincey Ave #150
Huntersville, NC 28078

Federal Employer Identification Number: 93-0609074

Legal, Trade and Assumed Names: Louisiana-Pacific Corporation.

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EXHIBIT IV

NAMES OF COLLECTION BANKS; LOCK-BOXES & COLLECTION ACCOUNTS

Lock-boxes; Collection Accounts; Collection Banks

Company	Bank Name	Account No.	Acct. Purpose	Bank Address	City	State	Zip
LP Corp	Bank of America	12330-53134	Lockbox Account	File # 53564	Los Angeles	CA	90074
LP Corp	Bank of America	4970094285	Depository	2900 W. Davis	Conroe	TX	77304
LP Corp	Idaho Independent Bank	0200003838	Depository	8882 N. Government Way	Hayden Lake	ID	83835
LP Corp	Wachovia Atlanta	1864085323	Lockbox Account	PO Box 920022	Atlanta	GA	30392
LP Corp	Wachovia Dallas	1864085323	Lockbox Account	PO Box 951235	Dallas	TX	75395
LP Corp	Wells Fargo-Regulus West	4159576628	Lockbox Account	PO Box 4000-98	Portland	OR	97208
LP Corp	Wells Fargo-Regulus West	4159576628	Lockbox Account	PO Box 44479	San Francisco	CA	94144
LP Corp	First Union National Bank	2000000717265	Lockbox Account	PO Box 60335	Charlotte	NC	28260

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EXHIBIT V

FORM OF COMPLIANCE CERTIFICATE

To: Wachovia Bank, N.A., as Administrative Agent

This Compliance Certificate is furnished pursuant to that certain Credit and Security Agreement dated as of November 15, 2001 among LP Receivables Corporation (the "Borrower"), Louisiana-Pacific Corporation (the "Master Servicer"), Blue Ridge Asset Funding Corporation and Wachovia Bank, N.A., as administrative agent (the "Agreement").

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of Borrower.

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Borrower and its Subsidiaries during the accounting period covered by the attached financial statements.

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Amortization Event or Unmatured Amortization Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate[, except as set forth in paragraph 5 below].

4. Schedule I attached hereto sets forth financial data and computations evidencing the compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

[5. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Borrower has taken, is taking, or proposes to take with respect to each such condition or event: _____]

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The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered as of _____, 20__.

By: _____
Name: _____
Title: _____

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SCHEDULE I TO COMPLIANCE CERTIFICATE

A. Schedule of Compliance as of _____, ____ with Section ___ of the Agreement. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

This schedule relates to the Calculation Period ended: _____

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EXHIBIT VI

FORM OF COLLECTION ACCOUNT AGREEMENT

COLLECTION ACCOUNT AGREEMENT

November 15, 2001

[Collection Bank Name]
[Collection Bank Address]

Attn: _____
Fax No. (____) _____

Re: [Name of current Lock-Box owner]/[Borrower's Name]

Ladies and Gentlemen:

Reference is hereby made to each of the [departmental] post office boxes listed on Schedule 1 hereto (each, a "Lock-Box") of which [Collection Bank Name], a _____ banking association (hereinafter "you"), has exclusive control for the purpose of receiving mail and processing payments therefrom pursuant to the [Lock-Box Service Agreement] dated _____, originally by and between _____ (the "Company") and you (the "Service Agreement").

1. You hereby confirm your agreement to perform the services described in the Service Agreement. Among the services you have agreed to perform therein, is to endorse all checks and other evidences of payment received in each of the Lock-Boxes, and credit such payments to account no. _____ (the "Lock-Box Account").

2. The Company hereby informs you that it has transferred to its affiliate, LP Receivables Corporation, a Delaware corporation (the "Borrower") all of the Company's right, title and interest in and to the items from time to time received in the Lock-Boxes and/or deposited in the Lock-Box Account, but that the Company has agreed to continue to service the receivables giving rise to such items. Accordingly, the Company and the Borrower hereby request that the name of the Lock-Box Account be changed to "LP Receivables Corporation". The Borrower hereby further advises you that it has pledged the receivables giving rise to such items to Wachovia Bank, N.A. as administrative agent for certain secured parties (in such capacity, the "Administrative Agent") and has granted a security interest to the Administrative Agent in all of the Borrower's right, title and interest in and to the Lock-Box Account and the funds therein.

3. Each of the Company and the Borrower hereby irrevocably instructs you, and you hereby agree, that upon receiving notice from the Administrative Agent in the form attached hereto as Annex A:

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(i) the name of the Lock-Box Account will be changed to "Wachovia Bank, N.A., as Administrative Agent" (or any designee of the Administrative Agent), and the Administrative Agent will have exclusive ownership of and access to the Lock-Boxes and the Lock-Box Account, and none of the Company, the Borrower, nor any of their respective affiliates will have any control of the Lock-Boxes or the Lock-Box Account or any access thereto, (ii) you will either continue to send the funds from the Lock-Boxes to the Lock-Box Account, or will redirect the funds as the Administrative Agent may otherwise request, (iii) you will transfer monies on deposit in the Lock-Box Account to the following account:

Bank Name:	Wachovia Bank, N.A.
Location:	Winston-Salem, SC
ABA Routing No.:	ABA # 053100494
Credit Account No.:	For credit to Blue Ridge Asset Funding Account #8735-098787.
Reference:	Blue Ridge/LP Receivables Corporation
Attention:	John Dillon, tel. (336) 732-2690

or to such other account as the Administrative Agent may specify, (iv) all services to be performed by you under the Service Agreement will be performed on behalf of the Administrative Agent, and (v) all correspondence or other mail which you have agreed to send to the Company or the Borrower will be sent to the Administrative Agent at the following address:

Wachovia Bank, N.A., as Administrative Agent
191 Peachtree Street
Mail Stop GA-423
Atlanta, GA 30303
Attn: Elizabeth K. Wagner,
Asset-Backed Finance
FAX: (404) 332- 5152

Moreover, upon such notice, the Administrative Agent will have all rights and remedies given to the Company (and the Borrower, as the Company's assignee) under the Service Agreement. The Borrower agrees, however, to continue to pay all fees and other assessments due thereunder at any time.

4. You hereby acknowledge that monies deposited in the Lock-Box Account or any other account established with you by the Administrative Agent for the purpose of receiving funds from the Lock-Boxes are subject to the liens of the Administrative Agent, and will not be subject to deduction, set-off, banker's lien or any other right you or any other party may have against the Company or the Borrower except that you may debit the Lock-Box Account for any items deposited therein that are returned or otherwise not collected and for all charges, fees, commissions and expenses incurred by you in providing services hereunder, all in accordance with your customary practices for the charge back of returned items and expenses.

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5. You will be liable only for direct damages in the event you fail to exercise ordinary care. You shall be deemed to have exercised ordinary care if your action or failure to act is in conformity with general banking usages or is otherwise a commercially reasonable practice of the banking industry. You shall not be liable for any special, indirect or consequential damages, even if you have been advised of the possibility of these damages.

6. The parties acknowledge that you may assign or transfer your rights and obligations hereunder solely to a wholly-owned subsidiary of [insert name of Collection Bank's holding company].

7. Borrower agrees to indemnify you for, and hold you harmless from, all claims, damages, losses, liabilities and expenses, including legal fees and expenses, resulting from or with respect to this letter agreement and the administration and maintenance of the Lock-Box Account and the services provided hereunder, including, without limitation: (a) any action taken, or not taken, by you in regard thereto in accordance with the terms of this letter agreement, (b) the breach of any representation or warranty made by the Borrower pursuant to this letter agreement, (c) any item, including, without limitation, any automated clearinghouse transaction, which is returned for any reason, and (d) any failure of the Borrower to pay any invoice or charge to you for services in respect to this letter agreement and the Lock-Box Account or any amount owing to you from the Borrower with respect thereto or to the service provided hereunder.

8. THIS LETTER AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER WILL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WHICH STATE SHALL BE

YOUR "LOCATION" FOR PURPOSES OF THE UNIFORM COMMERCIAL CODE. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

9. This letter agreement contains the entire agreement between the parties, and may not be altered, modified, terminated or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by all parties hereto of a written instrument so providing. In the event that any provision in this letter agreement is in conflict with, or is inconsistent with, any provision of the Service Agreement, this letter agreement will exclusively govern and control. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the rights of each party hereunder.

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution

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of a counterpart of this letter agreement by all parties hereto.

Very truly yours,

[NAME OF CURRENT LOCK-BOX OWNER]

By: _____
Name: _____
Title: _____

LP RECEIVABLES CORPORATION

By: _____
Name: _____
Title: _____

Acknowledged and agreed to as of the
date first above written:

[COLLECTION BANK]

By: _____
Name: _____
Title: _____

WACHOVIA BANK, N.A., AS ADMINISTRATIVE AGENT

By: _____
Name: _____
Title: _____

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ANNEX A

FORM OF NOTICE

[On letterhead of the Administrative Agent]

[Date]

[Collection Bank Name]
[Collection Bank Address]

Attn: _____
Fax No. (____) _____

Re: [Name of current Lock-Box owner]/[Borrower Name]

Ladies and Gentlemen:

We hereby notify you that we are exercising our rights pursuant to that certain letter agreement dated November 15, 2001 (the "Letter Agreement") among [Name of current Lock-Box Owner], LP Receivables Corporation, you and us, to have the name of, and to have exclusive ownership and control of,

account no. _____ identified in the Letter Agreement (the “Lock-Box Account”) maintained with you, transferred to us. The Lock-Box Account will henceforth be a zero-balance account, and funds deposited in the Lock-Box Account should be sent at the end of each day to the account specified in Section 3(i) of the Letter Agreement, or as otherwise directed by the undersigned. You have further agreed to perform all other services you are performing under the “Service Agreement” (as defined in the Letter Agreement) on our behalf.

We appreciate your cooperation in this matter.

Very truly yours,

WACHOVIA BANK, N.A.,
AS ADMINISTRATIVE AGENT

By: _____
Name: _____
Title: _____

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SCHEDULE 1

Lock-Box Post Office Address

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EXHIBIT VII

CREDIT AND COLLECTION POLICY

See Exhibit V to Receivables Sale Agreement

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EXHIBIT IX

FORM OF MONTHLY REPORT
[to be attached]

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EXHIBIT X

FORM OF PERFORMANCE UNDERTAKING

This Performance Undertaking (this “Undertaking”), dated as of November 15, 2001, is executed by Louisiana-Pacific Corporation, a Delaware corporation (the “Performance Guarantor”) in favor of LP Receivables Corporation, a Delaware corporation (together with its successors and assigns, “Recipient”).

RECITALS

1. LP Wood Polymer, Inc. (“LP Wood”), Performance Guarantor (in its individual capacity), and Recipient have entered into a Receivables Sale Agreement, dated as of November 15, 2001 (as amended, restated or otherwise modified from time to time, the “Sale Agreement”), pursuant to which LP Wood and Performance Guarantor, subject to the terms and conditions contained therein, are selling and/or contributing their respective right, title and interest in their accounts receivable to Recipient.

2. Performance Guarantor owns one hundred percent (100%) of the capital stock of LP Wood and Recipient and accordingly, Performance Guarantor, is expected to receive substantial direct and indirect benefits from the sale or contribution of receivables by LP Wood to Recipient pursuant to the Sale Agreement (which benefits are hereby acknowledged).

3. As an inducement for Recipient to acquire LP Wood's accounts receivable pursuant to the Sale Agreement, Performance Guarantor has agreed to guaranty the due and punctual performance by LP Wood of its obligations under the Sale Agreement, as well as the Servicing Related Obligations (as hereinafter defined).

4. Performance Guarantor wishes to guaranty the due and punctual performance by LP Wood of its obligations to Recipient under or in respect of the Sale Agreement and the Servicing Related Obligations (as hereinafter defined), as provided herein.

AGREEMENT

NOW, THEREFORE, Performance Guarantor *hereby* agrees as follows:

Section 1. Definitions. Capitalized terms used herein and not defined herein shall have the respective meanings assigned thereto in the Sale Agreement or the Credit and Security Agreement (as hereinafter defined). In addition:

Guaranteed Obligations: Collectively: (i) all covenants, agreements, terms, conditions and indemnities to be performed and observed by LP Wood under and pursuant to the Sale Agreement and each other document executed and delivered by LP Wood pursuant to the Sale Agreement, including, without limitation, the due and punctual payment of all sums which are or

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may become due and owing by LP Wood under the Sale Agreement, whether for fees, expenses (including counsel fees), indemnified amounts or otherwise, whether upon any termination or for any other reason and (ii) all obligations of LP Wood appointed as Subservicer pursuant to the Credit and Security Agreement (defined below) (A) as Subservicer under the Credit and Security Agreement, dated as of November 15, 2001 by and among Recipient, as Borrower, Louisiana-Pacific Corporation, as Master Servicer, Blue Ridge Asset Funding Corporation, the committed banks named therein and Wachovia Bank, N.A., as Administrative Agent (as amended, restated or otherwise modified, the "Credit and Security Agreement" and, together with the Sale Agreement, the "Agreements") or (B) which arise pursuant to Article VIII of the Credit and Security Agreement as a result of its termination as Subservicer (all such obligations under this clause (ii), collectively, the "Servicing Related Obligations").

Section 2. Guaranty of Performance of Guaranteed Obligations. Performance Guarantor hereby guarantees to Recipient, the full and punctual payment and performance by LP Wood of its Guaranteed Obligations. This Undertaking is an absolute, unconditional and continuing guaranty of the full and punctual performance of all Guaranteed Obligations of LP Wood under the Agreements and each other document executed and delivered by LP Wood pursuant to the Agreements and is in no way conditioned upon any requirement that Recipient first attempt to collect any amounts owing by LP Wood to Recipient, the Administrative Agent, the Committed Banks or the Lender from any other Person or resort to any collateral security, any balance of any deposit account or credit on the books of Recipient, the Administrative Agent, the Committed Banks or the Lender in favor of LP Wood or any other Person or other means of obtaining payment. Should LP Wood default in the payment or performance of any of its Guaranteed Obligations, Recipient (or its assigns) may cause the immediate performance by Performance Guarantor of the Guaranteed Obligations and cause any payment Guaranteed Obligations to become forthwith due and payable to Recipient (or its assigns), without demand or notice of any nature (other than as expressly provided herein), all of which are hereby expressly waived by Performance Guarantor. Notwithstanding the foregoing, this Undertaking is not a guarantee of the collection of any of the Receivables and Performance Guarantor shall not be responsible for any Guaranteed Obligations to the extent the failure to perform such Guaranteed Obligations by LP Wood results from Receivables being uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; provided that nothing herein shall relieve LP Wood from performing in full its Guaranteed Obligations under the Agreements or Performance Guarantor of its undertaking hereunder with respect to the full performance of such duties.

Section 3. Performance Guarantor's Further Agreements to Pay. Performance Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to Recipient (and its assigns), forthwith upon demand in funds immediately available to Recipient, all costs and expenses (including court costs and legal expenses) incurred or expended by Recipient in connection with the Guaranteed Obligations, this Undertaking and the enforcement thereof, together with interest on amounts recoverable under this Undertaking from the time when such amounts become due until payment, at a rate of interest (computed for the actual number of days elapsed based on a 360 day year) equal to the Prime Rate plus 2% per annum, such rate of interest changing when and as the Prime Rate changes.

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Section 4. Waivers by Performance Guarantor. Performance Guarantor waives notice of acceptance of this Undertaking, notice of any action taken or omitted by Recipient (or its assigns) in reliance on this Undertaking, and any requirement that Recipient (or its assigns) be diligent or prompt in making demands under this Undertaking, giving notice of any Termination Event, Amortization Event, other default or omission by LP Wood or asserting any other rights of Recipient under this Undertaking. Performance Guarantor warrants that it has adequate means to obtain from LP Wood, on a continuing basis, information concerning the financial condition of LP Wood, and that it is not relying on Recipient to provide such information, now or in the future. Performance Guarantor also irrevocably waives all defenses (i) that at any time may be available in respect of the Aggregate Unpays by virtue of any statute of limitations, valuation, stay, moratorium law or other similar law now or hereafter in effect or (ii) that arise under the law of suretyship, including impairment of collateral. Recipient (and its assigns) shall be at liberty, without giving notice to or obtaining the assent of Performance Guarantor and without relieving Performance Guarantor of any liability under this Undertaking, to deal with LP Wood and with each other party who now is or after the date hereof becomes liable in any manner for any of the Guaranteed Obligations, in such manner as Recipient in its sole discretion deems fit, and to this end Performance Guarantor agrees that the validity and enforceability of this Undertaking, including without limitation, the provisions of Section 7, shall not be impaired or affected by any of the following: (a) any extension, modification or renewal of, or indulgence with respect to, or substitutions for, the Guaranteed Obligations or any part thereof or any agreement relating thereto at any time; (b) any failure or omission to enforce any right, power or remedy with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto, or any collateral securing the Guaranteed Obligations or any part thereof; (c) any waiver of any right, power or remedy or of any Termination Event, Amortization Event, or default with respect to the Guaranteed Obligations or any part

thereof or any agreement relating thereto; (d) any release, surrender, compromise, settlement, waiver, subordination or modification, with or without consideration, of any other obligation of any person or entity with respect to the Guaranteed Obligations or any part thereof; (e) the enforceability or validity of the Guaranteed Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to the Guaranteed Obligations or any part thereof; (f) the application of payments received from any source to the payment of any payment obligations of LP Wood or any part thereof or amounts which are not covered by this Undertaking even though Recipient (or its assigns) might lawfully have elected to apply such payments to any part or all of the payment obligations of LP Wood or to amounts which are not covered by this Undertaking; (g) the existence of any claim, setoff or other rights which Performance Guarantor may have at any time against LP Wood in connection herewith or any unrelated transaction; (h) any assignment or transfer of the Guaranteed Obligations or any part thereof; or (i) any failure on the part of LP Wood to perform or comply with any term of the Agreements or any other document executed in connection therewith or delivered thereunder, all whether or not Performance Guarantor shall have had notice or knowledge of any act or omission referred to in the foregoing clauses (a) through (i) of this Section 4.

Section 5. Unenforceability of Guaranteed Obligations Against LP Wood. Notwithstanding (a) any change of ownership of LP Wood or the insolvency, bankruptcy or any other change in the legal status of LP Wood; (b) the change in or the imposition of any law, decree, regulation or other governmental act which does or might impair, delay or in any way affect the validity, enforceability or the payment when due of the Guaranteed Obligations; (c) the

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failure of LP Wood or Performance Guarantor to maintain in full force, validity or effect or to obtain or renew when required all governmental and other approvals, licenses or consents required in connection with the Guaranteed Obligations or this Undertaking, or to take any other action required in connection with the performance of all obligations pursuant to the Guaranteed Obligations or this Undertaking; or (d) if any of the moneys included in the Guaranteed Obligations have become irrecoverable from LP Wood for any other reason other than final payment in full of the payment obligations of LP Wood in accordance with their terms, this Undertaking shall nevertheless be binding on Performance Guarantor. This Undertaking shall be in addition to any other guaranty or other security for the Guaranteed Obligations, and it shall not be rendered unenforceable by the invalidity of any such other guaranty or security. In the event that acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of LP Wood or for any other reason with respect to LP Wood, all such amounts then due and owing with respect to the Guaranteed Obligations under the terms of the Agreements, or any other agreement evidencing, securing or otherwise executed in connection with the Guaranteed Obligations, shall be immediately due and payable by Performance Guarantor.

Section 6. Representations and Warranties. Performance Guarantor hereby represents and warrants to Recipient that:

(a) Existence and Standing. Performance Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation. Performance Guarantor is duly qualified to do business and is in good standing as a foreign corporation, and has and holds all corporate power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold could not reasonably be expected to have a Material Adverse Effect.

(b) Authorization, Execution and Delivery; Binding Effect. The execution and delivery by Performance Guarantor of this Undertaking, and the performance of its obligations hereunder, are within its corporate powers and authority and have been duly authorized by all necessary corporate action on its part. This Undertaking has been duly executed and delivered by Performance Guarantor. This Undertaking constitutes the legal, valid and binding obligation of Performance Guarantor enforceable against Performance Guarantor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) No Conflict; Government Consent. The execution and delivery by Performance Guarantor of this Undertaking, and the performance of its obligations hereunder do not contravene or violate (i) its certificate or articles of incorporation or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of Performance Guarantor or its

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Subsidiaries (except as created hereunder) except, in any case, where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(d) Financial Statements. The consolidated financial statements of Performance Guarantor and its consolidated Subsidiaries dated as of December 31, 2000 and June 30, 2001 heretofore delivered to Recipient have been prepared in accordance with generally accepted accounting principles consistently applied and fairly present in all material respects the consolidated financial condition and results of operations of Performance Guarantor and its consolidated Subsidiaries as of such dates and for the periods ended on such dates. Since the later of (i) June 30, 2001 and (ii) the last time this representation was made or deemed made, no event has occurred which would or could reasonably be expected to have a Material Adverse Effect.

(e) Taxes. Performance Guarantor has filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by Performance Guarantor or any of its Subsidiaries, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. The United States income tax returns of Performance Guarantor have been audited by the Internal Revenue Service through the fiscal year ended December 31, 1997. No federal or state tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of Performance Guarantor in respect of any taxes or other governmental charges are adequate.

(f) Litigation and Contingent Obligations. Except as disclosed in the filings made by Performance Guarantor with the Securities and Exchange Commission, there are no actions, suits or proceedings pending or, to the best of Performance Guarantor's knowledge threatened against or affecting Performance Guarantor or any of its properties, in or before any court, arbitrator or other body, that could reasonably be expected to have a material adverse effect on (i) the business, properties, condition (financial or otherwise) or results of operations of Performance Guarantor and its Subsidiaries taken as a whole, (ii) the ability of Performance Guarantor to perform its obligations under this Undertaking, or (iii) the validity or enforceability of any of this

Undertaking or the rights or remedies of Recipient hereunder. Performance Guarantor does not have any material contingent obligations not provided for or disclosed in the financial statements referred to in Section 6(d).

Section 7. Subrogation; Subordination. Notwithstanding anything to the contrary contained herein, until the Guaranteed Obligations are paid in full Performance Guarantor: (a) will not enforce or otherwise exercise any right of subrogation to any of the rights of Recipient, the Administrative Agent, any Committed Bank or the Lender against LP Wood, (b) hereby waives all rights of subrogation (whether contractual, under Section 509 of the United States Bankruptcy Code, at law or in equity or otherwise) to the claims of Recipient, the Administrative Agent, the Committed Banks and the Lender against LP Wood and all contractual, statutory or legal or equitable rights of contribution, reimbursement, indemnification and similar rights and "claims" (as that term is defined in the United States Bankruptcy Code) which Performance Guarantor might now have or hereafter acquire against LP Wood that arise from the existence or performance of Performance Guarantor's obligations hereunder, (c) will not claim any setoff, recoupment or counterclaim against LP Wood in respect of any liability of Performance

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Guarantor to LP Wood and (d) waives any benefit of and any right to participate in any collateral security which may be held by Recipient, the Administrative Agent, any Committed Bank or the Lender. The payment of any amounts due with respect to any indebtedness of LP Wood now or hereafter owed to Performance Guarantor is hereby subordinated to the prior payment in full of all of the Guaranteed Obligations. Performance Guarantor agrees that, after the occurrence of any default in the payment or performance of any of the Guaranteed Obligations, Performance Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of LP Wood to Performance Guarantor until all of the Guaranteed Obligations shall have been paid and performed in full. If, notwithstanding the foregoing sentence, Performance Guarantor shall collect, enforce or receive any amounts in respect of such indebtedness while any Obligations are still unperformed or outstanding, such amounts shall be collected, enforced and received by Performance Guarantor as trustee for Recipient (and its assigns) and be paid over to Recipient (or its assigns) on account of the Guaranteed Obligations without affecting in any manner the liability of Performance Guarantor under the other provisions of this Undertaking. The provisions of this Section 7 shall be supplemental to and not in derogation of any rights and remedies of Recipient under any separate subordination agreement which Recipient may at any time and from time to time enter into with Performance Guarantor.

Section 8. Termination of Performance Undertaking. Performance Guarantor's obligations hereunder shall continue in full force and effect until all Obligations are finally paid and satisfied in full and the Credit and Security Agreement is terminated, provided that this Undertaking shall continue to be effective or shall be reinstated, as the case may be, if at any time payment or other satisfaction of any of the Guaranteed Obligations is rescinded or must otherwise be restored or returned upon the bankruptcy, insolvency, or reorganization of LP Wood or otherwise, as though such payment had not been made or other satisfaction occurred, whether or not Recipient (or its assigns) is in possession of this Undertaking. No invalidity, irregularity or unenforceability by reason of the federal bankruptcy code or any insolvency or other similar law, or any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect the Guaranteed Obligations shall impair, affect, be a defense to or claim against the obligations of Performance Guarantor under this Undertaking.

Section 9. Effect of Bankruptcy. This Performance Undertaking shall survive the insolvency of LP Wood and the commencement of any case or proceeding by or against LP Wood under the federal bankruptcy code or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes. No automatic stay under the federal bankruptcy code with respect to LP Wood or other federal, state or other applicable bankruptcy, insolvency or reorganization statutes to which LP Wood is subject shall postpone the obligations of Performance Guarantor under this Undertaking.

Section 10. Setoff. Regardless of the other means of obtaining payment of any of the Guaranteed Obligations, Recipient (and its assigns) is hereby authorized at any time and from time to time, without notice to Performance Guarantor (any such notice being expressly waived by Performance Guarantor) and to the fullest extent permitted by law, to set off and apply any deposits and other sums against the obligations of Performance Guarantor under this Undertaking, whether or not Recipient (or any such assign) shall have made any demand under this Undertaking and although such Obligations may be contingent or unmatured.

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Section 11. Taxes. All payments to be made by Performance Guarantor hereunder shall be made free and clear of any deduction or withholding. If Performance Guarantor is required by law to make any deduction or withholding on account of tax or otherwise from any such payment, the sum due from it in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, Recipient receive a net sum equal to the sum which they would have received had no deduction or withholding been made.

Section 12. Further Assurances. Performance Guarantor agrees that it will from time to time, at the request of Recipient (or its assigns), provide information relating to the business and affairs of Performance Guarantor as Recipient may reasonably request. Performance Guarantor also agrees to do all such things and execute all such documents as Recipient (or its assigns) may reasonably consider necessary or desirable to give full effect to this Undertaking and to perfect and preserve the rights and powers of Recipient hereunder.

Section 13. Successors and Assigns. This Performance Undertaking shall be binding upon Performance Guarantor, its successors and permitted assigns, and shall inure to the benefit of and be enforceable by Recipient and its successors and assigns. Performance Guarantor may not assign or transfer any of its obligations hereunder without the prior written consent of each of Recipient and the Administrative Agent. Without limiting the generality of the foregoing sentence, Recipient may assign or otherwise transfer the Agreements, any other documents executed in connection therewith or delivered thereunder or any other agreement or note held by them evidencing, securing or otherwise executed in connection with the Guaranteed Obligations, or sell participations in any interest therein, to any other entity or other person, and such other entity or other person shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to the Recipient herein. The Secured Parties are made express third party beneficiaries of this Undertaking and may exercise the rights of Recipient under Section 2 and 3 from time to time.

Section 14. Amendments and Waivers. No amendment or waiver of any provision of this Undertaking nor consent to any departure by Performance Guarantor therefrom shall be effective unless the same shall be in writing and signed by Recipient, the Administrative Agent and Performance Guarantor. No failure on the part of Recipient to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 15. Notices. All notices and other communications provided for hereunder shall be made in writing and shall be addressed as follows: if to Performance Guarantor, at the address set forth beneath its signature hereto, and if to Recipient, at the addresses set forth beneath its signature hereto, or at such other addresses as each of Performance Guarantor or any Recipient may designate in writing to the other. Each such notice or other communication shall be effective (1) if given by telecopy, upon the receipt thereof, (2) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (3) if given by any other means, when received at the address specified in this Section 15.

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Section 16. GOVERNING LAW. THIS UNDERTAKING SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW) OF THE STATE OF NEW YORK.

Section 17. CONSENT TO JURISDICTION. EACH OF PERFORMANCE GUARANTOR AND RECIPIENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS UNDERTAKING, THE AGREEMENTS OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH OR DELIVERED THEREUNDER AND EACH OF THE PERFORMANCE GUARANTOR AND RECIPIENT HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM.

Section 18. Bankruptcy Petition. Performance Guarantor hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior Indebtedness of Blue Ridge, it will not institute against, or join any other Person in instituting against, Blue Ridge any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 19. Miscellaneous. This Undertaking constitutes the entire agreement of Performance Guarantor with respect to the matters set forth herein. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law or any other agreement, and this Undertaking shall be in addition to any other guaranty of or collateral security for any of the Guaranteed Obligations. The provisions of this Undertaking are severable, and in any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of Performance Guarantor hereunder would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of Performance Guarantor's liability under this Undertaking, then, notwithstanding any other provision of this Undertaking to the contrary, the amount of such liability shall, without any further action by Performance Guarantor or Recipient, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding. Any provisions of this Undertaking which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise specified, references herein to "Section" shall mean a reference to sections of this Undertaking.

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IN WITNESS WHEREOF, Performance Guarantor has caused this Undertaking to be executed and delivered as of the date first above written.

By: _____
Name: _____
Title: _____

Address for Notices: _____

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EXHIBIT XI

FORM OF NOTICE OF COMMITTED BANK ADVANCE

To: [Non-Renewing Committed Bank/Downgraded Committed Bank]

Attention: _____

Ladies and Gentlemen:

The undersigned, Louisiana-Pacific Corporation ("Louisiana-Pacific") refers to the Credit and Security Agreement, dated as of November 15, 2001 among LP Receivables Corporation, as borrower (the "Borrower"), Louisiana-Pacific, as master servicer, the committed banks from time to time party thereto, Blue Ridge Asset Funding Corporation, as Lender ("Blue Ridge") and Wachovia Bank, N.A., as administrative agent (the "Administrative Agent") (as the same may be amended, supplemented, or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms not otherwise defined herein being used shall have the meanings assigned to such terms in the Credit Agreement.

Louisiana-Pacific hereby gives you, a **[Non-Renewing Committed Bank][Downgraded Committed Bank]**, notice, irrevocably, pursuant to **Section 4.7(b)** of the Credit Agreement that the Borrower hereby requests an Advance Account Deposit under the Credit Agreement, and in connection therewith sets forth below the information relating to such Advance Account Deposit (the "Proposed Deposit") as required by **Section 4.7(b)** of the Credit Agreement:

(a) The deposit date of the Proposed Deposit is _____.

(b) The aggregate amount of the Proposed Deposit is \$_____ which is your Commitment minus the portion of the Aggregate Principal advanced by you, whether pursuant to the Credit Agreement or pursuant to the Liquidity Agreement (after giving effect to any assignment of any Loan to you).

IN WITNESS WHEREOF, the Louisiana-Pacific, _____, on behalf of the Borrower has caused this Notice of Conversion to be executed and delivered as of this _____ day of _____, _____.

LOUISIANA-PACIFIC CORPORATION,
as Master Servicer, on behalf of LP Receivables Corporation, as Borrower

By: _____
Name: _____
Title: _____

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EXHIBIT XII

FORM OF NOTICE OF CONVERSION

To: Wachovia Bank, N.A., as Administrative Agent
191 Peachtree Street, N.E., GA-31261
Atlanta, GA 30303

Attention: Elizabeth Wagner, Fax No. (404) 332-5152

Ladies and Gentlemen:

The undersigned, Louisiana-Pacific Corporation ("Louisiana-Pacific") refers to the Credit and Security Agreement, dated as of November 15, 2001 among LP Receivables Corporation., as borrower (the "Borrower"), Louisiana-Pacific, as master servicer (the "Master Servicer"), the committed banks from time to time party thereto, Blue Ridge Asset Funding Corporation, as Lender ("Blue Ridge") and Wachovia Bank, N.A., as administrative agent (the "Administrative Agent") (as the same may be amended, supplemented, or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms not otherwise defined herein being used shall have the meanings assigned to such terms in the Credit Agreement.

1. The Master Servicer hereby gives you notice, irrevocably, pursuant to **Section 4.7(c)** of the Credit Agreement that the Borrower hereby requests to convert **[all/a portion]** of the Advance Account Deposit of **[Name of Non-Renewing Committed Bank(s)][Name of Downgraded Committed Bank(s)]** to an Advance under the Credit Agreement, and in connection therewith sets forth below the information relating to such Advance (the "Proposed Advance") as required by **Section 4.7(c)** of the Credit Agreement:

(a) The date of the Proposed Advance is _____.

(b) The aggregate amount of the Proposed Advance is \$_____.

2. The Master Servicer, on behalf of the Borrower hereby certifies, represents and warrant to the Administrative Agent, the Lender and the Committed Banks that on and as of the date of the Proposed Advance:

(a) all applicable conditions precedent set forth in Article VI of the Credit Agreement have been satisfied;

(b) each of its representations and warranties contained in Section 5.1 of the Credit Agreement will be true and correct as if made on and as of the date of such Advance;

(c) no event will have occurred and is continuing, or would result from the requested Advance, that constitutes an Amortization Event or Unmatured Amortization Event;

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(d) the Amortization Date has not occurred; and

(e) after giving effect to the Advance requested below, the Aggregate Principal will not exceed the Borrowing Limit.

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IN WITNESS WHEREOF, the Master Servicer, on behalf of the Borrower has caused this Notice of Conversion to be executed and delivered as of this _____ day of _____, _____.

LOUISIANA-PACIFIC CORPORATION,
as Master Servicer, on behalf of LP Receivables Corporation, as Borrower

By: _____
Name: _____
Title: _____

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EXHIBIT XIII

FORM OF ASSIGNMENT AND ACCEPTANCE

Dated _____

Reference is made to the Credit and Security Agreement dated as of November 15, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") among LP Receivables Corporation (the "Borrower"), Louisiana-Pacific Corporation (the "Master Servicer"), the Committed Banks named therein, Blue Ridge Asset Funding Corporation, and Wachovia Bank N.A., as Administrative Agent. Capitalized terms defined in the Credit Agreement are used herein with the same meanings.

[Name of Non-Renewing Committed Bank] (the "Assignor") and [Name of Additional Committed Bank] (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the date hereof which represents the percentage interest specified in Section 1 of Schedule 1 of all outstanding rights and obligations of the Assignor under the Credit Agreement, including, without limitation, such interest in the portion of the Aggregate Principal funded by the Assignor. After giving effect to such sale and assignment, the portion of Aggregate Principal with respect to the Assignee will be as set forth in Section 2 of Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Blue Ridge or the performance or observance by Blue Ridge of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Administrative Agent, the Assignor or any other Committed Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated

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to the Administrative Agent, by the terms thereof, together with such powers as are reasonably incidental thereto; and (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Agreement are required to be performed by it as a Committed Bank.

4. Following the execution of this Assignment and Acceptance by the Assignor and the Assignee, it will be delivered to the Administrative Agent for acceptance and recording by the Administrative Agent. The effective date of this Assignment and Acceptance (the "Transfer Date") shall be the date of acceptance thereof by the Administrative Agent, unless a later date is specified in Section 3 of Schedule 1 hereof.

5. Upon such acceptance by the Administrative Agent and upon such recording by the Administrative Agent, as of the Transfer Date, (i) the Assignee shall be a party to the Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Committed Bank thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance by the Administrative Agent and upon such recording by the Administrative Agent, from and after the Transfer Date, the Administrative Agent shall make, or cause to be made, all payments under the Credit Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal and interest with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Transfer Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[NAME OF ASSIGNOR]

By: _____
 Name:
 Title:

Address for notices
[Address]

[NAME OF ASSIGNEE]

By: _____
 Name:
 Title:

Address for notices
[Address]

Acknowledged and accepted
 this _____ day of _____, _____

WACHOVIA BANK, N.A.,
 as Administrative Agent

By: _____
 Name:
 Title:

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Schedule 1
 to
 Assignment and Acceptance
 Dated _____

Section 1.

Percentage Interest: _____ %

Section 2.

Assignee's Commitment \$ _____

Aggregate Principal
 Owing to the Assignee: \$ _____

Section 3.

Transfer Date: _____

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EXHIBIT XIV

FISCAL MONTHS

[to be attached]

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EXHIBIT XV

MATERIAL ADVERSE EFFECT

Since June 30, 2001, Louisiana-Pacific Corporation has filed the following reports with the Securities and Exchange Commission:

1. Quarterly Report on Form 10-Q filed on August 14, 2001.
2. Current Report on Form 8-K filed on August 13, 2001
3. Current Report on Form 8-K filed on July 20, 2001.

In addition, on October 24, 2001, Louisiana-Pacific released a press release regarding its third quarter 2001 financial results. (A copy of such release is attached hereto.)

Except for facts disclosed or described in the foregoing reports and press release, since June 30, 2001, no event has occurred that would a material adverse effect on the financial condition or operations of Louisiana-Pacific and its Subsidiaries, taken as a whole, or the ability of Louisiana-Pacific to perform its obligations under this Agreement.

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SCHEDULE A

DOCUMENTS TO BE DELIVERED TO THE AGENT

ON OR PRIOR TO THE CLOSING DATE

1. Executed copies of the Credit and Security Agreement and all other Transaction Documents, duly executed by the parties thereto.
2. A Secretary's certificate of each Loan Party and Performance Guarantor certifying:
 - (a) A copy of the Resolutions of the Board of Directors of each Loan Party and Performance Guarantor authorizing such Person's execution, delivery and performance of the Transaction Documents to which it is a party and the other documents to be delivered by it hereunder;
 - (b) A copy of the Organizational Documents of each Loan Party and Performance Guarantor (also certified, to the extent that such documents are filed with any governmental authority, by the Secretary of State of such Person's jurisdiction of incorporation on or within thirty (30) days prior to closing);
 - (c) Good Standing Certificates for each Loan Party and Performance Guarantor issued by the Secretaries of State of such Person's state of formation and each jurisdiction where it has material operations, each of which is listed below, dated on or within thirty (30) days prior to closing:
 - a. Borrower: Oregon, Delaware
 - b. Master Servicer/Performance Guarantor: Alabama, California, Colorado, Delaware, Florida, Georgia, Idaho, Indiana, Louisiana, Maine, Michigan, Minnesota, Mississippi, Montana, North Carolina, Ohio, Oregon, Texas, Washington, Wisconsin, Wyoming
- (d) The names and signatures of the officers authorized on its behalf to execute this Agreement and any other Transaction Documents to which it is a party.
3. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against each Loan Party dated on or within thirty (30) days of the Closing Date from the following jurisdictions:
 - a. Borrower: Delaware, Oregon, Multnomah County, Oregon
 - b. Master Servicer: Delaware, Oregon, Multnomah County, Oregon
4. Time stamped receipt copies of proper financing statements, duly filed under the UCC on or before the date of the initial Advance in all jurisdictions as may be necessary or, in the opinion of the Administrative Agent, desirable, under the UCC of all appropriate

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jurisdictions or any comparable law in order to perfect the ownership interests contemplated by this Agreement and each other Transaction Document.

5. Time stamped receipt copies of proper UCC termination statements, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by Borrower or any Originator.
6. Executed copies of Collection Account Agreements for each Lock-Box and Collection Account.
7. A favorable opinion of legal counsel for the Loan Parties, Performance Guarantor and the Originators reasonably acceptable to the Administrative Agent which addresses the following matters and such other matters as the Administrative Agent may reasonably request:

- (a) due authorization, execution, delivery, enforceability and other corporate matters with respect to each of the Loan Parties and the Originators;
- (b) the creation of a first priority perfected security interest in favor of the Administrative Agent for the benefit of the Secured Parties in (1) all of the Receivables and Related Security and (2) all proceeds of any of the foregoing;
- (c) the existence of a "true sale" of the Receivables from each Originator to the Borrower under the Receivables Sale Agreement;
- (d) the inapplicability of the doctrine of substantive consolidation to the Borrower and any Originator or the Master Servicer in connection with any bankruptcy proceeding involving any Loan Party or any Originator.

8. A Compliance Certificate of the chief financial officer of each Loan Party, each Originator and Performance Guarantor certifying that, as of the closing date, no Termination Event or Unmatured Termination Event exists and is continuing.

9. The Fee Letter.

10. A Monthly Report as at _____, 2001.

11. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with this Agreement and all other Transaction Documents.

12. If applicable, a direction letter executed by each of the Loan Parties and each of the Originators authorizing the Administrative Agent and Blue Ridge, and directing warehousemen to allow the Administrative Agent and Blue Ridge to inspect and make copies from such Loan Party's or Originator's books and records maintained at off-site data processing or storage facilities.

13. The Liquidity Agreement, duly executed by each of the parties thereto.

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14. If applicable, for each Liquidity Bank that is not incorporated under the laws of the United States of America, or a state thereof, two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, as applicable, certifying in either case that the Committed Bank is entitled to receive payments under the Agreement without deduction or withholding of any United States federal income taxes.

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**FIRST AMENDMENT
TO
RECEIVABLES SALE AGREEMENT**

This First Amendment to Receivables Sale Agreement (this "Agreement") is made and entered into on December __, 2001, by Louisiana-Pacific Corporation ("Louisiana-Pacific"), LP Wood Polymers, Inc. ("LP Wood," and together with Louisiana-Pacific, the "Originators") and LP Receivables Corporation ("Buyer").

RECITALS:

WHEREAS, the Originators and Buyers have entered into the Receivable Sale Agreement (the "Agreement") dated as of November 15, 2001;

WHEREAS, LP Wood desires to dissolve, cease its corporate existence, cease to be an Originator and cease to sell Receivables (as defined in the Agreement) to Buyer under the Agreement, all effective as of the close of business on December 31, 2001 (the "Effective Time");

WHEREAS, the dissolution of LP Wood may constitute a breach of, among other provisions, Sections 4.1(c), 4.2(a) and 5.1(d) of the Agreement, and the Originators and Buyer desire to amend the Agreement on the terms and conditions set forth herein to reflect the dissolution of LP Wood effective as of the Effective Time.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the Originators and Buyers hereby agree as follows:

1. Capitalized terms used but not defined in this Amendment shall have the meanings assigned to them in the Agreement.
2. Buyer hereby approves the dissolution of LP Wood effective as of the Effective Time and waives any breach, default, Termination Event or Unmatured Termination Event occurring under Section 4.1(c), 4.2(a) or 5.1(d) of the Agreement as the result thereof.
3. Effective as of the Effective Time, all references to LP Wood in the Agreement shall be deemed stricken and of no further force or effect, LP Wood shall cease to be a party to the Agreement and LP Wood shall have no further rights, duties, obligations or liabilities under the Agreement, other than rights, duties, liabilities or obligations accruing prior to the Effective Time; provided, however, the indemnification and payment provisions of Article VI of the Agreement and Section 7.5 of the Agreement shall survive after the Effective Time. Without limiting the generality of the foregoing, LP Wood shall have no right or obligation to sell, transfer or assign Receivables to Buyer under the Agreement after the Effective Time. The provisions of this Amendment shall not, however, affect any transfer, sale or assignment of Receivables by LP Wood to Buyer under the Agreement prior to the Effective Time.

4. This Amendment shall be effective only upon the execution and delivery by Wachovia Bank, N.A., in its capacities as Administrative Agent for the benefit of the Secured Parties, Committed Bank and Liquidity Bank, and Blue Ridge Asset Funding Corporation of the consent attached hereto.

5 Except as modified hereby, the Agreement shall remain in full force and effect. In the event of any conflict between this Amendment and the Agreement, this Amendment shall control.

EXECUTED as of the date first above written.

LOUISIANA-PACIFIC CORPORATION

By: _____
Name: _____
Title: _____

LP WOOD POLYMERS, INC.

By: _____
Name: _____
Title: _____

LP RECEIVABLES CORPORATION

By: _____
Name: _____
Title: _____

2

CONSENT

The undersigned hereby consent and agree to the dissolution of LP Wood Polymers, Inc., the amendment of the Receivables Sale Agreement dated as of November 15, 2001, by and among LP Wood Polymers, Inc., Louisiana-Pacific Corporation and LP Receivables Corporation, pursuant to the First Amendment to Receivables Sale Agreement (the "Amendment") dated as of December ___, 2001, and the waivers contained in the Amendment. In addition, the undersigned hereby waive any breach, default, Amortization Event or Unmatured Amortization Event occurring under Section 9.1(g) of the Credit Agreement as a result of the dissolution of LP Wood Polymers, Inc.

Executed on December ___, 2001.

WACHOVIA BANK, N.A.,
as Administrative Agent for the Secured Parties,
Committed Bank and
Liquidity Bank

By: _____
Name: _____
Title: _____

BLUE RIDGE ASSET FUNDING CORPORATION

By: _____
Name: _____
Title: _____

SECOND AMENDMENT
TO STANDBY PURCHASE
AND NOTE SUPPORT AGREEMENT

THIS SECOND AMENDMENT (this “Second Amendment”), dated as of November 15, 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, as amended by the Waiver and First Amendment to Standby Purchase and Note Support Agreement, dated as of July 18, 2001 (collectively, the “Agreement”), pursuant to which L-P has agreed to purchase certain Installment Notes (as such term is defined therein) from BofA and CIBC under certain circumstances.

B. L-P is concurrently herewith terminating the Credit Agreement as defined in the Agreement prior to this Second Amendment and entering into a senior revolving credit facility with BofA, as administrative agent, and a syndicate of banks (the “New Credit Agreement”). In connection with such transactions, L-P, BofA and CIBC wish to amend the Agreement subject to the terms and conditions hereto.

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

1. Defined Terms.

(a) The Agreement is hereby amended to add the following defined terms:

“Average Inventory Coverage Ratio” shall mean the Inventory Coverage Ratio averaged over any applicable month.

“BofA Canadian Credit Agreement” means those various credit agreements, each dated September 24, 1999 between Bank of America Canada and certain borrowers.

“BofA Pledged Installment Notes” means, collectively, those Installment Notes numbered 0573, 0575, 0577, 0578, 0579, 0580, 0600 and 0601 (with respect to any such Installment Note for so long as pledged as collateral for the amounts payable under the BofA Canadian Credit Agreements).

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“Canadian Credit Agreements” means the BofA Canadian Credit Agreements and the CIBC Canadian Credit Agreements.

“Canadian Dollars” means lawful money of Canada.

“Canadian Dollar Equivalent” means, as of any date of determination, the equivalent amount in Canadian Dollars as determined by reference to the rate published in the Wall Street Journal on such date as the rate for purchase of Canadian Dollars with U.S. Dollars.

“CIBC Canadian Credit Agreements” means those various credit agreements each dated September 24, 1999 between CIBC and certain borrowers.

“CIBC Pledged Installment Notes” means, collectively, those Installment Notes numbered 0586, 0587, 0588, 0589, 0590, 0591, 0592 and 0593 (with respect to any such Installment Note, for so long as pledged as collateral for the amounts payable under the CIBC Canadian Credit Agreements).

“Collateral Agent” shall have the meaning given such term in the Security Agreement.

“Eligible Inventory” shall mean Inventory as defined in the California Uniform Commercial Code in which the Collateral Agent has a perfected first priority security interest except for Liens permitted under Sections 7.01(c) and 7.01(d) of the Credit Agreement but excluding (a) Inventory which is not owned by L-P free and clear of all security interests, liens, encumbrances except for Liens permitted under the Security Agreement or the Credit Agreement or claims asserted by any third party, and (b) Inventory which the Collateral Agent, in its reasonable discretion, deems to be obsolete, slow-moving, unsalable, damaged, defective or unfit for further processing.

“Inventory Coverage Ratio” shall mean the ratio of (y) the Inventory Value to (x) the aggregate principal amount outstanding under the Pledged Installment Notes as of the date such Inventory Value was measured.

“Inventory Value” shall mean, as of any measurement date under Paragraph 2(a)(ii), the Canadian Dollar Equivalent (calculated as of such date) of the value of the Eligible Inventory, calculated based on generally accepted accounting principles, excluding the Canadian Dollar Equivalent (calculated as of such date) of the LIFO reserve amount recorded on the Company’s books and records.

“Pledged Installment Notes” means, collectively, the BofA Pledged Installment Notes and the CIBC Pledged Installment Notes.

2

“Second Amendment” means the Second Amendment to Standby Purchase and Note Support Agreement dated as of November 15, 2001 among L-P and the Standby Lenders.

“Standby Lender” means either of CIBC or BofA, in their capacity as parties to the Agreement, or any of their successors or permitted assigns under Paragraph 3(f) of the Agreement; and “Standby Lenders” shall mean all such parties collectively.

“U.S. Dollars” means lawful money of the United States.

“U.S. Dollar Equivalent” means, as of any date of determination, the equivalent amount in U.S. Dollars as determined by reference to the rate published in the Wall Street Journal on such date as the rate for purchase of U.S. Dollars with Canadian Dollars.

(b) Unless otherwise defined herein, capitalized terms used in this Amendment shall have the meanings assigned to them in the Agreement.

2. Other Amendments to Agreement.

(a) The Agreement is hereby amended by adding the word “Pledged” before the two instances of the term “Installment Notes” in the first sentence of Paragraph 2 and before the two instances of such term in Paragraph 2(c).

(b) The Agreement is hereby amended by deleting Paragraphs 2(a) and 2(b) thereof in their entirety and replacing them with the following:

(a) Covenants by L-P.

(i) 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 November 15, 2001 among L-P, the several financial institutions from time to time party thereto (collectively, the “Banks”) and BofA, as agent for the Banks (without giving effect to any waiver or amendment thereto which has not been consented to by the Standby Lenders, the “Credit Agreement”), subject in each case to any applicable grace periods provided for in the Credit Agreement, and except for the covenants in Sections 6.01(d) and (e), 6.06(d), and 6.13 of 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 the purposes of this Agreement irrespective of any further waiver, amendment, expiration, termination, invalidity or unenforceability of the Credit Agreement. Any waiver or amendment of such covenants as incorporated herein shall require consent of the Standby Lenders to be effective as a waiver or amendment of such covenants as

incorporated herein, notwithstanding that such amendment or waiver may have been become effective with respect to the Credit Agreement. L-P shall give prompt written notice to each Standby Lender of any pending or proposed modification to the Credit Agreement and with respect to the entering into of a new agreement replacing all or any part of the financing provided under the Credit Agreement, and shall also promptly send a copy to each Standby Lender of any notice of default under the Credit Agreement which it may receive from Administrative Agent. Concurrently with L-P obtaining the approval, waiver or consent, as applicable, with respect to an amendment of the Credit Agreement or with respect to the entering into of a new agreement replacing all or any part of the financing provided under the Credit Agreement, L-P shall offer the terms of such amendment or new agreement, as the case may be, to the Standby Lenders.

(ii) L-P shall maintain an Average Inventory Coverage Ratio, measured for and as of the end of each month, equal to not less than (i) for each January, February and March, 1:8:1:0, (ii) for each April, May and June, 1.9 to 1.0, and (iii) for each other month, 2.0 to 1.0. L-P shall deliver to Collateral Agent and the Standby Lenders detailed calculations of compliance with the foregoing covenant, certified by a Responsible Officer of L-P as presenting, in all material respects, such calculations fairly and in a manner consistent with other such calculations in all material respects, concurrently with delivery and certification of the monthly financial statements delivered pursuant to Section 6.01(c) of the Credit Agreement.

(b) Representations of L-P.

(i) L-P represents and warrants to BofA and CIBC that, as of the Effective Date under and as defined in the Second Amendment, the representations and warranties made by L-P set forth under the heading “Representations and Warranties” in the Credit Agreement are true and correct, except that L-P does not herein make the representations and warranties set forth in Section 5.09 and in the last two sentences of Section 5.08 of the Credit Agreement.

(c) Paragraph 2(d) is hereby amended by adding the words “, in the Security Agreement or in the Second Lien Deed of Trust” after the words “Credit Agreement.”

(d) Paragraph 3(c) is hereby amended by adding the words “or by facsimile” before the words “to the parties”; adding the words “or facsimile numbers” after the word “addresses”; adding the words “or facsimile number” after the word “address”; and deleting sections (i), (ii) and (iii) thereof in their entirety and replacing them with the following:

(i) if to L-P, to

Louisiana-Pacific Corporation
805 SW Broadway, Suite 700
Portland, Oregon 97205
Attention: Vice President and Chief Financial Officer
Facsimile: (503) 821-5322

With a courtesy copy to:

Brobeck, Phleger & Harrison LLP
One Market, Spear Street Tower
San Francisco, California 94105
Attention: Douglas M. Young
Facsimile: (415) 442-1010

(ii) if to BofA, to

Bank of America, N.A.
555 California Street, 41St. Floor
Mail Code CA5-705-12-12
San Francisco, California 94104
Attention: Mr. Michael J. Balok
Facsimile: (415) 622-4585

With a courtesy copy to:

Morrison & Foerster LLP
425 Market Street
San Francisco, California 94105-2482
Attention: Keith C. Wetmore
Facsimile: (415) 268-7522

(iii) if to CIBC, to

Canadian Imperial Bank of Commerce
BCE Place, P.O. Box 500
161 Bay Street, 8th Floor
Toronto, Ontario M5J 2S8
Attention: Managing Director, Credit Capital Markets
Facsimile: (416) 956-6680

(e) The Agreement is hereby amended to add the following Paragraph 4 thereof:

4. **Security.** At all times after the Effective Date under and as defined in the Second Amendment, all obligations of L-P to BofA and CIBC under this Agreement shall be secured in accordance with the Collateral Agency and Security Agreement (the "Security Agreement") and with the Second Lien Deed of Trust, Security Agreement, Timber Filing, and Assignment of Rental (the "Second Lien Deed of Trust"), each by L-P in favor of BofA and CIBC and dated as of November 15, 2001.

(f) The Agreement is hereby amended to add the following Paragraph 5 thereof:

5. **Obligations Absolute; Waivers.** L-P agrees that BofA and CIBC may, at any time and from time to time, and without notice to L-P, make any agreement with L-P Acquisition or with any other person or entity that has any liability with respect to any of the Pledged Installment Notes or providing collateral as security for the Pledged Installment Notes, for the extension, renewal, payment compromise, discharge or release of the obligations under the Pledged Installment Notes or any collateral (in whole or in part), or for any modification or amendment of the terms thereof or of any instrument or agreement evidencing or relating to the obligations under the Pledged Installment Notes or the provision of collateral, all without in any way impairing, releasing, discharging or otherwise affecting the obligations of L-P under this Agreement. L-P waives any defense arising by reason of any disability or other defense of L-P Acquisition or any other person or entity that has any liability with respect to any of the Pledged Installment Notes, or the cessation from any cause whatsoever of the liability of any such party, or any claim that L-P's obligations exceed or are more burdensome than those of L-P Acquisition, and L-P waives the benefit of any statute of limitations affecting the liability of L-P hereunder. L-P waives any right to enforce any remedy that BofA or CIBC now has or may hereafter have against L-P Acquisition and waives any benefit of any right to participate in any security now or hereafter held by BofA or CIBC. Further, L-P consents to the taking of, or failure to take, any action that might in any manner or to any extent vary the risks of L-P under this Agreement or that, but for this provision, might operate as a discharge of L-P.

(g) The Agreement is hereby amended to add the following Paragraph 6 thereof:

6. **Fees for Services.**

(a) L-P covenants and agrees to pay to BofA administrative and collateral agent fees with respect to this Agreement and the security provided for hereunder. Such fees shall become due and payable on the first Interest Payment Date as such term is defined in the Installment Notes after the date of the Second Amendment under the Installment Notes and on each such Installment Payment Date thereafter and shall be payable in U.S. Dollars in an amount equal to 3.000% per annum on the U.S. Dollar Equivalent (calculated as of the applicable Interest Payment Date) of the principal amount outstanding during the Interest Period then ended of the BofA Pledged Installment Notes less the U.S. Dollar Equivalent (calculated as of the applicable Interest Payment Date) of the amount payable under BofA Pledged Installment Notes on each

such Interest Payment Date on account of the "Margin" as such term is defined in the BofA Pledged Installment Notes; provided that, if L-P's long-term unsecured debt rating falls to a level equal to or below BB- by S&P and Ba3 by Moody's, then the foregoing reference to 3.000% per annum shall thereupon become 3.750% per annum.

(b) L-P covenants and agrees to pay to CIBC administrative and documentation fees with respect to the Canadian Credit Agreements and the security therefor, including the Installment Notes. Such fees shall become due and payable on the first Interest Payment Date after the date of the Second Amendment hereof under the Installment Notes and on each such Interest Payment Date thereafter and shall be an amount equal to 3.000% per annum on the principal amount outstanding during the Interest Period then ended of the CIBC Pledged Installment Notes less the amount payable under the CIBC Pledged Installment Notes on each such Interest Payment Date on account of the "Margin" as such term is defined in the CIBC Pledged Installment Notes; provided that, if L-P's long-term unsecured debt rating falls to a level equal to or below BB- by S&P and Ba3 by Moody's, then the foregoing reference to 3.000% per annum shall thereupon become 3.750% per annum.

(c) Interest shall be payable by L-P with respect to any fee hereunder which is not timely paid at a rate equal to the Default Rate applicable to Base Rate Loans (each as defined under the Credit Agreement) and shall be payable upon demand to the Standby Lender or Standby Lenders for whose account such fee is payable.

(d) If L-P shall be required by law or any authority or agency charged with the administration thereof to withhold or deduct any taxes or other amounts ("Withholding Taxes") imposed or levied by or on behalf of the United States or any state thereof or any authority or agency thereof from or in respect of the fees payable under clause (b) of this Paragraph 6, then L-P shall pay to CIBC such additional amounts as may be necessary

so that after making all required withholdings or deductions of Withholding Taxes CIBC receives from L-P the amount of fees which would otherwise have been receivable by CIBC absent any such Withholding Taxes; provided however that no such additional amounts shall be payable if the liability for such Withholding Taxes arises as a result of CIBC performing any of the services for which such fee is payable in the United States.

(h) The Agreement is hereby amended to add the following Paragraph 7 thereof:

7. Confidentiality. The Collateral Agent and each Standby Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' (as defined in the Credit Agreement) directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons (as defined in the Credit Agreement) to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement or to any Lender (as defined in the Credit Agreement); (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Paragraph 7, to any successor or assign or potential successor or assign of Collateral Agent or Standby Lender or potential participant in any Standby Lender's rights or obligations under this Agreement; (g) with the prior written consent of L-P; (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Paragraph 7 or (ii) becomes available to it on a nonconfidential basis from a source other than L-P or any of its Subsidiaries (as defined in the Credit Agreement), provided that such source is not bound by a confidentiality agreement with L-P or any of its Subsidiaries known to such Collateral Agent or Standby Lender; or (i) to the National Association of Insurance Commissioners or any other similar organization or any nationally recognized rating agency that requires access to information about a Standby Lender's or its Affiliates' investment portfolio in connection with ratings issued with respect to such Standby Lender or its Affiliates. In addition, the Collateral Agent and the Standby Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Collateral Agent and the Standby Lenders in connection with the administration and management of this Agreement, the Security Agreement, and the Second Lien Deed of Trust. For the purposes of this

Paragraph 7, "Information" means all information received from L-P or any of its Subsidiaries relating to L-P or any of its Subsidiaries or their respective businesses, other than any such information that is available to the Collateral Agent or any Standby Lender on a nonconfidential basis prior to disclosure by L-P; provided that, in the case of information received from L-P after the date hereof, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Paragraph 7 shall be considered to have complied with its obligation to do so if such Person has taken normal and reasonable precautions and exercised reasonably due care to maintain the confidentiality of such Information.

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

(a) No breach or default has occurred and is continuing under the Agreement, as amended by this Second Amendment.

(b) The execution, delivery and performance of this Second 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 Second 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, except as enforceability may be limited by Debtor Relief Laws (as defined in the New Credit Agreement) or by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(c) All its representations and warranties contained in the Agreement as amended by this Second Amendment 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 Second Amendment on the basis of its own investigation and for its own reasons, without reliance upon BofA or CIBC or any other person.

4. **Effective Date.** This Second Amendment will become effective as of the date (the "Effective Date") on which BofA and CIBC have, with respect to each of the following items, either received such item in form and substance acceptable to BofA and CIBC, or waived delivery of such item:

(a) an original or facsimile of this Second Amendment, duly executed by BofA, CIBC and L-P;

(b) evidence that all conditions precedent to the effectiveness of the New Credit Agreement other than the effectiveness of this Second Amendment have occurred or been waived pursuant to the terms of the New Credit Agreement;

(c) an original or facsimile of the Second Lien Deed of Trust, Security Agreement, Timber Filing and Assignment of Rental dated as of the date hereof, duly executed by L-P and duly notarized, in favor of BofA and CIBC (the "Second Lien Deed of Trust");

(d) an original or facsimile of the Security Agreement dated as of the date hereof, duly executed by L-P in favor of BofA and CIBC (the "Security Agreement");

(e) UCC financing statements, duly executed by L-P if required, and otherwise in suitable form to be filed, registered or recorded as necessary or advisable to perfect the security interests created by the Security Agreement;

(f) written advice relating to the security interests created by the Security Agreement and judgment searches as BofA and CIBC may reasonably request with respect to any of the collateral under the Security Agreement, and evidence that all actions necessary or, in the reasonable opinion of BofA or CIBC, desirable to perfect and protect the first priority security interest created by the Security Agreement have been taken; and

(g) an opinion of counsel to L-P substantially in the form of Exhibit A hereto.

5. Miscellaneous.

(a) Except as expressly amended, all terms, covenants and provisions of the Agreement are and shall remain in full force and effect and all references therein to such Agreement shall henceforth refer to the Agreement as amended by this Second Amendment. This Second Amendment shall be deemed incorporated into, and a part of, the Agreement.

(b) L-P hereby agrees that its obligations under the Agreement remain in effect and are not impaired, released, discharged or otherwise affected by the amendments to the Canadian Credit Agreements being made concurrently herewith, and acknowledges and agrees that any future amendments made to the Canadian Credit Agreements also shall not so affect its obligations under the Agreement.

(c) This Second 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 Second Amendment (including, without limitation, any holder of Installment Notes other than BofA or CIBC and any trustee under the indenture under which the Installment Notes were issued).

(d) This Second 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).

(e) The parties hereto acknowledge and agree that, notwithstanding anything to the contrary herein, in the Agreement (as amended hereby and as may be amended, supplemented, or modified from time to time), or in any other document, L-P is not, and shall not be deemed, a guarantor, surety or indemnitor with respect to any obligation arising under or in connection with any of the Canadian Credit Agreements (as they may be amended, supplemented, or modified from time to time).

(f) This Second 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.

(g) This Second 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 Second Amendment supersedes all prior drafts and communications with respect thereto. This Second Amendment may not be amended except in accordance with the provisions of Paragraph 3(b) of the Agreement.

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

(i) 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 (i) the development, preparation, negotiation, execution and delivery of this Second Amendment, the Security Agreement, the Second Lien Deed of Trust, any UCC financing statements reasonably required by the Collateral Agent with respect to the personal property collateral under the Second Lien Deed of Trust, and any other amendments or other documents relating to any of the foregoing, and (ii) the recording or filing of the Second Lien Deed of Trust with the respective thirteen counties in Texas and the filing of, and of-record searches with respect to, such UCC financing statements.

(j) L-P and each Standby Lender shall use their respective reasonable efforts to cause a fully executed Amendment No. 2 to each of the Canadian Credit Agreements to be executed and delivered not later than December 1, 2001. L-P shall use its best efforts to assist the Collateral Agent in completing the recording and filing referenced in Section 5(i) hereof as soon as practicable after the Effective Date.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Second Amendment to Standby Purchase and Note Support Agreement 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: _____

EXHIBIT A

FORM OF OPINION OF COUNSEL TO L-P

[See attached.]

IN THE CIRCUIT COURT OF CHOCTAW COUNTY, ALABAMA

THOMAS A. FOSTER and LINDA E.
FOSTER, et al.

Plaintiffs,

Civil Action No. CV95-151-M

NATIONAL CLASS ACTION

SETTLEMENT AGREEMENT

v.

ABTco, INC., ABT BUILDING PRODUCTS
CORP., ABITIBI-PRICE, INC. and ABITIBI-
PRICE CORP.,

Defendants.

RECITALS

The Settlement Class Representative Plaintiffs in this Action represent owners of structures throughout the United States on which Hardboard Siding manufactured by the Defendants was installed prior to the Initial Notice Date in this Action. The Settlement Class Representatives allege that the Hardboard Siding manufactured by Defendants at the facility in Roaring River, North Carolina and installed on structures owned by the Settlement Class Members has buckled, discolored and deteriorated and caused damage to other parts of the structures. Plaintiffs allege that the warranties applicable to such hardboard siding contain unconscionable limitations and exclusions, and that the warranties have failed of their essential purpose, and seek money damages and other relief as a result.

Defendants deny all such allegations. However, they have agreed to enter into this Settlement in order to put to rest all controversy and to avoid the further expense and burdensome, protracted litigation which would be involved in defending this and any future actions, without in any way acknowledging any fault or liability on their part. For their part, although Plaintiffs' Class Counsel are confident of their contentions and arguments, they recognize that there are significant legal and factual obstacles to a successful prosecution of this

Action; that it would involve time consuming and lengthy proceedings to resolve them; and that the ultimate outcome would be uncertain.

In order to provide meaningful, immediate relief to the Settlement Class Members and to resolve through compromise in a fair, appropriate manner the many contentious legal and factual issues involved in this Action, the Settlement Class Representatives, through their Class Counsel, have negotiated a siding repair program available to all Settlement Class Members regardless of when their Siding was installed. This Settlement Agreement provides immediate payments to Settlement Class Members with Damaged Siding under a Compensation Formula that takes into account the cost of removal and replacement of the Siding; the length of time the Siding has been on the structure; whether the Siding has been painted periodically; and the location of the damage on the structure. The Parties believe this formula is a reasonable and appropriate means of determining the amount to be paid to Settlement Class Members to settle fully their claims in a prompt and equitable manner.

This Settlement Agreement provides substantial monetary and non-monetary benefits to Settlement Class Members whose Hardboard Siding experiences Compensable Damage. Among other things, the Settlement Agreement provides increased compensation for failed Siding with fewer procedural or substantive conditions to payment, is based on compensation for current labor and materials costs to repair or replace Siding (as opposed to reimbursing Settlement Class Members only for one or two times the original cost of the materials or for the original installation costs), extends the benefits of the Settlement Agreement to subsequent owners or transferees of Properties with Hardboard Siding, extends the benefits of the Settlement Agreement to Persons who previously settled warranty claims without legal representation, even if future claims were released in such settlements, permits Settlement Class Members who already have repaired or replaced their Siding to recover under the Settlement Agreement without regard to the notice requirements of the original warranty, acknowledges and provides for special circumstances, such as where the Property has been listed for sale, where significant water intrusion is being experienced, or where the style of the Damaged Siding is not

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practically available, involves simplified claim forms and claim procedures, permits in appropriate circumstances an "Accelerated Payment" by Defendants, and contains built-in protections to insure that the Settlement Agreement is administered fairly in accordance with the terms of this Agreement, including audit procedures by Class Counsel and the right of all Class Members to obtain an inspection of their Property conducted by Independent Inspectors.

With limited exceptions, the improved terms of the Settlement Agreement will be available to all Settlement Class Members for twenty-five (25) years from the Date of Installation of the Settlement Class Members' Hardboard Siding. In addition, the ABT Defendants have agreed for a minimum of two additional years to provide the Enhanced Warranty that is attached to this Settlement Agreement to Persons who purchase ABT Siding and to undertake their best efforts to put copies of the new Enhanced Warranty and the company's Owner Installation and Maintenance Instructions into the hands of such Property Owners.

NOW, THEREFORE, THIS SETTLEMENT AGREEMENT is entered into this 3rd day of May, 2000, by and among (a) the Settlement Class Representative Plaintiffs in this case, for themselves and on behalf of the plaintiff settlement class as hereinafter defined; and (b) Defendants ABTco, Inc. and ABT Building Products Corp.; and Defendants Abitibi-Price, Inc. and Abitibi-Price Corporation.

Subject to Court approval and such additional discovery and investigations as Plaintiffs' Class Counsel deem necessary or appropriate, and as required by the United States Constitution and the Alabama Rules of Civil Procedure, it is hereby stipulated and agreed by the Parties that upon the entry by the Court of a Final Order and Judgment approving the settlement and directing its implementation, this Action shall be settled and compromised upon the terms and conditions set forth below.

1. DEFINITIONS

As used in this Agreement and in the attached Exhibits, the following definitions apply to this Agreement:

1.1 Abitibi Defendants means defendants Abitibi-Price, Inc. and Abitibi-Price Corp., all of their present or former parents, subsidiaries or affiliates, and/or all of their present or former directors, officers, employees, successors, agents and assigns.

1.2 Abitibi Siding means Hardboard Siding manufactured between December 22, 1969 and October 19, 1992 at the Roaring River, North Carolina facility and that is or has been installed on the Property of a Settlement Class Member, excluding any such products that were labeled and sold by the Abitibi Defendants as B-grade, shop, or cull.

1.3 ABT Defendants means defendants ABTco, Inc. and ABT Building Products Corp., all of their present or former parents, subsidiaries or affiliates, and all of their present or former directors, officers, employees, successors, agents and assigns.

1.4 ABT Siding means Hardboard Siding manufactured at the Roaring River, North Carolina facility on or after October 20, 1992, and that is or has been installed on the Property of a Settlement Class Member on or before the Initial Notice Date, excluding any such products that were labeled and sold by the ABT Defendants as B-grade, shop or cull.

1.5 Action means the above-captioned action, Thomas A. Foster, et al. v. ABTco, Inc., et. al, Case No. CV-95-151-M, Circuit Court of Choctaw County, Alabama.

1.6 Administrative Expenses means the costs and expenses to be paid by Defendants in connection with the Settlement of this Action, as more particularly set forth in Section 4, below.

1.7 Agreement or Settlement Agreement means this Settlement Agreement, including all Exhibits.

1.8 Attorney Fees and Expenses means the reasonable amounts awarded by the Court as compensation for the services provided by Plaintiffs' Class Counsel and as reimbursement of their reasonable costs and expenses (including expert or consulting witness fees and expenses), as provided in Paragraph 14.3, below.

1.9 Claim means a request for payment for Damage or for reimbursement of an Unreimbursed Repair submitted to the Claims Office under this Settlement Agreement.

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1.10 Claim for Unreimbursed Repair means a Claim in the form attached to this Agreement as Exhibit A and filed by a Settlement Class Member who seeks reimbursement of costs or expenses incurred to repair or replace Siding prior to submission of a Claim.

1.11 Claim Form means the simplified Claim Forms for submitting Claims under the terms of this Settlement Agreement, attached hereto as Exhibits A, B and C.

1.12 Claimant means any Person who submits a Claim during the term of this Agreement.

1.13 Claim Period means (a) with respect to each Claim (other than a Claim for Unreimbursed Repair or a Prior Claim), twenty-five (25) years after the Date of Installation; (b) with respect to a Prior Claim, twelve (12) months from the Initial Notice Date; and (c) with respect to a Claim for Unreimbursed Repairs for which the repair or replacement was commenced prior to or within six (6) months following the Initial Notice Date without actual notice of this Settlement Agreement, the Claim Period is twelve (12) months from the Initial Notice Date.

In the event the Final Order and Judgment approving this Settlement is appealed, and Defendants do not implement its terms for Settlement Class Members during the pendency of the appeal, the Claims Period for Claims involving Prior Claims or Claims for Unreimbursed Repairs shall be extended and shall expire no earlier than nine (9) months following the Settlement Date.

A Claim shall be deemed "filed" or "submitted" as of the date of its postmark when mailed first class, registered or certified mail, postage prepaid and properly addressed to the Claims Office, or when delivered to any commercial one or two-day delivery service if properly addressed to the Claims Office, or when actually received by the Claims Office, whichever is first.

In all events, claims filed on behalf of Class Members whose siding was installed between May 15, 1975 and May 15, 1976 shall have at least 9 months following the Settlement

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Date within which to file a Claim, and the applicable age and paint deductions shall be tolled as to such claim between the Initial Notice Date and the Settlement Date.

1.14 Claims Office means the office or department established by the Defendants for the purpose of implementing the Settlement Agreement.

1.15 Settlement Class Representatives or Settlement Class Representative Plaintiffs means Thomas Foster, Linda Foster, Nancy Fiedler, Daniel Gaines, William Dunn, Jerry Kolar and Verdis Sheffield, the named plaintiffs in this Action.

1.16 Compensable Damage means, with respect to Site-Built Structures, Damage that is not Excluded Damage, and with respect to Mobile Homes, any panel siding that has sustained Damage.

1.17 Court means the Circuit Court of Choctaw County, in which the Action is pending.

1.18 Damage, Damages and Damaged as it relates to Hardboard Siding means any of the following:

- a. thickness swell in excess of 15% of the Defendants' maximum standard tolerance, that is, a total measure of 0.604" for Siding with a nominal thickness of one-half (1/2) inch and a total measure of 0.518" for Siding with a nominal thickness of 7/16 inch;
- b. edge checking, where a feeler gauge of 0.025" thickness and one-half inch width can be inserted one-half inch into a suspected delaminated edge with moderate hand pressure;
- c. fungal or other moisture induced degradation which results in soft board in which moderate thumb pressure deforms, indents or punches a hole in the board;
- d. buckling, warping or bowing of Siding in excess of ¼" between studs spaced not more than 16" inches on center and 5/8" between studs spaced more than 16" and not more than 24" on center. Waviness or apparent warping, buckling or bowing of Siding is not considered to constitute Damage if such is due to the Siding conforming to the curvature of misaligned framing;
- e. wax bleed, raised or popped fibers or fiber bundles, where the condition exists on more than 20% of the exposed board surface and, in the case of

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wax bleed, where the Siding in question was painted within two years of the date of the claim. "Wax Bleed" does not include paint discoloration;

- f. delaminated or cracked primer or primer peel, or peeling, blistering, flaking, chipping, cracking or other loss of adhesion of the original factory finish;
- g. separation of the Fusion Finish(TM) overlay from the substrate.

Damage does not include (i) intentional, reckless or negligent physical damage to Siding (unrelated to installation or maintenance or weather) caused directly or indirectly by a Claimant or other Person; or (ii) conditions requiring routine painting, washing, caulking or similar maintenance; or (iii) damage to Siding to the extent resulting from natural disaster including, but not limited to, fire, hurricane, flood, earthquake, earth movement, or other similar force majeure events.

1.19 Damage Payment

- a. With respect to Site Built Structures, Damage Payment means the amount payable to Settlement Class Members under this Settlement Agreement calculated in accordance with the compensation formula $A = [(CD) \times (RC)] - D$ where A is the Damage Payment, CD is the amount of Compensable Damage, RC is the Replacement Cost, and D is the applicable Deductions.
- b. With respect to Mobile Homes, Damage Payment means 50% of the applicable Replacement Cost times the number of panels on the mobile home evidencing Damage without any other Age or Non-Painting Deduction.
- c. All Damage Payments shall be in the amounts and paid at the times provided in this Settlement Agreement calculated in strict accordance with the provisions of this Agreement; provided that the payments to Settlement Class Members who file a Claim for Unreimbursed Repair shall not exceed the lesser of the reasonable and properly documented out-of-pocket costs of the repairs or replacements or the amount that would have been awarded under the compensation formula; and provided, further that any amounts payable under this compensation formula shall be reduced by any compensation received by the Settlement Class Member on account of such Damaged Siding from any other source, including but not limited to Defendants, builders, developers, contractors, manufacturers, wholesalers, retailers or insurers, but only to the extent that the sum of such other payments and the Damage Payment exceeds the

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product of Replacement Cost multiplied times the total square footage of the Siding that has sustained Damage.

- d. If any portion of a piece of lap or panel Siding has sustained both Excluded Damage and Compensable Damage, the entire surface area of that lap board or panel Siding will be deemed to be Compensable Damage in calculating the Damage Payment.
- e. Compensable Damage to any Siding, the production of which has been discontinued or is discontinued before or during the Term of this Agreement and for which there is no reasonably appropriate substitute, shall be entitled to payment as follows: (i) if 30% or more of any Side of a Property has sustained Compensable Damage, then the Compensation Formula shall include all of the remaining Siding on that Side as Compensable Damage; or (ii) if 40% or more of the Siding on the entire Property has sustained Compensable Damage, then the Compensation Formula shall include all of the remaining Siding on the Property as Compensable Damage. The Parties agree that no reasonable substitute exists to match the following list of currently discontinued profiles: 4" OC Fir, Redwood Panel, 9" Plain Beaded, Band Sawn Lap, System 25 Great Random Shake, Textured Panel, and Bevelside-4 Fir.

1.20 Date of the Claim means the date on which a properly documented Claim under this Settlement Agreement is postmarked when mailed first class, registered or certified mail, postage prepaid and properly addressed to the Claims Office, or when delivered to any commercial one or two-day delivery service, if properly addressed to the Claims Office, or when actually received by the Claims Office, whichever is first.

1.21 Date of Installation means the date or approximate date that Hardboard Siding was installed on the Property of a Settlement Class Member. With respect to Siding originally installed on a newly constructed Property, in the absence of other reasonable documentation indicating a different installation date, the Date of Installation will be presumed to be the later of the date of (a) manufacture as identified by any stamp on the back of Claimant's sample submitted with a Claim or otherwise identified by a stamp on the back of Claimant's Siding, (b) the certificate of occupancy, (c) the first purchase of the newly constructed Property having such Siding installed, or (d) with respect to Mobile Homes, the date of the original bill of sale.

1.22 Deductions, as they relate to Site Built Structures, means the following:

a. **Age Deduction**

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- i. No deduction for the first year following the Date of Installation;
- ii. 4% per year thereafter.

b. **Non-Painting Deduction**

- i. No deduction for the first five years following the Date of Installation;
- ii. No deduction if Siding was repainted within five years from Date of Installation and at least once each five years thereafter;
- iii. If Siding is not painted within five years from Date of Installation, 4% per year commencing at the end of the fifth year from the Date of Installation until the earlier of (a) the date painted; or (b) the Date of the Claim;
- iv. If Siding is not painted within seven years from Date of Installation, 4% per year commencing at the end of the fifth year from the Date of Installation until painted and an additional 1% per year commencing at the end of the seventh year from the Date of Installation until the earlier of (a) the date painted; or (b) the Date of the Claim;
- v. If the Siding has been painted since the Date of Installation, 4% for each year from the end of the fifth year following the previous painting until the earlier of (a) the date painted; or (b) the Date of the Claim.
- vi. The Non-Painting Deduction shall be suspended as of the date the Damage occurs (but not as to any later, unrelated Damage) provided that the fact such Damage occurred on such date is verified by the filing of an earlier warranty, insurance or other claim, an independent inspection, or other evidence which reasonably establishes the fact and amount of such Damage.

c. The Age Deduction and the Non-Painting Deduction applicable to a Claim for an Unreimbursed Repair shall be calculated as of the date the repair was commenced.

d. The Age Deduction and Non-Painting Deduction applicable to a Prior Claim shall be calculated only to the date the Prior Claim was submitted to the Defendants.

1.23 Defendants means the Abitibi Defendants and the ABT Defendants.

1.24 Eligible Claimant means a Settlement Class Member who timely submits a Claim under this Settlement Agreement and substantially complies with the requirement to

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supply all information and materials required by this Settlement Agreement in support of his or her Claim, and who meets any of the following requirements:

- a. a current owner of Property on the Initial Notice Date; or
- b. a current or former owner of Property on the Initial Notice Date who incurred an Unreimbursed Repair Cost; or
- c. a current or former owner of Property on the Initial Notice Date who made a Prior Claim (regardless of whether such owner signed or executed a release of claims except as provided in 1.50(b) where legal proceedings have been initiated); or
- d. the current owner of Property who is a successor-in-interest or other proper assignee of any former owner of the Property who incurred an Unreimbursed Repair Cost or made a Prior Claim.
- e. Eligible Claimants may appoint a designated agent (e.g., an attorney or a contractor) to assist or represent him/her in connection with the filing of a Claim provided that, except as provided in paragraph 1.24(d), the Claim may only be filed by and in the name of the Eligible Claimant and may not be assigned to a third party for collection or otherwise.

1.25 Enhanced Warranty means the new 25-year Enhanced Warranty attached to this Settlement Agreement as Exhibit D.

1.26 Excluded Damage on Site Built Structures means Damage which is excluded from the calculation of Compensable Damage occurring on Site-Built Structures, as follows:

a. **Buckling** of any piece of Hardboard Siding

- i. that is attached to studs that are placed more than 24" on center or, in the case of 7/16" lap siding, that is attached to studs that are placed more than 16" on center? or
- ii. that is not in contact with the stud or sheathing at the point where there are missing nails or where nails do not penetrate into the studs.

b. **Deterioration** occurring on any piece of Hardboard Siding that is:

- i. installed within 6" from the ground or within 1" from hardscape (e.g., driveways, patios, sidewalks);

- ii. installed at roof/wall intersections and which has less than a 1" cut back between the intersections;
- iii. in direct contact with un-flashed masonry and concrete surfaces;
- iv. within 8" around the perimeter of windows, doors and other openings;
- v. within 12" from the roof line on the backside of chimney chases that do not have a "cricket" or "saddle" to direct water flow away from the chimney.

c. **Excluded Damage** also includes:

- i. all Damage that is readily observable and that is horizontal or runs downward from and is continuous with and originates exclusively from the Excluded Damage. (Any doubts as to whether Damage is continuous with and originates exclusively from Excluded Damage shall be resolved in favor of the Claimant.); or
- ii. any Damage to Hardboard Siding that is not used on the structure as Siding (e.g., Siding that is ripped and used as trim or band board).

1.27 Fairness Hearing means the settlement approval hearing(s) to be conducted by the Court in connection with the determination of the fairness, adequacy and reasonableness of this Agreement in accordance with Ala. R. Civ. P. 23(e).

1.28 Field Inspection Report means the report, in a form to be mutually agreed upon by the Parties, to be completed by the Independent Inspector firm when conducting an inspection of a Property.

1.29 Final Order and Judgment means the Order to be entered by the Court, in a form that is mutually agreeable to the Parties, approving this Agreement as fair, adequate and reasonable and in the best interests of the Class as a whole in accordance with Ala. R. Civ. P. 23(e), and making such other findings and determinations as are necessary and appropriate to effectuate the terms of this Agreement.

1.30 Hardboard Siding or Siding means lap or panel hardboard siding manufactured by the Abitibi Defendants between December 22, 1969 and October 19, 1992, and by the ABT Defendants since October 20, 1992, at the manufacturing facility in Roaring River, North

Carolina, and which was installed on a Property prior to the Initial Notice Date. The capitalized terms Hardboard Siding and Siding as used herein include only hardboard forms of siding, and do not include siding manufactured from plywood, T-111, vinyl, fiber-cement or other materials or processes, nor do those terms include hardboard siding manufactured by the Defendants at any manufacturing facilities other than the Roaring River, North Carolina manufacturing plant.

1.31 Independent Inspector means the firm(s) or person(s) retained by mutual agreement of the Parties, with the approval of the Court, to inspect Properties in accordance with the terms of this Agreement.

1.32 Initial Notice Date means the first date upon which the Notice of Proposed Class Action Settlement is either mailed to the Settlement Class Members or published pursuant to the Notice Plan approved by the Court.

1.33 Mobile Home means a structure meeting all of the following requirements: (a) that is built in a manufacturing facility that is designed to fabricate and assemble family dwellings; (b) that have Vehicle Identification Numbers (VIN), (c) that are sided predominately (more than 50%) with panel Siding, and (d) that subsequent to their manufacture, are transported to a remote location for final installation. Manufactured homes (such as modular homes) that do not meet these criteria are considered Site-Built Homes but may elect to be treated as Mobile Homes if they are sided predominantly with panel siding. Any such election must be made at the time the Claimant submits his or her Claim Form.

1.34 Notice Administrator means the firm(s) hired to implement the Notice Plan.

1.35 Notice of Proposed Class Action Settlement means the Court-approved Notice to Class Members of Proposed Settlement in the form attached as Exhibit E to this Agreement and any additional notices agreed to by the Parties that may be ordered by the Court.

1.36 Notice Plan means the plan and schedule for providing class-wide notice of the Settlement and certification of the Settlement Class, including the Notice of Proposed Class Action Settlement and summary forms of notice, all as more particularly described in Exhibit F hereto.

1.37 Opt-Out Period means the period between May 8, 2000, and July 31, 2000.

1.38 Parties means Plaintiffs, the Settlement Class and the Defendants.

1.39 Person means any individual or legal entity.

1.40 Plaintiffs means the individuals acting as named representative Plaintiffs in this Action.

1.41 Plaintiffs' Class Counsel or Class Counsel includes Plaintiffs' Co-Lead Class Counsel, and the following additional attorneys: Daniel Berger, Berger Law Firm, 912 Frick Building, 437 Grant Street, Pittsburgh, Pennsylvania 15219; William H. Garvin, III of Weller, Green, Toups, & Terrell, 2937 Kerry Forest Parkway, Suite A-2, Tallahassee, Florida 32308; Kenneth Gilman of Gilman & Pastor, One Boston Place, 28th Floor, Boston, Massachusetts 02108; Garrett M. Hodes of Humphrey, Farrington & McClain, P.C., 221 West Lexington, Suite 400, P.O. Box 900, Independence, Missouri 64051; Clinton Krislov of Krislov & Associates, Ltd., Suite 810, 222 North LaSalle Street, Chicago, Illinois 60601-1086; Jonathan Nachsin of Law Offices of Jonathan Nachsin, 200 North LaSalle Street, Suite 2100, Chicago, Illinois 60601-1095; Ellen M. Doyle of Malakoff, Doyle & Finberg, PC, The Frick Building, Suite 200, Pittsburgh, Pennsylvania 15219, Beverly C. Moore, Jr. of Moore & Brown, 4900 Massachusetts Avenue, N.W., Suite 230, Washington, D.C. 20016, and Steve Toll of Cohen, Milstein, Hausfeld & Toll, 999 Third Avenue, Suite 3600, Seattle, Washington 98104.

1.42 Plaintiffs' Co-Lead Class Counsel or Co-Lead Class Counsel means the following counsel:

Charles R. Watkins
SUSMAN & WATKINS
Two First National Plaza
Suite 600
Chicago, Illinois 60603

John W. Sharbrough, III
M. Stephen Dampier
THE SHARBROUGH LAW FIRM, LLC
P.O. Box 996
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David J. Guin
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Steven A. Martino
JACKSON, TAYLOR & MARTINO, P.C.
P.O. Box 894
Mobile, Alabama 36601-0894

SPECIAL COUNSEL FOR MOBILE HOME OWNERS:

Justin O'Toole Lucey
JUSTIN O'TOOLE LUCEY, P.A.
415 Mill Street
Mt. Pleasant, South Carolina 29464

1.43 Preliminary Approval means the Court's Order, substantially in the form of Exhibit G hereto, certifying the Settlement Class, granting preliminary approval of this Agreement and approving the Notice Plan.

1.44 Prior Claim means a claim or request submitted to the Defendants, or any of them, for compensation or reimbursement because of damage to Siding (whether or not in the form of a warranty claim) prior to the date of the entry of the Final Order and Judgment. A Prior Claim does not include a legal proceeding described in 1.50(b).

1.45 Property or Properties means any structure including homes (whether a Mobile Home or a Site-Built Structure), garages, outbuildings, town houses, condominiums, apartments, commercial or industrial structures, and other types of buildings or structures onto which Siding is currently installed or on which an Unreimbursed Repair was performed, except for fences and detached structures not used for garages with a floor area of less than 65 square feet.

1.46 Releasees means Defendants, including their successors, parents, subsidiaries, divisions, or affiliates, and their officers, directors, stockholders, partners, agents, servants, successors, subrogees and assigns and their respective insurers.

1.47 Releasing Parties means all Settlement Class Members who have not timely opted out of the Settlement Class, on behalf of themselves and any Person(s) claiming by or through them.

1.48 Replacement Cost means the average cost per square foot of surface area of Siding in the State where the Property is located, as agreed upon by the Parties with reference to current R.S. Means Co. data, including all materials, labor and incidental costs as required to remove, replace and repair Siding panels or boards that have sustained Damage (including an

appropriate adjustment for waste and overlap) with new Siding and to repaint and otherwise restore the exterior of the Property to the extent reasonably necessary to make the repair cosmetically acceptable and in conformity with good building practices and all applicable laws, building codes, and zoning regulations. The initial Replacement Cost for each State has been determined by R.S. Means Co. as set forth in Exhibit H attached to this Agreement. The initial Replacement Cost shall be adjusted annually on or about each anniversary of the execution of this Agreement in accordance with a mutually agreeable formula that takes into account increases and reductions, if any, in the cost of any of its elements. The cost actually incurred to obtain permits for Siding repair or replacement work conducted in conjunction with this Agreement also shall be reimbursed by Defendants to Eligible Claimants - up to a maximum amount of \$100 each - upon presentation of proof of the expenditure.

1.49 Settled Claim means every claim, action, cause of action, liability, right, demand, suit, matter, obligation, damage, loss or cost, including consequential damages to Property or Properties and any claim for other damages, losses or costs, of every kind and description, that the Releasing Parties now have, have had in the past or may have in the future against any of the Defendants arising out of the subject matter of the Action, whether known or unknown, asserted or unasserted, which if known to the Releasing Parties would have materially affected their Settlement with the Releasees and which

accrue or have accrued as a result of having Defendants' Hardboard Siding on the Releasing Parties' Property. Without limiting the scope of the foregoing, "Settled Claims" shall include:

- a. property damage to Class Members' Siding or to the structure on which the Siding is installed or to any surrounding property;
- b. any claim for breach or violation of or for benefits conferred by any federal, state, common or other law or statute, regulation or ordinance;
- c. any claim for breach of any duty imposed by law, by contract or otherwise, including without limitation breach of warranty express or implied or other contract, promissory or equitable estoppel or principles of unjust enrichment;

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- d. any claim based on principles of tort law or other kind of liability, including without limitation, those based on principles of strict product liability, negligence, reliance, racketeering, fraud, conspiracy, concerted action aiding and abetting, veil-piercing liability, alter-ego or successor liability, consumer fraud, negligent misrepresentation, intentional misrepresentation, or other direct or derivative liability;
- e. any claim related to alleged defects or inadequacies in the design, manufacture, advertising, product literature, sale, distribution or marketing of Hardboard Siding;
- f. any claim for declaratory or injunctive relief associated with the above;
- g. any claim for diminution in value of or consequential or collateral damage including, but not limited to, claimed damage to the Siding or to any component of the structure on which the Siding is installed or to any surrounding property;
- h. any claim for emotional damages, mental anguish, or similar claim arising out of Damage to the Siding or because of the installation of the Siding on the Property; and
- i. any claim for penalties, punitive damages, exemplary damages, or any claim for damages based upon a multiplication of compensatory damages associated with the above.

"Settled Claims" shall not include (a) any claim for bodily injury (including wrongful death); or (b) claims for pain and suffering, emotional distress, mental anguish, or similar injuries associated with such bodily injury to the extent allowed by law; or (c) subject to Section 13.2, claims against parties who are not Releasees under the terms of this Settlement Agreement.

1.50 Settlement Class or Class is a class composed of all Persons who own or formerly owned Property in the United States or its Territories on which Hardboard Siding has been installed at any time after May 15, 1975 and before May 15, 2000, except:

- a. All Persons who, in accordance with the terms of this Agreement, properly execute and timely file during the Opt-Out Period a request for exclusion from the Settlement Class;
- b. All Persons represented by counsel who, individually or as members of a class, initiated against Defendants, or any of them, legal proceedings that were resolved prior to the Initial Notice Date by settlement, judgment,

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release, dismissal or other final disposition resulting in the termination of the proceedings against the Defendant.

1.51 Settlement Class Member or Class Member means a member of the Settlement Class.

1.52 Settlement Date means the date on which all of the following have occurred: (a) the entry of the Final Order and Judgment without material modification, and (b) finality for the Final Order and Judgment by virtue of that order having become final and non-appealable through (i) the expiration of all allowable appeal periods without an appeal having been filed; (ii) final affirmance of the Final Order and Judgment on appeal or final dismissal or denial of all such appeals, including petitions for review, rehearing or certiorari.

1.53 Side of a Property means all exterior Hardboard Siding-surfaced areas of a Property facing the same direction.

1.54 Site-Built Structures or Site-Built Homes means all Properties built on-site and also includes any other Property subject to this Settlement Agreement except for Mobile Homes.

1.55 Unreimbursed Repair Costs or Prior Unreimbursed Repair means the properly documented out-of-pocket expenses reasonably incurred by an Eligible Claimant to repair or replace Hardboard Siding that had sustained Compensable Damage.

2. CERTIFICATION OF SETTLEMENT CLASS

2.1 The Parties to this Agreement agree for settlement purposes only that this Action shall be certified and proceed as a class action under Ala. R. Civ. P. 23(b)(3), consisting of all members of the Settlement Class, with the named Plaintiffs as the Settlement Class representatives and Plaintiffs' Class Counsel as counsel for the Settlement Class.

3. SUBMISSION FOR PRELIMINARY APPROVAL

3.1 As soon as practicable after execution of this Agreement, the Parties shall jointly submit this Agreement, through their respective attorneys, to the Court for Preliminary Approval.

4. ADMINISTRATIVE EXPENSES OF SETTLEMENT

4.1 In addition to their obligation to timely make Damage Payments, Defendants shall pay all Administrative Expenses incurred in connection with the Settlement, including but not limited to each of the following:

- a. The reasonable costs and expenses incurred by the Notice Administrator in connection with the preparation and execution of the Notice Plan, in the manner and to the extent described in Paragraph 14.1, below;
- b. The reasonable costs and expenses incurred by the Independent Inspector firm in the manner and to the extent described in Paragraph 6 below;
- c. All costs and expenses incurred in connection with the establishment, implementation and administration of the Settlement Agreement;
- d. All costs and expenses incurred in connection with the Defendants' obligation under Paragraph 7.2 to provide copies of the Owner Maintenance Instructions and the Owner's Installation Check List to Property owners;
- e. The amounts approved by the Court as reasonable Attorneys' Fees and Expenses, in the manner and to the extent described in Paragraph 14.3, below; and
- f. Any Court-approved incentive award to be paid to the Settlement Class Representatives, in the manner and to the extent described in Paragraph 14.4, below.

4.2 Defendants shall have thirty (30) days from the actual receipt of any demand for payment by the Notice Administrator and/or Independent Inspector within which to object to the demand, or any portion thereof, or to the reasonableness of any cost, charge or expense included therein. If such a challenge is made, Defendants shall promptly pay the portion of the expense, if any, to which it has no objection and attempt to resolve any differences that remain with the assistance of Class Counsel. If Class Counsel, Defendants and any involved third parties are unable to resolve the dispute, the same shall be submitted to the Court in the Action for final and binding resolution. Defendants shall be deemed to have waived any objection to a claim for payment that is not made within thirty (30) days of its receipt.

4.4 Payments to Eligible Claimants under the Settlement Agreement shall be made as provided in Paragraph 5.

5. SETTLEMENT AGREEMENT AND CLAIMS ADMINISTRATION PROGRAM

5.1 Before the Initial Notice Date, the Notice Administrator shall establish and staff a telephone system in a manner reasonably agreeable to the Parties to answer a toll-free telephone number established to respond to inquiries by Settlement Class Members regarding the settlement and/or the Settlement Agreement. The telephone system will be designed so as to prevent placing callers on hold for inordinate amounts of time. The Notice Plan shall direct Persons who believe they may be Settlement Class Members to call the toll-free number to request a Class Notice and Claim Forms, or to obtain the Class Notice and Claim Forms from an Internet web site, which also shall be established no later than the Initial Notice Date.

5.2 Promptly following the execution of this Agreement, Defendants shall establish, to the reasonable satisfaction of Class Counsel, a properly staffed and equipped Claims Office to process in a timely way all Claims under the Settlement Agreement and to coordinate with the Notice Administrator the establishment and operation of the toll-free number, the Internet web site, and the dissemination of the Class Notice and related press releases and press kits as called for by the Notice Plan. Defendants shall maintain such a Claims Office for so long as necessary to process all Claims filed under the Settlement Agreement.

5.3 In the event Settlement Class Members contact Defendants regarding a potential warranty claim, or otherwise without apparent knowledge of this Settlement Agreement, Defendants shall promptly reply to any communications or inquiries from such Persons by advising them of this Settlement Agreement and either provide them with a claim packet or with the toll-free telephone number from which such claim packets may be obtained from the Notice Administrator. All Class Notice forms and claims packets shall be sent to the requesting party by first class mail.

5.4 A computer database shall be established and maintained by the Claims Office and the database shall collect and retain all information necessary to determine the Claimant's eligibility for participation in the settlement and the disposition of the Claim. Plaintiffs' Class Counsel shall be provided full access to the information in this database.

5.5 An Eligible Claimant must properly complete and timely file a Claim Form. In order for the claims office to initiate the processing of a Claim Form, Claimants must provide the following basic information:

- a. name(s) of Claimant(s);
- b. mailing address;

- c. address of Property for which a Claim is being submitted (if different from the mailing address);
- d. evidence that the Claimant's siding is Hardboard Siding manufactured by the Defendants, in one of the forms delineated in Paragraph 5.6 below; and
- e. verification that the Claimant is (or with respect to Claims involving a Prior Claim or a Claim for Unreimbursed Repair, was) the owner of the Property (examples of sufficient verification of property ownership include property tax bills for the current year, deeds or deed of trust) or that the Claim has been properly assigned to the Claimant.

5.6 When submitting a Claim Form, the Claimant must also provide one of the forms of proof set forth in subparagraphs (a) through (e) that the Claimant's siding is Abitibi or ABT Siding, or in the alternative, a check in accordance with subparagraph (f), below:

- a. a 2" x 2" square or 2" diameter round sample of the Siding from the structure in question sufficient to identify the Product as manufactured by Defendants; or
- b. a prior communication from one of the Defendants (such as where a prior warranty claim was considered) which acknowledges that the siding on the subject Property is Abitibi or ABT Siding; or
- c. an invoice or warranty, along with photographs of the exterior walls of the Property, that shows that the siding on the Property is Abitibi or ABT Siding; or

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- d. a photograph depicting the back of the siding and showing the identifying stamp of the ABT or Abitibi Defendants; or
- e. such other evidence that reasonably identifies the Siding as ABT or Abitibi Siding.
- f. If the Claimant does not provide one of the proofs of product identification described above, s/he may have the product identified by sending to the Claims Office a check or money order in the amount of \$50 made payable to the Independent Inspector firm. In the event that the Independent Inspector identifies the product as Abitibi/ABTco hardboard siding, the Inspector shall proceed to inspect the property in accordance with the terms of Section 6, below, and the \$50 shall be refunded to the Claimant with the payment of his/her Claim.

Notwithstanding any other provisions of this paragraph, the requirement of proof that the siding in question is Abitibi or ABT Siding is satisfied if the Defendants' records or warranty claims database confirm that the siding on the subject property is Abitibi or ABT Siding.

5.7 Processing of each of the Claim Forms by the Claims Office shall commence when the Claimant provides the Claims Office with the information required by Paragraphs 5.5 and 5.6, above. The Claims Office shall advise any Claimant who fails to submit information required by the Claim Form, including the information specified in Paragraphs 5.5 and 5.6, of the respects in which the Claim Form is incomplete and request the Claimant to supply the missing information. Any request by the Claims Office must be in writing and mailed to the Claimant by first class mail within forty-five (45) days after the receipt of the Claim Form; if no such request is made, processing of the Claim Form shall commence prior to the expiration of the 45 day period; provided, that no Claim will be eligible for payment until the information required by Paragraphs 5.5 and 5.6 has been supplied.

5.8 If a request for information described in Paragraphs 5.5, 5.6 and 5.7 is timely made by the Claims Office but not complied with by the Claimant within one hundred and eighty (180) days after the mailing of such request, absent reasonable justification for the delay, the Claim may be denied by written notice to the Claimant, without prejudice to the right of the Claimant to file within the Claim Period an additional Claim for the same or different Damage.

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The filing date for the subsequent Claim, if any, will not relate back to the date of the earlier Claim; provided, that the Non-Painting Deduction, if any, applicable to such Claim shall be governed by Paragraph 1.22(b)(vi).

5.9 All Claimants with Compensable Damage to Hardboard Siding shall be paid in accordance with the Damage Payment calculation provided for in this Settlement Agreement, without regard to contrary requirements that may have been set forth in any prior warranty applicable to such Siding and without regard to any legal or factual defenses Defendants might have been able to assert to such payment in the absence of this Agreement. In this regard, and for purposes of this Settlement Agreement only, Defendants specifically waive as to the Settlement Class Members all legal and factual defenses that might have been asserted against such claim, including without limitation, defenses asserting a lack of causation, intervening or superseding cause, lack of privity, lack of reliance, the "economic loss" rule, contributory negligence, assumption of risk, failure to make timely demand, that the express warranty was not the "basis of the bargain," or because of a statute of limitations or repose.

5.10 Defendants may make one offer of settlement to a Claimant (the "Accelerated Payment Offer") for each Claim submitted. For the first six (6) months after the Fairness Hearing, the Defendants shall have a reasonable period of time (not to exceed 45 days) after a substantially complete Claim Form is received by the Claims Office in which to make the Accelerated Payment Offer. After that six-month period, Defendants shall have thirty (30) days after a substantially complete Claim Form is received by the Claims Office in which to make the Accelerated Payment Offer. For purposes of deciding whether they will make such an offer, Defendants may evaluate the Claim by making a single visit to the Property at such reasonable time as may be agreed to by the Claimant to obtain additional details about his or her Claim. After such review and evaluation, and in their sole discretion, Defendants may elect to make a written settlement offer to Claimant to resolve the Claim without resort to the independent inspection procedure under Section 6, below. Any written offer under Paragraph 5.10 or 5.11 shall include the Accelerated Payment check and shall be communicated to Claimant in

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substantially the forms attached as Exhibit I and Exhibit J and shall include a detailed explanation of the basis for and calculation of the Accelerated Payment Offer.

5.11 If the amount of the Damage Payment under this Settlement Agreement reasonably can be determined from the information presented to the Defendants in the Claim Form, or if the Defendants inspect the property of the Claimant, the Accelerated Payment Offer shall be calculated on the same basis as the Damage Payment that would otherwise be due under this Settlement Agreement. If the amount of the Damage Payment cannot reasonably be calculated from such information, the amount of the Accelerated Payment Offer shall be set by the Defendants in good faith, applying the compensation principles set forth in this Settlement Agreement.

5.12 Any Claimant who receives an Accelerated Payment Offer shall have forty-five (45) days after its receipt to decline the offer. Any Claimant who deposits or cashes an Accelerated Payment check shall have the unilateral right, for an additional period of thirty (30) days after depositing or cashing the Accelerated Payment check, to revoke his or her acceptance by returning the amount of the check and electing in writing to have his or her Claim inspected, processed and determined under Section 6, below. If a Claimant does not decline an Accelerated Payment Offer within forty-five (45) days after its receipt, the Accelerated Payment Offer shall be deemed accepted; provided, however, if the Claimant was absent from the Property or did not receive the check or Accelerated Payment Offer or failed to return the amount of the check due to mistake or excusable neglect, the forty-five day revocation period shall run from the date the Claimant returns to the Property, receives the check, or discovers the mistake, whichever is sooner.

5.13 Class Counsel, including their experts, consultants or agents, shall be allowed reasonable access to review the records of Defendants that pertain to the Accelerated Payment Offers. If at any time Class Counsel are not reasonably satisfied that Defendants have implemented and are administering the process for the Accelerated Payment Offers in conformance with this Agreement, Class Counsel shall advise Defendants of their concerns. If

Defendants fail to satisfy these concerns, Class Counsel may, at their sole discretion, bring the matter to the attention of the Court by noticed motion. In its discretion, the Court may conduct a hearing on any objections raised by Class Counsel, and if the Court finds that Defendants' have failed to implement the Accelerated Payment Offer process in good faith, the Court may provide such relief as it deems proper under the circumstances, including the revocation of the Accelerated Payment Offer process.

5.14 All Claims that are not resolved by an Accelerated Payment Offer shall be inspected by the Independent Inspector in accordance with the provisions of Paragraph 6, below.

5.15 Claims shall be processed and paid in a reasonably prompt manner, substantially in the order in which they are received; provided, however, that priority may be given to Claimants who have listed, posted or advertised their Property for sale and priority shall be given to Claimants who are experiencing water intrusion into their homes which they have contracted to repair. The Claims Office shall calculate the Damage Payment due Eligible Claimants in accordance with the terms of this Settlement Agreement and shall make such payments directly to Eligible Claimants or their assignees. The amount of such Damage Payments shall be entered into the Claims Office's computer data system. Upon written request by Class Counsel, a listing of such payments shall be provided to Plaintiffs' Class Counsel no less frequently than quarterly.

5.16 Any Damage Payment made on the basis of the results of the inspection of the Independent Inspector in an amount greater than five-hundred dollars (\$500) shall be made in two installments. The first installment shall be in an amount equal to eighty percent (80%) of the total Damage Payment and it shall be paid at the time the Claimant is advised of the amount of his or her Compensable Damage as determined by the Independent Inspector's inspection. The second installment equal to the remaining twenty percent (20%) shall be paid promptly upon the Claimant's submission to the Claims Office of satisfactory evidence of the Claimant's purchase of any type of replacement siding or other exterior wall cladding to repair the areas of Compensable Damage to the Claimant's Property or other evidence that repairs have been made.

5.17 Any person who acquires Property from a Class Member after the Initial Notice Date may, if he or she so elects, succeed to all the rights and obligations of the Class Member under this Settlement Agreement.

5.18 All forms of notice, claims, claim denial, etc. used by the Defendants to explain the rights of Class Members under the Settlement shall be communicated in a timely manner, shall be clear, drafted in "plain English" and approved in advance by Co-Lead Class Counsel.

5.19 Any Eligible Claimant who suffers additional Damage to his/her Hardboard Siding that has not already been the subject of a Claim hereunder may submit up to five additional Claims within the Settlement Agreement Claim Period, not to exceed one every twelve months; provided, however, that Defendants shall not be obligated to pay more than once for Damaged Siding for which a Claimant previously has been compensated.

6. INDEPENDENT INSPECTION

6.1 The Property of any Eligible Claimant filing a Claim that is not satisfied by an Accelerated Payment Offer shall be inspected by the Independent Inspector and the Damage Payment shall be calculated and the Claim shall be paid in accordance with the results of that inspection. The Claims Office shall request an inspection of the Claimant's Property by the Independent Inspector within the earlier of fourteen (14) days following a Claimant's rejection of an Accelerated Payment Offer, or, if an Accelerated Payment Offer is not made, forty-five (45) days after a substantially complete Claim Form is received by the Claims Office; and the inspection shall occur as soon thereafter as reasonably practicable. The Independent Inspector will use its best efforts to ensure that inspections occur within forty-five (45) days after being requested by the Claims Office to conduct an inspection.

6.2 In making the inspection, the sole duties of the Independent Inspector shall be: (a) to verify that the Claimant's siding is Hardboard Siding if requested to do so pursuant to Paragraph 5.6(f) or by Defendants (at their expense); (b) to calculate and record the amount of Damage and Excluded Damage on the Site Built Structures and the number of panels on Mobile

Homes evidencing Damage; and (c) to report his or her findings to Claims Office. The Independent Inspector shall not be made aware of the existence and terms of any Accelerated Payment Offer made to the Claimant. The findings of the Independent Inspector shall be made in writing in the Field Inspection Report, which shall be mailed or otherwise transmitted to the Claims Office within ten (10) business days following the completion of the inspection.

6.3 If Defendants do not make an Accelerated Payment Offer, the Defendants shall pay the cost of inspection. If Defendants do make an Accelerated Payment Offer which is rejected by Claimant, the cost of the Independent Inspection also shall be borne by Defendants unless the amount of the Accelerated Payment Offer exceeds the Damage Payment, in which case the inspection fee shall be borne by the Claimant up to a maximum of \$150 and deducted from the Damage Payment.

6.4 Within thirty (30) days of receipt of the Independent Inspector's Field Inspection Report, the Claims Office shall send to the Claimant a check for the first installment of the Damage Payment due under paragraph 5.16, calculated in accordance with the results of the Independent Inspection, a copy of the Field Inspection Report and an explanation of the calculation of the Damage Payment and the Claimant's rights with respect thereto.

6.5 If a Claimant is dissatisfied with the determinations made by the first Independent Inspector, the Claimant may request a second independent inspection by so notifying the Claims Office. The notification must be in writing and postmarked no later than thirty (30) days following the Claimant's receipt of the first installment Damage Payment check or written denial of the Claim, and the Claimant must return the Damage Payment check to the Claims Office with the notification. If the check was for less than \$150, the Claimant must also send a check made payable to the Claims Office for the difference between the Damage Payment and \$150 (the amount of the inspection fee for which Claimant is responsible). Promptly upon its receipt of a timely objection and check from the Claimant, the Claims Office shall order a second inspection of the Claimant's Property. The second inspection shall be conducted by a different individual

inspector from the Independent Inspection firm, and the second inspector shall not be made aware of the existence or results of the first inspection.

6.6 If a Claimant requests a second inspection, his or her Damage Payment will be calculated on the basis of the results of whichever of the two inspections results in the greater award. The Damage Payment will be reduced by the amount of the second inspection fee unless the Second Inspection results in a payment to the Claimant that is 25% or more greater than the payment that was calculated on the basis of the original Independent Inspection, in which event the amount of the second inspection fee will be refunded to the Claimant or will not be deducted from the Damage Payment, as appropriate.

6.7 In the event any Party reasonably believes that any of the Independent Inspectors are not properly applying any of the terms of Paragraph 6 (including the inspection protocol attached as Exhibit K), or in the event there is a question about the application of the terms of this Agreement by any of the Independent Inspectors, then: (a) the objecting Party's counsel shall notify counsel for the other Parties to this Agreement in writing of the concern; (b) Plaintiffs' Co-Lead Class Counsel and counsel for Defendants shall confer within thirty (30) days of receipt of the written notification to try to resolve the concern; and (c) in the event Plaintiffs' Co-Lead Counsel and counsel for Defendants cannot resolve the concern, then the dispute shall be submitted to the Court or other third party mutually agreeable to the Parties for resolution.

7. ENHANCED WARRANTY FOR LATER PURCHASERS; ADDITIONAL EFFORTS TO PROVIDE INSTALLATION AND MAINTENANCE INSTRUCTIONS TO PROPERTY OWNERS

7.1 As part of this Settlement Agreement, upon the entry of the Final Order and Judgment in this Action, the ABT Defendants agree to provide the Enhanced Warranty to any person who installs the Hardboard Siding within two (2) years after the Initial Notice Date in a form substantially equivalent to the Enhanced Warranty attached hereto as Exhibit D, provided

that the terms of such Enhanced Warranty may be changed within such two (2) year period in order to bring it into compliance with any subsequent changes in federal or state law.

7.2 The ABT Defendants also agree to adopt and to make available to each Class Member whose identity becomes known to them and to use their best efforts to provide to each Person who installs Hardboard Siding within two (2) years after the Initial Notice Date a copy of their Owner Maintenance Instructions, Installation Instructions and Owner's Installation Check List in substantially the form attached hereto as Exhibits L, M and N.

7.3 As to any purchaser who purchases Hardboard Siding manufactured by the ABT Defendants subsequent to the entry of the Initial Notice Date, whether or not covered by the Settlement Agreement, the ABT Defendants agree not to assert as a defense to any claim on account of damage to such Siding that the Siding was improperly installed or maintained so long as such Hardboard Siding was installed or maintained, as the case may be, in compliance with the installation and maintenance instructions attached hereto; provided, however, that such instructions may be changed to reflect changes in good building practices in the area in which the Siding is installed.

8. RIGHT TO CONDUCT AUDITS

8.1 Plaintiff's Co-Lead Class Counsel shall have the right to audit the Defendants' Accelerated Payment Offers.

8.2 Additionally, Plaintiffs' Class Counsel may generally audit the Defendants' compliance with the terms of this Agreement. In this connection, the Defendants' shall pay the costs and fees incurred by Class Counsel in performing such audits, including the costs and fees charged by any consultants they may retain to assist them, up to a maximum total cost for all such audits under paragraphs 8.1 and 8.2 of \$40,000. The timing of any and all audits under this Paragraph 8.2 shall be at the sole discretion of Plaintiffs' Co-Lead Class Counsel, provided that the sole issue to be considered in connection with any such audit is whether Defendants have properly implemented and complied with the terms of this Settlement Agreement.

9. NOTICE OF PROPOSED CLASS ACTION SETTLEMENT

9.1 Upon Preliminary Approval, and as the Court may otherwise direct, the Parties shall cause the Notice of Proposed Class Action Settlement describing this proposed Settlement Agreement and the Fairness Hearing to be provided to the members of the Settlement Class as provided in this Section and in accordance with the Notice Plan or as otherwise approved or directed by the Court.

9.2 The mailed Notice, in a form substantially in the form of attached Exhibit E and approved by the Court, shall be mailed, first class postage prepaid, to each member of the Class identified by the Parties through reasonable efforts. The Notice shall be made available for distribution and publication in Spanish as well as English where appropriate or upon request.

9.3 No later than the Initial Notice Date, the Notice Administrator shall cause a nationwide toll-free telephone facility and Internet website to be established, in accordance with Paragraph 11.1 below. The telephone facility shall be capable of (a) receiving requests for the long form of the Notice of Proposed Class Action Settlement and other materials described in this Section; (b) providing generalized information concerning deadlines for opt-outs, proofs of claim, and presentations to the Court at the Fairness Hearing; and (c) mailing the materials to Class Members as provided in this Paragraph. The facility may, as reasonable and appropriate under instructions from Plaintiffs' Co-Lead Class Counsel, refer individual inquiries to Plaintiffs' Class Counsel for response. The facility shall maintain records of all mailings and such other information in such form and in such manner as Plaintiffs' Co-Lead Class Counsel and Defendants jointly direct.

9.4 The Notice of Proposed Class Action Settlement shall be mailed to additional Settlement Class Members whose identities or addresses become known during the term of the Agreement. The Notice of Proposed Class Action Settlement shall also be distributed to such contractors, builders, distributors and mobile home manufacturers who are reasonably determined by Defendants and/or Plaintiffs' Class Counsel to have been involved in the sale, distribution, installation or use of Defendants' Hardboard Siding.

10. CLASS MEMBERS' RIGHT OF EXCLUSION; DEFENDANTS' RIGHT OF TERMINATION

10.1 A Settlement Class Member may opt out of the Class during the Opt-Out Period. To exercise the opt-out right set forth in this Paragraph, the Settlement Class Member must complete, sign, and return a request for exclusion. The request must be signed by the Settlement Class Member and must state the address of the Settlement Class Member's Property(ies) on which Hardboard Siding has been installed and the number of units of residential Property or commercial structures clad with the Siding. Such request must be postmarked on or before the end of the Opt-Out Period and sent to the Notice Administrator (who shall provide one copy of the opt-out notice to Co-Lead Class Counsel and one copy to Defendants). Any Settlement Class Member who elects to opt out of the Settlement Class pursuant to this Paragraph shall not be entitled to relief under or be affected by this Agreement or the Settlement Agreement. Class Counsel may contact opt-outs to assure that the opt-outs understand the effect of their election.

10.2 To the extent that the statutes of limitations and/or repose or any defense of lapse of time are tolled by operation of law, they will continue to be tolled as to any Class Member who opts out of the Settlement until ninety (90) days after receipt of the request to opt out or for such longer period as the law may provide without reference to this Agreement.

10.3 In the event that, in the sole discretion of the Defendants, the number of Class Members requesting exclusion reaches a level that in their judgment threatens to frustrate the essential purpose of this Agreement, Defendants may elect unilaterally to terminate this Agreement by so notifying Plaintiffs' Class Counsel and the Court, not less than ten (10) days prior to the date set for the Fairness Hearing.

10.4 If this Agreement is terminated by Defendants under Paragraph 10.3, the legal position of each Party shall be the same as it was immediately prior to the execution of this Agreement; and each Party may exercise its legal rights to the same extent as if this Agreement never had been executed.

11. NOTICE ADMINISTRATION

11.1 The Notice Administrator shall, under the supervision of the Court, establish and maintain the toll-free number and answering system (including live operators to the extent deemed necessary by mutual agreement of Plaintiffs' Class Counsel and Defendants) and Internet web site, and shall mail the Class Notice, appropriate claim forms attached hereto as Exhibits A, B and C, and Request for Exclusion form to any Property Owner who requests a copy. The substance and content of the answering system, Internet web site, and any scripts or pre-selected or suggested dialog shall be subject to Defendants' prior approval, provided that such approval is not unreasonably withheld. The Notice Administrator shall maintain the records of its activities, including logs of all telephone calls and a running tally of the number of Notice packages mailed, in computerized database form and shall provide such periodic and special reports and other such information as the Court, Plaintiffs' Class Counsel (with notice to and consent of Defendants, provided such consent is not unreasonably withheld) and/or Defendants may request. Plaintiffs' Co-Lead Class Counsel and Defendants shall have the right independently to audit any work of the Notice Administrator. The Notice Administrator may, as appropriate under instructions from Plaintiffs' Co-Lead Class Counsel with the consent of counsel for the Defendants, which shall not unreasonably be withheld, provide additional information or refer individual inquiries to Plaintiffs' Class counsel for response.

11.2 In the event Plaintiffs' Co-Lead Class Counsel or Defendants reasonably believe that the Notice Administrator is not properly applying any of the terms of this Agreement or in the event there is a question concerning the application of the terms of this Agreement by the Notice Administrator, the Parties shall meet and attempt to resolve the matter, failing which the dispute promptly shall be submitted to the Court whose ruling shall be final and non-appealable.

12. EXCLUSIVE REMEDY; DISMISSAL OF ACTION; JURISDICTION OF COURT

12.1 The terms and conditions of this Agreement shall constitute the sole and exclusive remedy for any and all Settled Claims of Class Members against Defendants; and upon entry of

the Final Order and Judgment by the Court, each Class Member who has not opted out of the Class shall be barred from initiating, asserting or prosecuting any Settled Claims against Defendants.

12.2 From and after the entry of the Final Order and Judgment, no action or proceeding may be brought by any public or private party on behalf of a Class Member in which any Settled Claim is asserted or the subject of inquiry; nor may any Class Member commence or remain a member of a class action or be the beneficiary of any state or federal proceeding in which any of the Settled Claims is asserted against any of the Defendants or is the subject of inquiry. As soon as practicable after the Settlement Date, the Complaint in the Action shall be dismissed.

12.3 The Court shall retain exclusive and continuing jurisdiction of the Action, all Parties and Class Members, to interpret and enforce the terms, conditions, and obligations of this Agreement, including any question regarding the proper administration of the Settlement Agreement.

13. RELEASES

13.1 Upon entry of the Final Order and Judgment, each Settlement Class Member who has not timely opted out of the Settlement Class shall, on behalf of himself and any Person claiming by or through him as his heir, administrator, devisee, predecessor, successor, representative of any kind, shareholder, partner, director, owner or co-tenant of any kind, affiliate, subrogee, assignee, or insurer (the "Releasing Parties"), and regardless of whether any Class Member executes and delivers a written release, be deemed to and does hereby release and forever discharge Defendants, and all of their present and former divisions, predecessors, affiliates, subordinates, parents and all of their present or former directors, officers, attorneys, employees, servants, agents, successors, assigns, subsidiaries and insurers (including co-insurers and re-insurers) solely with regards to policies held by Defendants (all the foregoing parties being referred to as "Releasees"), of and from any and all Settled Claims and related subrogation claims of the Releasing Party's subrogees or insurance carriers not protected from waiver of

subrogation by the provisions of applicable insurance policies (or assigned or subrogated prior to final approval of this Agreement and not subject to compromise or settlement by the policyholder), except as may otherwise be provided in this Agreement.

13.2 The Releasing Parties specifically release and forever discharge any other person or entity from any and all claims that arise out of Hardboard Siding on the Property of a Releasing Party to the extent such claims are based on alleged defects or inadequacies in the design, manufacture, advertising, product literature, sale, distribution or marketing of Hardboard Siding, all of which claims have been compromised and settled in their entirety by Defendants under the terms of this Settlement Agreement; **provided, however,** Releasing Parties retain any other claim or cause of action (such as for improper installation of the Siding) they may have against any other person or entity not a Party to this Settlement Agreement.

13.3 If any Releasing Party brings an action or asserts a claim against a Releasee contrary to the terms of this Release, the counsel of record for such Releasing Party shall be provided with a copy of this Settlement Agreement. If such Releasing Party does not within thirty (30) days thereafter dismiss his or her action or claim and the action or claim is subsequently dismissed or decided in favor of the Releasee, the Releasing Party shall indemnify and hold harmless the Releasee from any and all costs and expenses, including reasonable attorneys fees, incurred by the Releasee in the defense of the action or claim.

13.4 Except as otherwise provided in this Paragraph 13, nothing in this Agreement shall be construed in any way to prejudice or impair the right of Defendants or members of the Settlement Class to pursue such rights and remedies as they may have against third parties or under any applicable insurance policies. Nothing in this Agreement limits the rights of members of the Settlement Class to pursue claims for Hardboard Siding installed on a Property subsequent to the Initial Notice Date.

14. EXPENSES AND FEES

14.1 The Defendants shall pay all reasonable fees and expenses incurred in providing the Notice called for under this Agreement and under the Notice Plan (or as otherwise ordered by the Court) (the "Notice Costs").

14.2 If the Court does not issue the Final Order and Judgment, or in the event that for any reason the Settlement Date does not occur, Defendants nevertheless shall continue to bear the costs of the Notice Plan and any other expenses incurred to such point in implementing the terms of this Agreement, along with any associated shutdown expenses, including any notices as the Court may direct and Defendants shall not have the right to recoup such funds, regardless of whether the Court issues the Final Order and Judgment. Plaintiffs' Class Counsel and the Class Members shall bear no obligation for any costs incurred in connection with the implementation of the Notice Plan or for any other expenses incurred by the Defendants hereunder.

14.3 Within 7 days after the Settlement Date, the Defendants shall pay on behalf of the Settlement Class Members reasonable attorneys' fees in the amount of \$7,000,000 and reasonable expenses in immediately available funds subject to agreement between Co-Lead Class Counsel and counsel for Defendants in an amount not to exceed \$375,000.

14.4 Within 7 days after the Settlement Date, the Defendants shall pay any Court approved incentive award to the currently named Plaintiffs in this Action, and in *Fyola, et al. v. Abitibi-Price, Inc., et al.*, Case No. GD 95-12854; *John Ezzell, et al. v. ABTco., Inc.*, Case No. 97-CVS-167, Superior Court Division of State of North Carolina; *William Beeny and Deborah Beeny, et al. v. ABTco., Inc., et al.*, Case No 99-CV-206193, Circuit Court of Jackson County, Missouri; and *Joel Uptain, et al., v. ABTco., et al.*, Case No. 99C-08974, District Court of Johnson County, Kansas, not to exceed \$5,000 to any one individual or married couple.

14.5 Class Counsel may designate two attorneys among them to assist in the implementation of the duties of Class Counsel under this Settlement Agreement. The ABT Defendants shall pay the reasonable fees of these two attorneys (not to exceed their normal hourly rates) for time actually incurred by

Counsel hereunder. Class Counsel shall provide bills in accordance with the ABT Defendants' billing guidelines to ABT Defendants and counsel for ABT Defendants.

14.6 In the event of an appeal of the Final Order and Judgment, Defendants agree to pay simple interest on the fees due under paragraph 14.3 (at the prime rate of interest in effect at such time) from the date of the Final Order and Judgment until the Settlement Date. The interest rate payable under this paragraph 14.6 shall be recalculated every 6 months.

15. ENFORCEMENT OF AGREEMENT

15.1 In the event Defendants fail to perform under the Agreement or to make a payment due and owing under the terms of this Agreement, Plaintiffs' Co-Lead Class Counsel shall give Defendants written notice of the breach. If the breach is not cured to the satisfaction of Class Counsel within sixty (60) days, Plaintiffs' Class Counsel shall apply to the Court for relief.

15.2 In the event of a breach by Class Members or Defendants under this Agreement, the Court may exercise all equitable powers over the breaching Party(ies) to enforce this Agreement and the Final Order and Judgment irrespective of the availability or adequacy of any remedy at law. Such powers include, among others, the power of specific performance, contempt and injunctive relief.

16. REPRESENTATIONS AND WARRANTIES

Defendants represent and warrant that (i) they have all requisite corporate power and authority to execute, deliver, and perform this Agreement and to consummate the transactions contemplated hereby, (ii) the execution, delivery, and performance of this Agreement and the consummation by it of the actions contemplated herein have been duly authorized by all necessary corporate action on the part of such Defendants; (iii) their signatories to the Agreement have full authority to sign on behalf of and to bind such Defendants to the terms of the Agreement, and (iv) this Agreement has been duly and validly executed and delivered by such Defendants and constitutes their legal, valid and binding obligation.

17. MISCELLANEOUS PROVISIONS

17.1 This Agreement is for settlement purposes only. It has been entered into for the purpose of compromising and settling a disputed matter and is not an admission of a deficiency in the manufacture of Hardboard Siding, or in the handling or administration of prior warranty claims or in the validity of any denial or defense asserted by Defendants, nor is this Agreement an admission by Plaintiffs of the validity of any of the Defendants' asserted defenses. Neither the execution of this Agreement, nor any of its provisions or attachments, nor any action taken pursuant to its terms shall be admitted in this or any other Action or proceeding as evidence or construed as an admission by either Party of the validity of any claim or of any defense or of any facts alleged in this or any other Action. This Agreement, however, may be admitted as evidence in any action to enforce its terms.

17.2 Any certification of a conditional or preliminary Settlement Class pursuant to the terms of this Agreement shall not constitute, and shall not be construed as, an admission on the part of Defendants that this Action, or any other proposed or class action, is appropriate for certification as a litigation class pursuant to Ala. R. Civ. P. 23 or any similar state or federal class action statute or rule. This Agreement is without prejudice to the rights of Defendants to (a) seek to vacate the conditional certification order in this Action should this Settlement not be approved or implemented for any reason; or (b) oppose final certification in this Action should this Settlement not be approved or implemented for any reason; or (c) use the certification of this Settlement Class to oppose certification of any other proposed class arising out of the issues and claims that are asserted herein.

17.3 This Settlement Agreement has been negotiated at arm's length by Class Counsel and counsel for the Defendants. If a dispute should later arise regarding any of its terms, no Party shall be deemed to be the drafter of any particular provision of the Agreement; and no part of the Agreement shall be construed against any Party. The Parties further acknowledge and agree that the obligations and releases contained in the Agreement are fair and reasonable in the context of the compromises negotiated.

17.4 Plaintiffs' Co-Lead Counsel and counsel for Defendants regularly shall meet in person or by telephone conference to discuss the implementation and execution of this Agreement and to attempt to resolve any concerns of the Parties regarding its implementation.

17.5 This Agreement shall be construed under and governed by the laws of the State of Alabama, applied without regard to its laws applicable to choice of law.

17.6 Plaintiffs' Class Counsel have taken substantial discovery in the Action, including extensive document review and depositions of the Defendants' personnel with responsibility for claims processing and manufacture of Siding. In addition, Class Counsel have engaged in extensive informal discovery, have consulted with experts and interviewed many potential witnesses with relevant knowledge of the issues in this case. Based on that formal and informal discovery - as well as Class Counsel's knowledge of and participation in other class actions involving hardboard siding Class Counsel have evaluated the factual bases for the claims asserted in the Action and as to many of the defenses raised by Defendants to those claims. Class Counsel believe they have engaged in more than sufficient discovery to evaluate the terms of this Agreement on an informed basis and to negotiate a fair and reasonable resolution of the Action.

17.7 This Agreement, including all attached Exhibits, shall constitute the entire Agreement among the Parties with regard to the subject matter of this Agreement and shall supersede any previous agreements and understandings between the Parties. This Agreement may not be changed, modified, or amended except in writing signed by Plaintiffs' Co-Lead Class Counsel and Defendants' counsel and subject to Court approval. The Parties contemplate that

the Exhibits may be modified by subsequent agreement of counsel for all Defendants and Plaintiffs' Co-Lead Class Counsel prior to dissemination to the Class Members.

17.8 This Agreement may be executed by the Parties in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

17.9 This Agreement, if approved by the Court, shall be binding upon and inure to the benefit of the Class, the Parties, and their representatives, heirs, successors, and assigns.

17.10 The headings of the Sections of this Agreement are included for convenience only and shall not be deemed to constitute part of this Agreement or to affect its construction. References to a "Section" includes reference to all paragraphs within the referenced Section.

17.11 Any notice, instruction, application for Court approval or application for Court order sought in connection with this Agreement or other document to be given by any Party to any other Party shall be in writing and delivered personally or by facsimile followed by overnight courier, to the following representatives of the parties:

FOR ABT DEFENDANTS:

Stephen Zovickian
Michael I. Begert
Geoffrey M. Howard
McCUTCHEN, DOYLE, BROWN & ENERSEN, LLP
Three Embarcadero Center
San Francisco, California 94111

FOR ABITIBI DEFENDANTS:

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HOGAN & HARTSON, LLP.
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New York, New York 10017

FOR THE PLAINTIFF CLASS:

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SUSMAN & WATKINS
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Chicago, Illinois 60603

John W. Sharbrough, III
M. Stephen Dampier
THE SHARBROUGH LAW FIRM, LLC
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Mobile, Alabama 36601-0894

SPECIAL COUNSEL FOR MOBILE HOME OWNERS:

Justin O'Toole Lucey
JUSTIN O'TOOLE LUCEY, P.A.
415 Mill Street
Mt. Pleasant, South Carolina 29464

17.12 Except as otherwise provided in this Agreement, any filing, submission, Claim, notice or written communication shall be deemed filed, delivered, submitted or effective as of the date of its postmark when mailed first class, registered or certified mail, postage prepaid, properly addressed to the recipient, or when delivered to any commercial one- or two-day delivery service properly addressed to the recipient, or when actually received by the recipient, whichever first occurs.

17.13 Throughout the Term of this Agreement, in accordance with record retention policies that are reasonably satisfactory to Class Counsel, Defendants will use reasonable efforts to preserve all records and evidence at the Roaring River plant which are or could be relevant to, or could lead to the discovery of relevant evidence, concerning the research and development of Hardboard Siding, its marketing, distribution, and manufacture, and the operation of its Hardboard Siding warranty claims process.

17.14 Each Class Member who files a Claim under the Settlement Agreement and does not repair or replace the siding for which a Damage Payment was made shall advise any direct, subsequent purchaser of the Property in writing of the existence of this Settlement Agreement and the amount of the Damage Payment.

17.15 In no event shall Defendants, any attorneys representing Defendants, Plaintiffs or Plaintiffs' Class Counsel have any liability for claims of wrongful or negligent conduct by any third party with respect to the implementation of any term of this Settlement Agreement.

ABT DEFENDANTS:

ABTco, Inc.

ABT BUILDING PRODUCTS CORP.

By: _____

By: _____

Its: _____

Its: _____

By: _____

By: _____

Stephen Zovickian
 McCUTCHEON, DOYLE, BROWN &
 ENERSEN, LLP
 Three Embarcadero Center
 San Francisco, California 94111
 (415) 393-2000

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 (415) 393-2000

Counsel for ABT Defendants

Counsel for ABT Defendants

ABITIBI DEFENDANTS:ABITIBI-CONSOLIDATED, INC.,
formerly ABITIBI-PRICE, INC.

ABITIBI-PRICE CORP.

By: _____

By: _____

Its: _____

Its: _____

By: _____

By: _____

George F. Hritz
 HOGAN & HARTSON, LLP
 100 Park Avenue
 New York, New York 10017
 (212) 916-7228

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 HOGAN & HARTSON, LLP
 100 Park Avenue
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Counsel for Abitibi Defendants

Counsel for Abitibi Defendants

FOR THE PLAINTIFF CLASS:

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JUSTIN O'TOOLE LUCEY, P.A.
 415 Mill Street
 Mt. Pleasant, South Carolina 29464

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**LOUISIANA-PACIFIC CORPORATION
EXECUTIVE LOAN PROGRAM**

As Amended and Restated November 3, 2001

1. **Purpose.** To provide loans to company executives for the purchase by them of shares of company stock. Such purchases shall be of shares of treasury stock held by the company.
2. **Covered Executives.** (a) The CEO, all Vice Presidents and all other employees who are "executive officers" of the company under Section 16 of the Securities Exchange Act of 1934, (b) Business Team Leaders and (c) other executives as designated by the CEO.
3. **Loan Amount.** Equal to the total cost of the shares of company stock purchased in one transaction by the executive from the company during the 60-day period following the effective date of this Executive Loan Program (the "Loan Program") for such executive. The loan shall be made upon written notification to the company by the executive of the number of shares he or she desires to purchase. Such shares shall be sold to the executive on the date such notification is received by the company at a price equal to the closing price of company stock on the New York Stock Exchange (NYSE) on such date or, if there is no trading on the NYSE on such date, the next preceding day on which there was such trading, and the necessary loan documents for the loan in an amount equal to the cost of such shares shall be executed by the parties as of such date.
4. **Maximum Loan Amount.** Three (3) times an executive's annual base pay as of the effective date of the Loan Program for such executive.
5. **Minimum Purchase and Loan.** To qualify for the loan, the executive must purchase a minimum of 10,000 shares of company stock.
6. **Maximum Total Loans.** The lesser of \$20 million or 1.7 million shares of company stock.
7. **Interest on Loan.** The interest rate shall be the lowest prevailing rate that will avoid imputed interest under Section 7872 of the Internal Revenue Code.
8. **Accrued Interest.** Annual accrued interest shall be added to the principal amount each year and shall be paid when the principal amount becomes due.
9. **Term of Loan.** Six years following the expiration of the 60-day period referred to in paragraph 3 above, except five years following the expiration of such 60-day period for those executives who become covered executives on or after November 24, 2000, unless earlier terminated as provided below.
10. **Security.** Loans shall be unsecured.
11. **Termination of Employment.** The outstanding amount of principal and accrued interest under the loan shall be paid within 30 days following an executive's resignation or involuntary termination of employment.
12. **Loan Forgiveness.** The provisions of this Paragraph 12 apply to those executives with outstanding loans under the Loan Program on or after November 24, 2000.

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- (a) **Length of Service Forgiveness.** If the executive remains continuously employed by the company until January 23, 2004, January 23, 2005 or January 23, 2006 ("Applicable Forgiveness Dates"), the following percentages of the original loan principal amount and the amount of accrued interest as of such date shall be forgiven:

Applicable Forgiveness Date	Original Loan Principal Forgiveness	Accrued Loan Interest Forgiveness
January 23, 2004	50 percent	-0-
January 23, 2005	25 percent	50 percent
January 23, 2006	25 percent	100 percent

In the event that, after January 23, 2001 and before January 23, 2006, the executive terminates employment with the company by reason of death, disability or involuntary termination by the company without cause, the executive shall be forgiven a prorated amount of the loan principal and accrued interest forgiveness percentages set forth above based upon his actual period of employment by the company during the period January 23, 2001 (or his last Applicable Forgiveness Date, if later) to the next Applicable Forgiveness Date following such termination. The provisions of paragraph 11 of the Loan Program shall apply to the remaining unforgiven loan principal and accrued interest amounts.

- (b) **Stock Price Forgiveness.** In addition to any loan principal and interest forgiveness provided under paragraph 12(a) above based upon length of service, if the company stock has traded on the NYSE at or above the price per share ("Price") set forth below (to be appropriately adjusted for any stock dividends or splits or recapitalizations that hereafter occur) for at least five consecutive trading days during the 12-month period immediately preceding an Applicable Forgiveness Date on which the executive remains employed by the company, the following additional percentages of the original loan principal amount and the amount of accrued interest as of such date shall be forgiven:

Applicable Forgiveness Date	Price	Additional Original Loan Principal Forgiveness	Additional Accrued Interest Forgiveness
January 23, 2004	\$ 16.00	25 percent	50 percent
	20.00	50 percent	100 percent

(c) *Certain Terminations after November 2, 2001.* In the event the executive terminates employment with the company after November 2, 2001 by reason of death, disability, involuntary termination by the company without cause or termination by the executive for good reason following a Change in Control, the executive shall be forgiven (i) an amount of original loan principal equal to the excess of the executive's cost basis in the shares of company stock purchased under the Loan Program over the fair market value of such shares on such employment termination date, to the extent such amount exceeds the amount of original loan principal forgiveness made under paragraphs 12(a) and 12(b) above on or before such date plus any amounts paid outside of the Loan Program as severance that are determined by the amount of loss on company stock purchased under the Loan Program and (ii) 100 percent of the executive's accrued loan interest under the Loan Program as of such employment termination date. For purposes of this paragraph 12(c), the following definitions shall apply:

(1) "cause" shall mean (i) knowing and significant misconduct including, without limitation, knowing violation of laws or regulations, that demonstratively injures or damages the company or (ii) knowing and continued failure to perform, after notice and opportunity to correct, the key duties of his or her position with the company.

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(2) "good reason" shall mean (I) a diminution in the executive's position, authority, duties or responsibilities, (ii) a reduction in the executive's base salary or annual incentive opportunity, (iii) a reduction in other employee benefits of the executive not generally applicable to all employees in a similar position or (iv) a requirement that the executive's employment be based at a location more than 25 miles from its current location.

(3) "Change in Control" shall have the same meaning as set forth in Section 2.5 of the Louisiana-Pacific Corporation Deferred Compensation Plan as in effect November 3, 2001.

(4) "fair market value" shall mean the mean between the high and low trading prices per share of company stock on the New York Stock Exchange on the applicable termination of employment date or, if the company stock was not traded on that date, on the next preceding day on which such stock is traded.

(d) *Stock Ownership.* Notwithstanding paragraphs (a), (b) and (c) above, no amount of loan principal or interest shall be forgiven on a forgiveness date if the executive no longer owns on such date, directly or beneficially, all of the shares of company stock originally purchased under the Loan Program.

14. ***Loan Forgiveness—Income Taxes.*** In the event of loan forgiveness under Paragraph 12 above, the executive shall be required to make arrangements satisfactory to the company for payment of all withholding and payroll taxes due in connection with such forgiveness. At the option of the executive, or at the option of the company if no other arrangement for tax payment by the executive is made, income and other taxes that become payable by the executive with respect to such loan forgiveness and which are required to be withheld and paid over by the company may be satisfied by the transfer by the executive to the company of shares of company stock purchased under the Loan Program equal in fair market value to the amount of the tax obligation.

15. ***Dividends.*** Dividends paid on company stock that is subject to a loan under the Loan Program shall be paid to the executive. Shares issued as a result of a stock dividend or split or recapitalization shall be issued in the name of the executive and held pursuant to the custody agreement referred to in Paragraph 15 below.

16. ***Loan Documents.*** As a condition of receiving the loan or any extension thereof, the executive shall execute a promissory note and such other agreements as may be required by the company including, subject to applicable law, a custody agreement with respect to the stock purchased under the Loan Program and agreement authorizing the company to deduct any loan amount due and payable from any amounts owed by the company to the executive as compensation or otherwise.

17. ***Securities Laws.*** Purchases and sales of company stock pursuant to the Loan Program shall comply in all respects to federal and state securities laws and L-P's policies on insider trading.

18. ***Effective Date.*** The Loan Program is effective November 24, 1999 as to executives who are covered executives under Paragraph 2 above during the period November 24, 1999 to January 23, 2000. The Loan Program is effective November 24, 2000 for all other executives who are covered executives under Paragraph 2 above during the period November 24, 2000 to January 23, 2001.

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QuickLinks

[LOUISIANA-PACIFIC CORPORATION EXECUTIVE LOAN PROGRAM As Amended and Restated November 3, 2001](#)

**LOUISIANA-PACIFIC CORPORATION
2000 EMPLOYEE STOCK PURCHASE PLAN**

Amended and Restated Effective October 1, 2001

1. Purpose of the Plan. This Plan shall be known as the "Louisiana-Pacific Corporation 2000 Employee Stock Purchase Plan." The purpose of the Plan is to permit employees of Louisiana-Pacific Corporation (the "Company") and of its Subsidiaries (as hereinafter defined) to obtain or increase a proprietary interest in the Company by permitting them to make installment purchases of shares of the Company's Common Stock (as hereinafter defined) through payroll deductions. The Plan is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986 (the "Code").

2. Definitions.

(a) **Common Stock.** The Company's \$1 par value common stock as presently constituted and shares of common stock which may be issued by the Company in exchange for or reclassification thereof.

(b) Offering Dates.

(i) **First Offering Date.** November 1, 2000.

(ii) **Second Offering Date.** November 1, 2002.

(iii) **Third Offering Date.** November 1, 2003.

(c) Offering Periods.

(i) **First Offering Period.** The period beginning on November 1, 2000, and ending on November 30, 2000.

(ii) **Second Offering Period.** The period beginning on November 1, 2002, and ending on November 30, 2002.

(iii) **Third Offering Period.** The period beginning on November 1, 2003, and ending on November 29, 2003.

(d) Purchase Dates.

(i) **First Purchase Date.** December 31, 2001, or any earlier date of purchase pursuant to subscriptions entered into during the First Offering Period.

(ii) **Second Purchase Date.** December 31, 2003, or any earlier date of purchase pursuant to subscriptions entered into during the Second Offering Period.

(iii) **Third Purchase Date.** December 31, 2004, or any earlier date of purchase pursuant to subscriptions entered into during the Third Offering Period.

(e) Purchase Periods.

(i) **First Purchase Period.** The period beginning on January 1, 2001, and ending on December 31, 2001.

(ii) **Second Purchase Period.** The period beginning on January 1, 2003, and ending on December 31, 2003.

(iii) **Third Purchase Period.** The period beginning on January 1, 2004, and ending on December 31, 2004.

(f) **Purchase Price.** The lesser of (i) the Maximum Purchase Price or (ii) the mean between the reported high and low sale prices of Common Stock on the New York Stock Exchange—Composite Transactions on the applicable Purchase Date or on the last day preceding such date on which such Exchange shall have been open. The Purchase Price per share shall be subject to adjustment in accordance with the provisions of Section 17 of this Plan.

(g) **Maximum Purchase Price.** 85 percent of the mean between the reported high and low sale prices of Common Stock on the New York Stock Exchange—Composite Transactions on the last day preceding the applicable Offering Date on which such Exchange shall have been open.

(h) **Eligible Employees.** Those persons who on the applicable Offering Date are employees of the Company or a Subsidiary except those who, immediately prior to the applicable Offering Date, would be deemed under Section 423(b)(3) of the Code to own stock possessing 5 percent or more of the total combined voting power or value of all classes of stock of the Company or any other corporation that constitutes a parent or subsidiary corporation of the Company within the meaning of that section.

(i) **Participant.** An Eligible Employee who subscribes for the purchase of shares of Common Stock under the Plan in accordance with the Plan.

(j) **Subsidiary.** A corporation of which, on the applicable Offering Date, the Company or a subsidiary of the Company owns at least 51 percent of the total combined voting power of all classes of stock and whose employees are authorized to participate in the Plan by the Board of Directors of the Company or

the Plan Administrator. Designations of participating corporations may be made from time to time from among a group consisting of the Company and its subsidiary corporations (including corporations that become subsidiaries of the Company after the adoption and approval of the Plan).

(k) **Plan Administrator.** The Vice President, Human Resources, of the Company, or such other person or persons that the Company may designate.

3. **The Offering.** The number of shares of Common Stock subject to the Plan shall be 1,500,000, subject to adjustment as provided in Section 17 below. During each Offering Period the Company may offer, at the applicable Purchase Price, for subscription by Eligible Employees in accordance with the terms of the Plan, such number of authorized and unissued or treasury shares of its Common Stock subject to the Plan as may be determined by the Plan Administrator.

4. Subscriptions.

(a) **Shares Subject to Subscription.** During each Offering Period, each Eligible Employee shall be entitled to subscribe for the number of whole shares of Common Stock offered during such Offering Period designated by him in accordance with the terms of the Plan; provided, however, that the minimum number of such shares that may be subscribed for shall be the number of whole shares that can be purchased, at the Maximum Purchase Price for such Offering Period, with \$600, and the maximum number of such shares that may be subscribed for shall be the number of whole shares that can be purchased, at the Maximum Purchase Price for such Offering Period, with \$21,240.

(b) **Further Limitation on Subscriptions.** Notwithstanding Section 4(a) above, the maximum number of shares that may be subscribed for by an Eligible Employee shall be further limited and reduced to the extent that the number of shares owned by such Eligible Employee immediately after any Offering Date for purposes of Section 423(b)(3) of the Code plus the maximum number of shares set forth in Section 4(a) above would exceed 5 percent of the total combined voting power or value of all classes of stock of the Company or a parent or subsidiary corporation of the Company within the meaning set forth in Section 423(b)(3) of the Code. Notwithstanding any other provision in the Plan, the minimum number of shares that may be purchased by a Participant shall not be less than 25 shares on any Purchase Date.

(c) **Subscription Agreements.** Subscriptions pursuant to the Plan shall be evidenced by the completion and execution of subscription agreements in the form provided by the Company and delivery of such agreements to the Company, at the place designated by the Company, prior to the expiration of each Offering Period. Except as provided in the Plan, no subscription agreement shall be subject to termination or reduction during the Offering Period to which it relates without written consent of the Company.

(d) **Over Subscription.** In the event that the aggregate number of shares subscribed pursuant to the Plan as of any Purchase Date shall exceed the number of shares offered for sale during the Offering Period related to such Purchase Date, then each subscription for such Offering Period pursuant to which a purchase is effected shall be reduced to the number of shares that such subscription would cover in the event of a proportionate reduction of all subscriptions for such Offering Period outstanding on such Purchase Date so that the aggregate number of shares subject to all such subscriptions would not exceed the number of shares offered for sale during such Offering Period. In making such reductions, fractions of shares shall be disregarded and each subscription shall be for a whole number of shares.

5. **Approval of Stockholders.** The Plan shall be submitted for approval by stockholders of the Company prior to February 4, 2001. Subscriptions shall be subject to the condition that, prior to such date, the Plan shall be approved by the stockholders of the Company in the manner contemplated by Section 423(b)(2) of the Code and Treasury Regulation Section 1.423-2(c). If not so approved prior to such date, the Plan shall terminate, all subscriptions hereunder shall be canceled and be of no further force and effect, and all Participants shall be entitled to the prompt refund in cash of all sums withheld from and paid by them pursuant to the Plan.

6. **Payment of Purchase Price.** Except as otherwise specifically provided in the Plan, the Purchase Price of all shares purchased hereunder shall be paid in equal installments (in the currency in which the Participant is paid) through payroll deduction from the Participant's compensation during the applicable Purchase Period, without the right of prepayment. Each installment shall be in an amount (in the currency in which the Participant is paid) calculated as of the Offering Date to be equal to the Maximum Purchase Price multiplied by the number of shares subscribed for divided by the number of annual pay periods for such Participant, with appropriate adjustment of future payroll deductions for a Participant whose payroll period changes. A Participant shall pay the amount of any difference between the Purchase Price and the amount so withheld in cash not later than the applicable Purchase Date; there shall be an appropriate reduction in the number of shares to be purchased by a Participant who fails to make such a required payment.

7. **Application of Funds; Participants' Accounts.** All amounts withheld from and paid by Participants hereunder shall be deposited in the Company's general corporate account to be used for any corporate purposes; provided, however, that the Company shall maintain a separate bookkeeping account for each Participant hereunder reflecting all amounts withheld from and paid by such Participant with respect to each Purchase Period under the Plan. No interest shall be credited to such separate accounts.

8. **Issuance of Shares.** Shares purchased under the Plan shall, for all purposes, be considered to have been issued, sold and purchased at the close of business on the applicable Purchase Date. Prior to each applicable Purchase Date, no Participant shall have any rights as a holder of any shares covered by a subscription agreement. Promptly after each Purchase Date, the Company shall issue and deliver to the Participant a stock certificate or certificates representing the whole number of shares purchased by him during the Purchase Period ending with such Purchase Date and refund to the Participant in cash any excess amount in his account relating to such Purchase Period. Alternatively, instead of paper stock certificates, the Company may distribute shares in book-entry form, where the Participant is provided with a statement that reflects the number of shares registered electronically in his name on

the Company's books. No adjustment shall be made for dividends or for other rights for which the record date is prior to the applicable Purchase Date, except as may otherwise be provided in Section 17; provided, however, that the number of shares to be issued and delivered to a Participant upon a Purchase Date shall be reduced by the number of shares and fractions thereof equal in value, determined as of said Purchase Date, to the amount of any required withholding by the Company of U.S. federal and state taxes from the Participant's income attributable to the purchase of said shares. Notwithstanding the foregoing, shares to be otherwise delivered as aforesaid following a Purchase Date may, at the option of the Company, be held in the possession of the Company for the benefit of a

Participant for up to one year following a Purchase Date for the purpose of satisfying U.S. federal and state income tax withholding and reporting obligations of the Company on the income of the Participant attributable to the sale of the purchased shares within said one-year period. In the event purchased shares are so held by the Company, such shares shall be, upon written instruction from the Participant, sold or transferred by gift in accordance with such instructions; provided, however, that in the case of an instruction by the Participant to sell all or a portion of said shares, the Company shall effect the sale for the Participant on the New York Stock Exchange at a discount brokerage rate with the proceeds, less any applicable tax withholding, promptly remitted to the Participant.

9. Right to Terminate Subscription. Each Participant shall have the right, at any time after the expiration of each Offering Period and prior to the applicable Purchase Date, to terminate his subscription relating to such Offering Period by written notice to the Company and receive a prompt refund in cash of the total amount in his account with respect to the applicable Purchase Period.

10. Right to Reduce Number of Shares. Each Participant shall have the right, at any time after the expiration of each Offering Period and prior to the applicable Purchase Date, to make, by written notice to the Company, a one-time-only reduction in the number of shares covered by his subscription agreement relating to such Offering Period (but not below the minimum number of shares provided in Section 4(b)). Upon such reduction of shares, an appropriate reduction shall be made in the Participant's future payroll deductions during the applicable Purchase Period and the excess amount in the Participant's account with respect to such Purchase Period resulting from such reduction shall be promptly refunded to the Participant in cash or, at the option of the Participant, shall be applied in equal amounts against all future installment payments of the Maximum Purchase Price of the reduced number of shares to be purchased during the applicable Purchase Period.

11. Termination of Employment. Subject to Section 4(b), upon termination of employment of a Participant for any reason other than retirement, disability or death, including by reason of the sale of the Subsidiary by which the Participant is employed such that the Company or a Subsidiary of the Company no longer owns at least 51 percent of the total combined voting power of all classes of stock of the Subsidiary, a Participant shall have, during the period of 30 days following his termination date, but prior to the applicable Purchase Date, the right with respect to each Purchase Period for which he has an account under the Plan to elect to receive either a refund in cash of the total amount of his account relating to such Purchase Period or the whole number of shares that can be purchased at the applicable Purchase Price with such amount together with any remaining cash in his account relating to such Purchase Period. Each election must be in writing and delivered to the Company within the aforementioned period. If the Participant elects to receive shares, the Purchase Date shall be the date the Participant's election is delivered to the Company. In the event the Participant does not make a timely election with respect to any Purchase Period for which he has an account under the Plan, he shall be deemed to have elected to receive a cash refund of the amount of his account relating to such Purchase Period.

12. Retirement; Disability. A Participant who retires or whose employment is terminated by reason of any injury or illness of such a serious nature as to disable the Participant from resuming employment with the Company shall have all of the rights described in Section 11 above and shall have the additional right to elect, in the manner described in Section 11, to prepay in cash in a lump sum

the entire unpaid balance of the Purchase Price of the shares covered by his subscription agreement relating to the applicable Purchase Period and to receive such shares. The Purchase Date for this purpose shall be the date on which both the Participant's election and the lump-sum cash payment shall have been delivered to the Company. For purposes of the Plan, a termination of employment at or after age 60 for any reason shall be considered retirement.

13. Death. In the event of the death of a Participant while in the employ of the Company or a Subsidiary and prior to full payment of the Maximum Purchase Price for the shares covered by his subscription with respect to each Purchase Period, or the death of a retired or disabled Participant prior to the exercise of his rights described in Section 12 above, his personal representative shall have, during the period of three months following termination of the Participant's employment, but prior to the applicable Purchase Date, the rights described in Section 12. In the event of the death of a Participant who previously terminated employment by reason other than retirement or disability prior to full payment of the Maximum Purchase Price for the shares covered by his subscription with respect to a Purchase Period and prior to the exercise of his rights described in Section 11, his personal representative shall have the rights described in Section 11, except that his personal representative shall have a period of three months following termination of the Participant's employment to make the applicable election.

14. Termination, Retirement or Death Prior to Stockholder Approval. Notwithstanding Sections 11, 12, and 13, if the Plan shall not have been approved by stockholders of the Company as described in Section 5 prior to the time for the exercise of any rights described in Sections 11, 12 or 13, the Participant or his personal representative shall only have, under said Sections, the right to receive a refund in cash of the total amount in his account with respect to each Purchase Period.

15. Temporary Layoff; Leaves of Absence. A Participant's installment payments with respect to each Purchase Period shall be suspended during any period of absence from work due to temporary layoff or leave of absence without pay. If such Participant returns to active employment within the applicable Purchase Period, installment payments shall resume and the Participant shall be entitled to elect either to make up the deficiency in his account with respect to such Purchase Period immediately with a lump-sum cash payment, or to have future installments with respect to such Purchase Period uniformly increased to make up the deficiency, or to have an appropriate reduction made in the number of shares covered by his subscription agreement with respect to such Purchase Period to eliminate the deficiency. The election (together with the lump-sum cash payment, if applicable) must be delivered to the Company within 10 days of the Participant's return to active employment but prior to the applicable Purchase Date. If the Participant fails to make a timely election, the appropriate reduction of shares shall be made in accordance with the above. If the Participant does not return to active employment within the applicable Purchase Period, he shall have the right to elect to receive either a refund in cash of the total amount of his account with respect to such Purchase Period or the whole number of shares which can be purchased at the applicable Purchase Price with such amount together with any remaining cash in his account with respect to the Purchase Period. The election must be in writing and delivered to the Company prior to, and shall be effective as of, the applicable Purchase Date. In the event the Participant does not make a timely election with respect to any Purchase Period, he shall be deemed to have elected to receive the cash refund with respect to that Purchase Period.

16. Insufficiency of Compensation. In the event that for any payroll period, for reasons other than termination of employment for any reason, temporary layoff or leave of absence without pay, a Participant's compensation (after all other proper deductions from his compensation) becomes insufficient to permit the full withholding of his installment payment, the Participant may pay the deficiency in cash when it becomes due. In the event that, in a subsequent payroll period, the Participant's compensation becomes sufficient to make the full installment payment and there still remains a deficiency in his account, the deficiency must then be eliminated through the election of one

of the alternatives described in Section 15. The Participant must deliver his election to the Company within 10 days of the end of such subsequent payroll period but prior to the applicable Purchase Date. In the event that on the applicable Purchase Date there remains a deficiency in such a Participant's account or, in the event a Participant described above fails to make a timely election, the appropriate reduction of shares shall be made in accordance with Section 15.

17. Effect of Certain Stock Transactions. If at any time prior to the Fourth Purchase Date the Company shall effect a subdivision of shares of Common Stock or other increase (by stock dividend or otherwise) of the number of shares of Common Stock outstanding, without the receipt of consideration by the Company or another corporation in which it is financially interested and otherwise than in discharge of the Company's obligation to make further payment for assets theretofore acquired by it or such other corporation or upon conversion of stock or other securities issued for consideration, or shall reduce the number of shares of Common Stock outstanding by a consolidation of shares, then (a) in the event of such an increase in the number of such shares outstanding, the number of shares then remaining subject to the Plan and the number of shares of Common Stock then subject to Participants' subscription agreements shall be proportionately increased and the Maximum Purchase Price and the Purchase Price per share for each Purchase Period affected by such event shall be proportionately reduced and (b) in the event of such a reduction in the number of such shares outstanding, the number of shares then remaining subject to the Plan and the number of shares of Common Stock then subject to subscription agreements shall be proportionately reduced and the Maximum Purchase Price and the Purchase Price per share for each Purchase Period affected by such event shall be proportionately increased. Except as provided in this Section 17, no adjustment shall be made under the Plan or any subscription agreement by reason of any dividend or other distribution declared or paid by the Company.

18. Merger, Consolidation, Liquidation or Dissolution. In the event of any merger or consolidation of which the Company is not to be the survivor (or in which the Company is the survivor but becomes a subsidiary of another corporation), or the liquidation or dissolution of the Company, each Participant shall have the right immediately prior to such event to elect to receive the number of whole shares that can be purchased at the Purchase Price applicable to each Purchase Period with respect to which such Participant has subscribed for purchase of Common Stock with the full amount that has been withheld from and paid by him pursuant to the subscription agreement relating to such Purchase Period, together with any remaining excess cash in his account relating to such Purchase Period. If such election is not made with respect to the amount in a Participant's account for any Purchase Period, the Participant's subscription agreement shall terminate and he shall receive a prompt refund in cash of the total amount in such account.

19. Limitation on Right to Purchase. Notwithstanding any provision of the Plan to the contrary, if at any time a Participant is entitled to purchase shares of Common Stock on a Purchase Date, taking into account such Participant's rights, if any, to purchase Common Stock under the Plan and all other stock purchase plans of the Company and of other corporations that constitute parent or subsidiary corporations of the Company within the meaning of Sections 424(e) and (f) of the Code, the result would be that, during the then current calendar year, such Participant would have first become entitled to purchase under the Plan and all such other plans a number of shares of Common Stock of the Company that would exceed the maximum number of shares permitted by the provisions of Section 423(b)(8) of the Code, then the number of shares that such Participant shall be entitled to purchase pursuant to the Plan on such Purchase Date shall be reduced by the number that is one more than the number of shares that represents the excess, and any excess amount in his account resulting from such reduction shall be promptly refunded to him in cash.

20. Interest. Any person who becomes entitled to receive any amount of cash refund from any account maintained for him pursuant to any provision of the Plan shall be entitled to receive in cash, at the same time, simple interest on the amount of such refund at the rate of 5 percent per annum. Any

refund shall be deemed to be made from the most recent payment or payments made by the Participant pursuant to the Plan.

21. Non-Assignability. None of the rights of an Eligible Employee under the Plan or any subscription agreement entered into pursuant hereto shall be transferable by such Eligible Employee otherwise than by will or the laws of descent and distribution, and during the lifetime of an Eligible Employee such rights shall be exercisable only by him.

22. Shares Not Purchased. Shares of Common Stock subject to the Plan that are not subscribed for during the First Offering Period and shares subscribed for pursuant to the First Offering Period that thereafter cease to be subject to any subscription agreement hereunder shall remain subject to and reserved for use in connection with later Offering Periods. Shares of Common Stock subject to the Plan that are not subscribed for during the Second Offering Period and shares subscribed for during the Second Offering Period that thereafter cease to be subject to any subscription agreement hereunder shall remain subject to and reserved for use in connection with later Offering Periods. Shares of Common Stock subject to the Plan that are not subscribed for during the Third Offering Period and shares subscribed for during the Third Offering Period that thereafter cease to be subject to any subscription agreement hereunder shall remain subject to and reserved for use in connection with the Fourth Offering Period.

23. Construction; Administration. All questions with respect to the construction and application of the Plan and subscription agreements thereunder and the administration of the Plan shall be settled by the determination of the Plan Administrator or of one or more other persons designated by it, which determinations shall be final, binding and conclusive on the Company and all employees and other persons. All Eligible Employees shall have the same rights and privileges under the Plan. The Purchase Price, the Maximum Purchase Price, and the amount in each Participant's account shall be denominated in United States dollars and amounts received from or paid to any Participant in any other currency shall be converted into United States dollars at the exchange rate in effect on the date of receipt or payment.

24. Termination or Amendment. The Plan may be terminated or amended in any way by the Board of Directors at any time prior to approval of the Plan by the stockholders of the Company pursuant to Section 5. Subsequent to such approval of the Plan by the stockholders of the Company, the Plan may be terminated or amended by the Plan Administrator, provided that no such termination or amendment shall (a) adversely affect the rights of employees under subscription agreements theretofore entered into pursuant to the Plan, (b) increase the maximum number of shares of Common Stock offered under the Plan or decrease the price per share, except pursuant to Section 17, or (c) violate applicable federal or state law.

QuickLinks

[LOUISIANA-PACIFIC CORPORATION 2000 EMPLOYEE STOCK PURCHASE PLAN Amended and Restated Effective October 1, 2001](#)

**LOUISIANA-PACIFIC CORPORATION
AND SUBSIDIARIES**

	Domicile
Louisiana-Pacific Corporation	Delaware
<i>Domestic Subsidiaries</i>	
CP Investment Corp.	Oregon
GreenStone Industries, Inc.	Delaware
Ketchikan Pulp Company	Washington
Louisiana-Pacific International, Inc.	Oregon
Louisiana-Pacific Timber Company	Oregon
L-PSPV, Inc.	Delaware
LP Receivables Corporation	Delaware
LPS Corporation	Oregon
L-P Redwood, LLC	Delaware
L-P SPV2, LLC	Delaware
New Waverly Transportation, Inc.	Texas
<i>Foreign Subsidiaries</i>	
Louisiana-Pacific Canada Pulp Co.	Nova Scotia, Canada
3047525 Nova Scotia Company	Nova Scotia, Canada
3047526 Nova Scotia Company	Nova Scotia, Canada
Louisiana-Pacific Limited Partnership	New Brunswick, Canada
Louisiana-Pacific Canada Ltd.	British Columbia, Canada
Louisiana-Pacific B.C. Forest Products Limited	British Columbia, Canada
LP Engineered Wood Products Ltd.	British Columbia, Canada
Louisiana Pacific de Mexico, S.A. de C.V.	Mexico
Louisiana-Pacific Coillte Ireland Limited	Ireland
Louisiana-Pacific South America S.A.	Chile
Louisiana-Pacific Chile S.A.	Chile
<i>Less Than 51% Owned</i>	
Samoa Pacific Cellulose, LLC	
Slocan-LP OSB Corp.	
US GreenFiber, LLC	

QuickLinks

[LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES](#)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 2-97014, 333-42276, 33-62944, 333-10987, 333-53695, 333-53715, 333-87771, 333-87775, 333-87803, 333-48998, 333-49106, and 333-91693 on Forms S-8 and 333-73157 on Form S-3 of Louisiana-Pacific Corporation of our report dated January 30, 2002, appearing in this Annual Report on Form 10-K of Louisiana-Pacific Corporation for the year ended December 31, 2001.

DELOITTE & TOUCHE LLP

Portland, Oregon
March 13, 2002