

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarterly Period Ended June 30, 2002

Commission File Number 1-7107

LOUISIANA-PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

93-0609074

(IRS Employer Identification No.)

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

(Address of principal executive offices) (Zip Code)

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock: 104,582,989 shares of Common Stock, \$1 par value, outstanding as of August 12, 2002.

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, completion of anticipated asset sales 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 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—FINANCIAL INFORMATION

Item 1. Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(AMOUNTS IN MILLIONS EXCEPT PER SHARE) (UNAUDITED)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net Sales	\$ 448.9	\$ 458.5	\$ 857.5	\$ 851.1
OPERATING COSTS AND EXPENSES				
Cost of sales	351.9	362.3	669.4	731.3
Depreciation and amortization	30.6	36.2	63.5	75.0
Cost of timber harvested	2.4	3.2	6.6	7.1
Selling and administrative	38.4	45.4	73.7	85.7
Loss related to assets and liabilities transferred under contractual arrangement	—	7.9	—	12.4
Other operating credits and charges, net	(3.2)	2.0	(0.6)	14.2
Total operating costs and expenses	420.1	457.0	812.6	925.7
Income (loss) from operations	28.8	1.5	44.9	(74.6)
NON-OPERATING INCOME (EXPENSE)				
Foreign currency exchange gain (loss)	(0.8)	(3.8)	(1.1)	(1.7)
Interest expense	(24.4)	(21.3)	(48.2)	(44.6)
Interest income	7.8	7.7	15.7	15.9
Total non-operating income (expense)	(17.4)	(17.4)	(33.6)	(30.4)
Income (loss) before taxes, minority interest, and equity in earnings of unconsolidated affiliate	11.4	(15.9)	11.3	(105.0)
Provision (benefit) for income taxes	4.4	(4.0)	4.9	(17.0)
Equity in (income) loss of unconsolidated affiliate	(0.5)	0.4	(1.4)	0.4
Minority interest in net income (loss) of consolidated subsidiary	(0.2)	(1.3)	(0.7)	(2.6)
Income (loss) from continuing operations before cumulative effect of change in accounting principle	7.7	(11.0)	8.5	(85.8)
DISCONTINUED OPERATIONS				
Income (loss) from discontinued operations	(33.7)	2.3	(40.2)	(21.7)
Provision (benefit) for income taxes	(12.8)	1.0	(15.3)	(8.4)

Income (loss) from discontinued operations	(20.9)	1.3	(24.9)	(13.3)
Income (loss) before cumulative effect of change in accounting principle	(13.2)	(9.7)	(16.4)	(99.1)
Cumulative effect of change in accounting principle	—	—	(6.3)	—
Net income (loss)	\$ (13.2)	\$ (9.7)	\$ (22.7)	\$ (99.1)
Net income (loss) per share of common stock:				
Income (loss) from continuing operations	\$ 0.07	\$ (0.10)	\$ 0.08	\$ (0.82)
Income (loss) from discontinued operations	(0.20)	0.01	(0.24)	(0.13)
Cumulative effect of change in accounting principle	—	—	(0.06)	—
Net Income (Loss) Per Share—Basic and Diluted	\$ (0.13)	\$ (0.09)	\$ (0.22)	\$ (0.95)
Average shares of common stock outstanding—Basic and Diluted	104.6	104.4	104.6	104.4

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

	June 30, 2002	Dec. 31, 2001
ASSETS		
Cash and cash equivalents	\$ 97.7	\$ 61.6
Receivables, net	153.5	115.5
Inventories	172.2	175.2
Prepaid expenses	20.4	21.1
Income tax refunds receivable	4.9	37.5
Deferred income taxes	41.4	41.4
Current assets of discontinued operations	28.6	38.0
Total current assets	518.7	490.3
Timber and timberlands	525.3	535.6
Property, plant and equipment	1,910.6	1,961.2
Accumulated depreciation	(1,000.5)	(978.0)
Net property, plant and equipment	910.1	983.2
Goodwill	292.0	298.3
Notes receivable from asset sales	403.8	403.8
Assets transferred under contractual arrangement	29.1	29.1
Other assets	91.1	96.0
Long-term assets of discontinued operations	141.0	177.7
Total assets	\$ 2,911.1	\$ 3,014.0
LIABILITIES AND EQUITY		
Current portion of long-term debt	\$ 34.3	\$ 37.7
Accounts payable and accrued liabilities	236.2	249.0
Current portion of contingency reserves	32.5	20.0
Total current liabilities	303.0	306.7
Long-term debt, excluding current portion:		
Limited recourse notes payable	396.5	396.5
Other long-term debt	724.9	755.5
Total long-term debt, excluding current portion	1,121.4	1,152.0
Contingency reserves, excluding current portion	99.2	135.1
Liabilities transferred under contractual arrangement	12.2	14.0
Deferred income taxes and other	315.4	325.3
Commitments and contingencies		
Stockholders' equity:		
Common stock	117.0	117.0
Additional paid-in capital	443.0	440.8
Retained earnings	784.9	807.6
Treasury stock	(230.2)	(230.6)
Accumulated comprehensive loss	(54.8)	(53.9)

Total stockholders' equity	1,059.9	1,080.9
Total liabilities and equity	\$ 2,911.1	\$ 3,014.0

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(DOLLAR AMOUNTS IN MILLIONS) (UNAUDITED)

	Six Months Ended June 30,	
	2002	2001
Cash flows from operating activities:		
Net income (loss)	\$ (22.7)	\$ (99.1)
Depreciation, amortization and cost of timber harvested	83.9	95.8
Other operating credits and charges, net	30.8	14.2
Cumulative effect of change in accounting principle	6.3	—
Cash settlements of contingencies	(22.6)	(21.5)
Loss on assets and liabilities transferred under contractual arrangement	—	12.4
Other adjustments	(8.9)	(3.4)
Decrease (increase) in certain working capital components and deferred taxes	(3.2)	75.9
Net cash provided by operating activities	63.6	74.3
Cash flows from investing activities:		
Capital spending	(15.6)	(33.7)
Proceeds from assets sales and transfers	19.4	40.7
Cash loaned under credit facility related to assets and liabilities transferred under contractual arrangement	(1.8)	(10.8)
Other investing activities, net	7.7	(0.6)
Net cash provided by (used in) investing activities	9.7	(4.4)
Cash flows from financing activities:		
Net decrease in revolving borrowings	(31.5)	(31.9)
Repayment of long-term debt	(0.5)	(1.1)
Cash dividends	—	(20.1)
Other financing activities	(5.2)	0.8
Net cash used by financing activities	(37.2)	(52.3)
Net increase in cash and cash equivalents	36.1	17.6
Cash and cash equivalents at beginning of period	61.6	38.1
Cash and cash equivalents at end of period	\$ 97.7	\$ 55.7

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Notes to Condensed Unaudited Consolidated Financial Statements

1. These condensed unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in Louisiana-Pacific Corporation's (LP) Annual Report on Form 10-K for the year ended December 31, 2001.

These condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of the management of LP, necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of LP and its subsidiaries.

2. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

3. On May 8, 2002, LP announced that its board of directors had approved a plan to sell selected businesses and assets, including its plywood, commodity industrial panels, timber and timberlands, lumber, wholesale and distribution businesses. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," LP is required to account for the businesses anticipated to be sold within one year as discontinued operations. Accordingly, LP is classifying its plywood, lumber, commodity industrial panels and wholesale and distribution businesses and timber

assets directly associated with these businesses as discontinued operations. Although LP plans to divest its fee timber assets not directly associated with these businesses, these assets are not reported as discontinued operations because LP does not anticipate that the full divestiture will occur within the next twelve months. Additionally, as a result of the planned divestitures, LP was required to modify its segment reporting under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

On August 6, 2002, LP announced a definitive agreement with Georgia-Pacific Corporation to transfer ownership of its Texas and Louisiana plywood mills in exchange for Georgia-Pacific's oriented strand board mill in Woodland, Maine. LP expects the transaction to close in mid-to-late September 2002, pending the completion of due diligence.

Revenues of the discontinued operations were \$196.3 million for the quarter ended June 30, 2002 and \$180.7 million for the quarter ended June 30, 2001. For the six-month period ended June 30, 2002 and June 30, 2001, revenues of the discontinued operations were \$360.6 million and \$339.8 million. Excluding other operating charges and credits associated with discontinued operations, LP's loss from discontinued operations would have been \$3.0 million for the quarter ended June 30, 2002 and income of \$1.3 million for the quarter ended June 30, 2001. For the six month period ended June 30, 2002, loss from discontinued operations excluding other operating charges and credits would have been \$8.2 million and \$13.3 million for the six months ended June 30, 2001. For the quarter ended June 30, 2002, the other operating charges and credits included in discontinued operations include a charge of \$19.6 million for the write down of these assets held for sales to their fair value less cost to sell.

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The assets of the discontinued operations included in the accompanying condensed consolidated balance sheets as of June 30, 2002 and December 31, 2001 are as follows:

	June 30, 2002	December 31, 2001
Inventories	\$ 28.6	\$ 38.0
Timber and timberlands	23.3	27.6
Property, plant and equipment	366.1	394.1
Accumulated depreciation	(248.4)	(244.0)
Net property, plant and equipment	117.7	150.1
Total assets of discontinued operations	\$ 169.6	\$ 215.7

4. 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 periods in which losses are reported because the effect is anti-dilutive.

5. The preparation of interim financial statements requires the estimation of LP's effective income tax rates based on estimated annual amounts of taxable income and expenses. These estimates are updated quarterly. Accounting standards require that the estimated effective income tax rates for the year be applied to year-to-date income or loss at the end of each quarter. Any resulting adjustment related to prior periods must be applied against the current quarter. For the six-month period ended June 30, 2002, LP's effective tax (benefit) provision rate on continuing operations was 43.3% as compared to 16.2% in the first six months of 2001.

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

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

	June 30, 2002	December 31, 2001
	(Dollars in millions)	
Logs	\$ 22.0	\$ 32.4
Other raw material	30.9	30.8
Finished products	110.1	98.8
Supplies	12.5	16.5
LIFO reserve	(3.3)	(3.3)
Total	\$ 172.2	\$ 175.2

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8. Components of comprehensive loss for the periods include:

Quarter Ended June 30,	Six Months Ended June 30,
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	2002	2001	2002	2001
	(Dollars in millions)			
Net loss	\$ (13.2)	\$ (9.7)	\$ (22.7)	\$ (99.1)
Currency translation adjustment	(0.1)	0.5	(0.8)	0.9
Other	—	—	(0.1)	—
Total comprehensive loss	\$ (13.3)	\$ (9.2)	\$ (23.6)	\$ (98.2)

9. Set forth in Item 2 "Management's Discussion and Analysis and Results of Operations" under the captions "Selected Segment Data" and "Other Operating Credit and Charges" of this report are incorporated herein by reference.

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

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

12. In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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 No. 142 was effective for LP beginning January 1, 2002. As of January 1, 2002, LP discontinued amortization of goodwill. During the quarter ended June 30, 2002, LP has determined that \$6.3 million of goodwill recorded in the Engineered Wood Products segment was impaired as of January 1, 2002 based upon the net present value of estimated future cash flows. LP completed testing on all reporting units that contained goodwill with no additional charges required. The resulting charge is recorded as a "cumulative effect of change in accounting principle" as of January 1, 2002.

Amortization recorded in the second quarter of 2001 was \$6.8 million or \$0.06 per diluted share on both before-tax and after-tax basis. For the six months ended June 30, 2001, goodwill amortization was \$13.6 million or \$0.13 per diluted share. Excluding amortization, LP would have had a loss of \$2.9 million (or \$0.03 per diluted share) for the second quarter of 2001 and a net loss of \$85.5 million (or \$0.82 per diluted share) for the six-month period ended June 30, 2001.

Goodwill by operating segments is as follows:

	June 30, 2002	December 31, 2001
OSB	\$ 232.5	\$ 232.5
Composite Wood Products	28.5	28.5
Plastic Building Products	14.7	14.7
Engineered Wood Products	—	6.3
Other	16.3	16.3
	\$ 292.0	\$ 298.3

13. 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. SFAS No. 143 will be effective for LP beginning January 1, 2003. Management is currently evaluating the impact of this statement.

14. In August of 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supersedes SFAS No. 121 and addresses financial accounting and reporting associated with long-lived assets. SFAS No. 144 was effective for LP beginning January 1, 2002. The impact of this statement required LP to record discontinued operations based upon the anticipated sale of individual sites as compared to operating segments under APB 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions".

15. In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". This statement will generally require gains and losses on extinguishment of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under SFAS No. 4. Extraordinary treatment will be required for certain extinguishments as provided in APB Opinion No. 30. Although SFAS No. 145 will be effective for all financial statements issued after May 15, 2002, early adoption is encouraged. Management is currently evaluating the impact of this statement.

16. In June of 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement addresses the financial accounting and reporting issues associated with exit and disposal activities. Although SFAS No. 146 will be effective for exit or disposal activities initiated after December 31, 2002, early adoption is encouraged. Management is currently evaluating the impact of this statement.

17. During the second quarter of 2002, LP recorded a \$6.4 million curtailment expense on a defined benefit pension plan related to the expected divestitures of the lumber, plywood, industrial panels and other businesses. The amount was estimated by the plan's actuaries and is recorded in the discontinued operations section of LP's consolidated statements of income. It is also possible that LP will be required to record a pension settlement expense for the same pension plan. LP will be required to record additional expense under the settlement provisions of SFAS No. 88 "Employers Accounting for Settlements and Curtailments of

Defined Benefit Pension Plans and For Termination Benefits", only if lump sum payouts to participants exceed the service and interest costs of the plan. LP cannot currently predict the timing and amounts of such lump sum payouts and therefore has not recorded additional settlement expense. The plan's actuaries have estimated that the expense related to a settlement could be as much as \$9.4 million, although the actual expense will depend on the timing and amounts of lump sum payouts.

18. LP has a continuing financial interest in Samoa Pacific Cellulose LLC (SPC) (see discussion at Note 10 of the Notes to the financial statements included in Item 8 in our annual report on Form 10-K for the year ended December 31, 2001) in the form of various classes of preferred equity interests and secured and unsecured receivables and retained inventory. 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 balances secured by underlying collateral. While we currently believe that the receivable from SPC is recoverable, management continues to closely monitor SPC's operating results and financial condition and it is possible that LP may be required to record further impairment charges related to SPC in the future. At June 30, 2002, the \$16.9 million balance of the receivable exceeds the book value of the underlying collateral. The collectibility of the receivable is dependent on a recovery in the market for commodity pulp products from the low levels experienced in the first half of 2002. Although LP believes that

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recovery in pulp pricing will occur, there can be no assurance that the timing or extent of a recovery would be sufficient to assure collection of these amounts. In addition, there are several contingent liabilities (primarily environmental in nature) associated with these operations that, under certain circumstances, could become LP's liabilities. LP has not recorded an accrual for these liabilities, as LP does not believe it is probable that these liabilities will be incurred. However it is possible that LP may be required to record such an accrual in the future.

LP continues to review several mills for potential impairments. Management currently believe LP has adequate support for the carrying value of each of these mills based upon the anticipated cash flows that result from our estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. However, should the markets for LP's products deteriorate from June 30, 2002 levels or should LP decide to invest capital in alternative projects, it is possible that LP will be required to record further impairment charges.

LP also reviews from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, our strategic plan and other relevant circumstances. Because a determination to dispose of particular assets can require management to estimate the net sales proceeds expected to be realized upon such disposition, which may be less than the estimated undiscounted future net cash flows associated with such assets prior to such determination, LP may be required to record impairment charges in connection with decisions to dispose of assets.

19. LP has a joint venture in Chile that built and now operates an oriented strand board (OSB) plant located in the Municipality of Panguipulli, Chile. Under the terms of the joint venture agreement, LP has the option to purchase its partners interest in the venture. This purchase price is \$3.5 million. LP intends to exercise this option during the third quarter of 2002.

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Item 2. Management's Discussion and Analysis

CRITICAL ACCOUNTING POLICIES

Note 1 of the Notes to the financial statements in Item 8 in our annual report on Form 10-K for the year ended December 31, 2001 sets forth a discussion of our significant accounting policies. While all of these policies 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 had another policy been chosen:

Inventory valuation. We use the 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. Our inventories would have been approximately \$34.8 million higher if the LIFO inventories were valued at average cost. Inventory is included in both continuing and discontinued operations. In continuing operations, the LIFO inventory reserve is \$3.3 million and in discontinued operations, the LIFO reserve is \$31.5 million.

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 the present value of the difference between the cost of the timber under licenses and the timber purchased on the open market.

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

Stock options. We have chosen to report our 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, we apply 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. Had compensation expense for our stock-based compensation plans been determined based upon the fair value at the grant dates under those plans consistent with SFAS No. 123, our net income would have been lower or net loss would have been greater.

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 2002, 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

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other things, discernible trends in the rate of claims asserted and related damage estimates, information obtained through consultation with statisticians and economists, 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 (at least annually) 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, on assets held and used, losses are recognized when the book values exceed our estimate of the undiscounted future net cash flows associated with the affected assets. Goodwill is written down when the estimated fair value of the reporting unit is less than the book value of this reporting unit. 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. Our assumptions regarding pricing are based upon the average pricing over the commodity cycle (generally five years) due to the inherent volatility of commodity product pricing. These prices are estimated from information gathered from industry research firms, research reports published by investment analysts and other published forecasts. Our estimates of expenses are based upon our long-range internal planning models and 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 which is generally based upon discounted future cash flows. Assets to be disposed of are written down to their estimated fair value, less estimated sales costs. Consequently, a determination to dispose of particular assets can require us to estimate the net sales proceeds expected to be realized upon such disposition, which can be less than the estimated undiscounted future net cash flows associated with such assets prior to such determination, and thus require a write down of such assets. In situations where we have experience in selling assets of a similar nature, we may estimate net sales

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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

Our net loss for the second quarter of 2002 was \$13.2 million, or \$0.13 per diluted share, on sales of \$448.9 million, compared to our second quarter of 2001 net loss of \$9.7 million, or \$0.09 per diluted share, on sales of \$458.5 million (excluding the amortization of goodwill, our second quarter 2001 net loss was \$2.9 million, or \$0.03 per diluted share). For the first six months of 2002, our net loss was \$22.7 million, or \$0.22 per diluted share, on sales of \$857.5 million compared to a net loss of \$99.1 million, or \$0.95 per diluted share, on sales of \$851.1 million for the first six months of 2001 (excluding the amortization of goodwill, the net loss for the first six months of 2001 was \$85.5 million, or \$0.82 per diluted share).

During the second quarter of 2002, we completed the implementation of SFAS No. 142, "Goodwill And Other Intangible Assets." As part of this implementation, we recognized an impairment charge of \$6.3 million related to goodwill. This charge was recorded as a "cumulative effect of change in

accounting principle" as of January 1, 2002.

For the second quarter of 2002, income from continuing operations was \$7.7 million, or \$0.07 per share. In the second quarter of 2001, our loss from continuing operations was \$11 million, or \$0.10 per diluted share. For the first six months of 2002, our income from continuing operations was \$8.5 million, or \$0.08 per share. For the first six months of 2001, our loss from continuing operations was \$85.8 million or \$0.82 per share.

On May 8, 2002, LP announced that its board of directors had approved a plan to sell selected businesses and assets, including its plywood, commodity industrial panels, timber and timberlands, lumber, wholesale and distribution businesses. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," LP is required to account for the businesses anticipated to be sold within one year as discontinued operations. Accordingly, LP is classifying its plywood, lumber, commodity industrial panels and wholesale and distribution businesses and timber assets directly associated with these businesses as discontinued operations. Although LP plans to divest its fee timber assets not directly associated with these businesses, these assets are not reported as discontinued operations because LP does not anticipate that the full divestiture will occur within the next twelve months. Additionally, as a result of the planned divestitures, LP was required to modify its segment reporting under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

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We operate in five segments: Oriented Strand Board—North America (OSB), Composite Wood Products, Plastic Building Products, Engineered Wood Products (EWP) and Pulp. OSB is the most significant segment, accounting for more than 40% of sales during the first six months of both 2002 and 2001. Our results of operations are discussed below for each of these segments separately as well as for the "other" category which comprises other products that are not individually significant. Production volumes and industry product price trends are presented below in the tables captioned "Summary of Production Volumes" and "Industry Product Price Trends."

Many of our products are sold as commodities for which sales prices fluctuate 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 increase in the price of raw materials on to customers through product price increases.

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

Selected Segment Data

(dollars in millions)	Quarter Ended June 30,			Six Months Ended June 30,		
	2002	2001	% change	2002	2001	% change
Net sales:						
OSB—North America	\$ 190.2	\$ 202.1	(6)	\$ 369.6	\$ 366.0	1
Composite Wood Products	111.3	92.7	20	210.6	168.7	25
Plastic Building Products	44.0	37.9	16	74.1	64.6	15
Engineered Wood Products	63.8	66.0	(3)	118.5	119.4	(1)
Pulp	0.6	9.9	(94)	0.7	42.8	(98)
Other	39.0	49.9	(22)	84.0	89.6	(6)
	<u>\$ 448.9</u>	<u>\$ 458.5</u>	<u>(2)</u>	<u>\$ 857.5</u>	<u>\$ 851.1</u>	<u>1</u>
Operating profit (loss):						
OSB—North America	\$ 27.4	\$ 28.9	(5)	\$ 49.1	\$ 13.1	275
Composite Wood Products	19.0	13.5	41	30.8	13.6	126
Plastic Building Products	1.4	(0.5)	380	2.1	(3.3)	164
Engineered Wood Products	2.7	1.9	42	4.9	3.3	48
Pulp	(2.2)	(6.3)	65	(3.6)	(19.1)	81
Other	(1.3)	(5.3)	75	3.0	(8.4)	136
Other operating credits and charges, net	3.2	(2.0)	260	0.6	(14.2)	N.M.
Loss from assets and liabilities transferred under contractual arrangement	—	(7.9)	—	—	(12.4)	—
General corporate and other expenses, net	(22.2)	(24.6)	10	(43.1)	(49.0)	12
Interest income (expense), net	(16.6)	(13.6)	(22)	(32.5)	(28.6)	(14)
	<u>\$ 11.4</u>	<u>\$ (15.9)</u>	<u>172</u>	<u>\$ 11.3</u>	<u>\$ (105.0)</u>	<u>111</u>

Note: Transactions between segments, which are immaterial, are made on a basis intended to reflect the market value of the products.

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Depreciation, Amortization and Cost of Timber Harvested (continuing operations)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
OSB	\$ 17.9	\$ 22.7	\$ 38.7	\$ 47.6
Composite Wood Products	5.2	6.0	10.1	11.8
Plastic Building Products	1.6	1.3	2.9	2.5
Engineered Wood Products	3.8	3.8	7.6	7.2
Pulp	—	0.6	—	2.3
Other	2.0	2.7	5.5	6.0
Unallocated	2.5	2.3	5.3	4.7
	\$ 33.0	\$ 39.4	\$ 70.1	\$ 82.1

Identifiable Assets

	June 30, 2002	December 31, 2001
OSB	\$ 897.3	\$ 927.9
Composite Wood Products	289.5	283.9
Plastic Building Products	133.8	120.1
Engineered Wood Products	176.3	175.7
Pulp	13.5	16.2
Other	553.4	573.6
Discontinued operations	169.6	215.7
Unallocated	677.7	700.9
	\$ 2,911.1	\$ 3,014.0

Included in unallocated assets are, among other things, notes receivable from asset sales of \$403.8 million.

OSB

Our OSB segment manufactures and distributes OSB. Percent changes in average sales prices and unit shipments for the quarter and six month period ended June 30, 2002 compared to the prior year were as follows:

	Quarter		Six Months	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB	-9%	3%	3%	-2%

OSB prices declined in the second quarter of 2002 due to the continuing excess of supply over demand. For the six-month period, sales prices increased due to unusually strong pricing in the first three months of 2002.

Included in the results for the OSB segment for the quarter ended June 30, 2001 and for the six-month period ended June 30, 2001 were \$4.6 million and \$9.2 million of amortization of goodwill. As discussed in footnote 12, effective January 1, 2002, we stopped amortizing this goodwill in accordance with SFAS No. 142. Compared to the second quarter of 2001, the primary factors for decreased results of operations were lower sales prices which were partially offset by a 6% reduction in wood costs and the elimination of amortization of goodwill. Compared to the six months ended

June 30, 2001, the primary factors for improved results of operations were an increase in sales prices, a 3% decline in wood cost and the elimination of goodwill amortization.

Composite Wood Products

Our composite wood products segment produces and markets wood siding and related accessories, interior hardboard products and specialty OSB. Percent changes in average sales prices and unit shipments for the quarter and six month period ended June 30, 2002 compared to the prior year were as follows:

	Quarter		Six Months	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB-based exterior products	-2%	9%	0%	21%
Hardboard siding	0%	1%	0%	12%
Commodity OSB	-6%	-8%	5%	-23%

For the second quarter and first six months of 2002, as compared to the comparable periods in 2001, the increase in volume of 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 in March 2001. Additionally, we have

seen significant increases in our penetration of the manufactured homes sector.

During both the first half of 2002 and the first half of 2001, one of our specialty OSB facilities also produced commodity OSB. This commodity OSB volume declined in 2002 primarily due to increasing utilization of this facility to produce OSB-based specialty products. See the discussion in OSB above for a discussion of changes in commodity OSB pricing.

Overall, the results of operations in this segment for both the quarter and the six-month period ended June 30, 2002 compared to the same periods in the prior year improved due to increased volumes in both OSB-based and hardboard siding. Significant cost savings were realized in raw materials and, additionally, cost efficiencies were realized due to increased production volumes.

Plastic Building Products

Our plastic building products segment produces and markets vinyl siding and related accessories, plastic mouldings and composite decking. Percent changes in average sales prices and unit shipments for the quarter and six month period ended June 30, 2002 compared to the prior year were as follows:

	Quarter		Six Months	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
Vinyl siding	0%	4%	-2%	12%
Mouldings	4%	19%	2%	10%
Composite decking	17%	171%	8%	72%

In our vinyl siding operations, several new products that we launched during the latter half of 2001 produced sales growth. Sales prices remained flat for the quarter ended June 30, 2002 as compared to the prior year. For the six-month period ended June 30, 2002 as compared to the same prior year period, sales prices showed a slight decrease due to changes in product mix sold while individual product prices remained flat.

In our mouldings business, we saw significant growth in unit shipments for both the quarter and the six-month period ended June 30, 2002 due to increased penetration in home centers and well as an

increased market share. We saw increases in average selling prices for those periods due to a higher percentage of high-grade products.

We continue to develop our composite decking business. During the quarter and six-month period, we did see a significant increase in sales volumes and pricing due to the introduction of several new product lines. During the quarter ended June 30, 2002, we recorded a charge of approximate \$3 million primarily related to inventory obsolescence of prior generation products.

The results of operations of this segment improved due to cost efficiencies resulting from the increased sales and production volumes. These improvements offset the continued losses in our composite decking business.

Engineered Wood Products

Our engineered wood products segment produces and markets laminated veneer lumber (LVL) and I-Joists. Percent changes in average sales prices and unit shipments for the quarter and six month period ended June 30, 2002 compared to the prior year were as follows:

	Quarter		Six Months	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
Laminated veneer lumber	-5%	0%	-5%	0%
I-Joist	0%	10%	-2%	14%

For both the second quarter of 2002 and the six months ended June 30, 2002, as compared to the same periods in 2001, LVL experienced a reduction in sales prices on flat volumes due to increased industry capacity. For I-Joists, for both the quarter and the six months ended June 30, 2002, sales volumes increased due to the addition of several new distributors while sales prices remained relatively flat.

The results of operations of this segment improved primarily due to a reduction in raw material costs, higher volume of I-Joist sales and increased manufacturing efficiencies.

Pulp

Our pulp segment loss for the quarter and six months ended June 30, 2002 declined significantly from the second quarter and six months ended June 30, 2001. In February 2001, we transferred a controlling interest in our pulp facility in Samoa, California (see discussion in Potential Impairments below). Also during 2001, we indefinitely closed our remaining pulp mill in Chetwynd, British Columbia. For the quarter and six months ended June 30, 2002, the loss in this segment includes our on-going maintenance costs for security, property tax and similar expenditures at the closed mill as well as transportation costs to move logs currently located at this mill to other facilities.

Other Products

The Other Products category includes closed mills closed prior to January 1, 2002, wood chips, our OSB operations in Ireland (sold in April 2002), timber and timberlands not associated with other segments or businesses to be divested and other products. Sales for the second quarter of 2002 compared to the second quarter of 2001 were significantly lower, while operating results improved. Under SFAS No. 144, mills that were closed prior to January 1, 2002 that are included

in the businesses that we are divesting are included in the Other Products category. Included in this category are the sales and profits and losses of such mills. The improvement in operating results was primarily attributable to the divestiture or closure of mills that were operating with losses and the sale of the Ireland operation which was unprofitable for both the quarter and the six month period ended June 30,

2001. Included in the assets of other products are \$404.7 million of timber and timberlands as of June 30, 2002 and \$408.5 million as of December 31, 2001.

Other Operating Credits and Charges, Net

Other operating credits and charges recorded in the quarter and six months ended June 30 are set forth in the following table.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Additions to contingency reserves	\$ —	\$ —	\$ —	\$ (2.0)
Long-lived asset impairment charges	(1.3)	—	(5.8)	(10.2)
Gain on sale of business	2.3	—	2.3	—
Write off of equity investment	—	(2.0)	—	(2.0)
Insurance recoveries	—	—	1.9	—
Gain on sales of assets	3.7	—	3.7	—
Severance costs	(1.5)	—	(1.5)	—
Total other operating credits and charges, net	\$ 3.2	\$ (2.0)	\$ 0.6	\$ (14.2)

In the second quarter of 2002, we recorded a loss of \$1.3 million (\$0.8 million after taxes, or \$0.01 per diluted share) associated with impairment charges on assets held for sale or closed prior to January 1, 2002. We also recorded a gain of \$6.0 million (\$3.7 million after taxes, or \$0.03 per share) on the sale of certain assets. Additionally, we recorded a loss of \$1.5 million (\$0.9 million after tax, or \$0.01 per share) on severance accrued as part of our recently announced divestiture plan.

For the six months ended June 30, 2002, in addition to the items mentioned above, we recorded \$1.9 million (\$1.2 million after taxes or \$0.01 per diluted share) in insurance recoveries. This amount relates to a 1999 incident at our Montrose, Colorado OSB facility. Additionally, we recorded \$4.5 million (\$2.7 million after tax or \$0.03 per diluted share) of long-lived asset impairment charges associated with a sawmill closed prior to January 1, 2002 to reduce the carrying value of the fixed assets to their estimated sales price. The remaining book value and operating results associated with this equipment are not material to our financial statements.

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.

For the six-month period ended June 30, 2001, in addition to the item mentioned above, we recorded a net charge of \$10.2 million (\$6.2 million after taxes, or \$0.06 per diluted share) associated with impairment charges related to equipment at three former manufacturing sites. The additional impairment charges resulted from changes in the planned method of disposal of the equipment. The remaining book value and operating results associated with this equipment are not material to our financial statements. 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.

General Corporate and Other Expense

For the second quarter of 2002, general corporate and other expenses declined 12% from the same period in 2001 and for the six-month period, the decline was 13%. This decline is primarily due to cost savings resulting from a corporate restructuring that occurred in 2001.

Interest Income (Expense)

Interest expense increased slightly in the second quarter of 2002 and the six months ended June 30, 2002 as compared to comparable periods in the prior year due to the higher rate of interest associated with the 10.875% senior subordinated notes we issued in August of 2001 offset by lower interest rates on our variable rate debt and a lower total amount of outstanding debt.

Discontinued operations

On May 8, 2002, we announced that our board of directors had approved a plan to sell selected businesses and assets, including our plywood, commodity industrial panels, timber and timberlands, lumber, wholesale and distribution businesses. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," we are required to account for the businesses anticipated to be sold within one year as discontinued operations. Under this accounting treatment, we are classifying our lumber, plywood, commodity industrial panels (particleboard and medium density fiberboard) and wholesale and distribution businesses and timber assets directly associated with these businesses as discontinued operations. Although we plan to divest our fee timber assets not associated with the businesses to be divested, these assets are not reported as discontinued operations because we do not anticipate that the full divestiture will occur within the next twelve months. On August 6, 2002, we announced a definitive agreement with Georgia-Pacific

Corporation to transfer ownership of our Texas and Louisiana plywood mills in exchange for Georgia-Pacific's oriented strand board mill in Woodland, Maine and some additional consideration. We expect the transaction to close in mid-to-late September 2002, pending the completion of due diligence.

The percent changes in average sales prices and unit shipments on the significant portions of our discontinued operations for the quarter and six month period ended June 30, 2002 were as follows:

	Quarter		Six Months	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
Plywood	-10%	0%	-3%	-8%
Lumber	-4%	41%	5%	31%
Particleboard	-11%	3%	-10%	-2%
MDF	-2%	7%	5%	-13%

Plywood prices declined for the second quarter of 2002 and the six-month period ended June 30, 2002 compared to the same periods in the prior year. Unit shipments were flat for the quarter and declined for the six-month period ended June 30, 2002 due to curtailed operations. During the quarter and the six-month period of 2002, several mills operated on curtailed schedules due to raw material outages and weak plywood markets.

Lumber prices decreased in the second quarter of 2002 as compared to the comparable period in 2001 due to increasing imports from Canada. Prices increased in the first six months of 2002 as compared to the comparable period of 2001 due to the expiration of the Canadian softwood lumber agreement and preliminary duties assessed. We also had significant improvements in manufacturing efficiencies that lead to increased production and lower per unit costs. Additionally, during the second quarter and six month period ended June 30, 2001, we operated several mills on curtailed schedules due to weak market conditions.

Our commodity industrial panel group manufacturers and distributes particleboard and medium density fiberboard (MDF). Particleboard sales prices declined compared to the comparable periods of 2001 due to continued weak market conditions caused largely by increasing imports. MDF sales volumes increased due to product mix changes while individual prices remaining relatively flat. For the

six month period ended June 30, 2002 as compared to the comparable period of 2001, MDF sales prices increased due to a higher mix of specialty products with volume due to increased imports.

Overall results of operations of our discontinued operations declined for the quarter ended June 30, 2002 as compared to the same period of 2001 due to reduced pricing in the major product lines which were partially offset by improvements in manufacturing efficiencies in the lumber operation. For the six-month period ended June 30, 2002 compared to the same period of 2001, results before other operating credits and charges improved due to increased sales prices of lumber as well as improvement in manufacturing efficiencies in the lumber operations.

Discontinued Operations—Other Operating Credits and Charges, Net

Other operating credits and charges recorded in the loss from discontinued operations during the quarter and six months ended June 30 is set forth in the following table.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Long-lived asset impairment charges	\$ (19.6)	\$ —	\$ (22.7)	\$ —
Insurance recoveries	0.4	—	2.6	—
Curtailed expense	(6.4)	—	(6.4)	—
Mark-to-market adjustment on energy contracts	0.6	—	3.3	—
Severance costs	(3.9)	—	(3.9)	—
Total other operating credits and charges, net	\$ (28.9)	\$ —	\$ (27.1)	\$ —

In the second quarter of 2002, we recorded \$19.6 million (\$12.0 million after taxes, or \$0.11 per diluted share) of long-lived asset impairment charges associated with several plywood mills, an MDF mill and a particleboard mill to reduce the carrying value of the fixed assets to their estimated sales prices. Additionally, we recorded a \$3.9 million (\$2.4 million after tax, or \$0.02 per diluted share) charge for severance accrued due to the indefinite closure of several mills. Also in the second quarter of 2002, we recorded a \$6.4 million (\$3.9 million after tax, or \$0.04 per diluted share) curtailment expense on a defined benefit pension plan in connection with the planned divestitures. We also recorded a gain of \$0.6 million (\$0.4 million after taxes, or \$0.01 per diluted share) to reflect the changes in the estimated fair value of several energy contracts since March 31, 2002 and a net gain of \$0.4 million (\$0.2 million after taxes, or \$0.00 per diluted share) from business interruption insurance recoveries related to incidents at facilities that occurred in past years.

For the six month period ended June 30, 2002, in addition to the items mentioned above, we recorded \$2.2 million (\$1.3 million after taxes or \$0.01 per diluted share) in insurance recoveries related to a 2000 casualty loss at our Saratoga, Wyoming lumber facility. Due to the bankruptcy filing of Enron, we were required to record a mark-to-market adjustment on several energy contracts in the fourth quarter of 2001 as future physical delivery of the energy was no longer deemed probable. During the first quarter 2002, we recorded a gain of \$2.7 million (\$1.6 million after taxes, or \$0.02 per share) to reflect the changes in the estimated fair value of the contracts since December 31, 2001. Additionally, we recorded \$3.1 million (\$1.9 million after tax or \$0.02 per diluted share) of long-lived asset impairment charges associated with a particleboard mill to reduce the carrying value of the fixed assets to their estimated sales price.

For a discussion of legal and environmental matters involving us and the potential impact thereof on our financial position, results of operations and cash flows, see Item 7 in our annual report on

Form 10-K for the year ended December 31, 2001 and Item 1, Legal Proceedings, in Part II of this report.

OSB Siding Litigation Update

The following discussion updates should be read in conjunction with the discussion of our OSB siding litigation set forth in Item 7 of our annual report on Form 10-K for the year ended December 31, 2001, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the subheading "Legal and Environmental Matters."

During the second quarter of 2002, claimants continued to file claims under the National Settlement. See "OSB Siding Matters" in Item 1, Legal Proceedings, in Part II of this report.

During the second quarter of 2002, we began the implementation of an Alternative Payment Program. The Alternative Payment Program, modeled after the Second Settlement Fund, provides homeowners with the option of accepting an immediate, discounted payment equal to 35.87 percent of their claim. The Alternative Payment Program was extended to all claimants who had valid, complete claims filed as of March 15, 2002.

As of June 30, 2002, (i) approximately 323,000 requests had been received for claim forms for the National Settlement and the Florida Settlement, compared to 317,000 at March 31, 2002, and 314,000 at December 31, 2001 and (ii) approximately 205,000 completed claim forms for the National Settlement and the Florida Settlement had been received, compared to 203,000 at March 31, 2002 and 201,000 at December 31, 2001. The average payment amount for settled claims as of June 30, 2002, March 31, 2002 and December 31, 2001 was approximately \$3,600, \$3,800 and \$3,800, respectively. Excluding claims satisfied on a discounted basis pursuant to the Second Settlement Fund and Alternative Payment Program, the average payment amount for settled claims as of June 30, 2002 and March 31, 2002 was \$5,100. The total number of completed claim forms pending (not settled) as of June 30, 2002 was approximately 20,000 (approximately 28,000 at March 31, 2002 and approximately 27,000 at December 31, 2001) while approximately 149,000 claims had been settled (approximately 139,000 at March 31, 2002 and 139,000 at December 31, 2001) and approximately 36,000 claims had been dismissed (approximately 36,000 at March 31, 2002 and approximately 35,000 at December 31, 2001). Dismissal of claims is typically the result of claims for product not produced by LP or claims that lack sufficient information or documentation after repeated efforts to correct those deficiencies.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations was \$63.6 million in the first six months of 2002 compared to \$74.3 million in the same period of 2001. The decrease in cash provided by operations resulted primarily from an increase in working capital during the first six months of 2002 as compared to a significant decline in working capital from the comparable period of 2001. This change in working capital offset the significant improvement in net income during the first six months of 2002 as compared to 2001.

Net cash provided by investing activities was \$9.7 million in the first six months of 2002 compared to net cash used in the comparable period of 2001 of \$4.4 million. Capital expenditures for property, plant, equipment and timber declined significantly in the first six months of 2002 compared to the same period in 2001, primarily due to management's focus on cash preservation. Capital expenditures during the first six months of 2002 were primarily for necessary capital projects. We estimate that for the full year ending December 31, 2002, we will spend \$40 million to \$50 million for necessary and high-return capital projects. In addition, LP received cash of \$6.4 million from the liquidation of investments held in a grantor trust to offset the cash impact of distributions related to the discontinuation of deferred compensation plans.

Net cash used by financing activities was \$37.2 million for the first six months of 2002 compared to \$52.3 million in the comparable period of 2001. For the six months ended June 30, 2002, we repaid \$32 million in debt and for the comparable period in 2001, we repaid \$33 million. We paid \$20.1 million in cash dividends in the first six months of 2001 and no dividends in 2002. In addition, we made \$6.2 million of distributions related to the discontinuation of deferred compensation plans.

We expect to meet future cash requirements of the existing operations through cash generated from operations, existing cash balances, and existing credit facilities and other capital resources. Cash and cash equivalents totaled \$97.7 million at June 30, 2002 compared to \$61.6 million at December 31, 2001.

We have a secured revolving credit facility of approximately \$190 million under which no borrowings and \$55 million in letters of credit were outstanding at June 30, 2002 (available credit at June 30, 2002 was approximately \$135). This facility is available until January 2004. This facility contains five specific financial covenants (at June 30, 2002), as follows:

- Minimum required Shareholder's Equity, as defined, of approximately \$1 billion;
- Maximum debt to capitalization ratio, as defined, of 52.5%;
- Minimum earnings before interest, taxes, depreciation and amortization (EBITDA), as defined, for the prior four consecutive quarters of \$40 million;
- Minimum collateral coverage ratio, as defined, of two times the committed amount; and
- 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 covenant for maximum debt to capitalization ratio will decrease and the minimum EBITDA 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.

We also have a \$25 million (Canadian) secured revolving credit facility under which no borrowings and \$3.4 million in outstanding letters of credit were outstanding at June 30, 2002. 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 covenants, including a requirement that Louisiana-Pacific Canada Ltd. and subsidiaries maintain a consolidated 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 credit facility discussed above.

Additionally, we have an accounts receivable securitization facility of up to \$125 million of under which \$38 million was outstanding as of June 30, 2002. The maximum 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 June 30, 2002, we were in compliance with all of our debt covenants. For a discussion of various risks associated with our indebtedness, see the information included 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."

Due to the recently announced divestiture plan, we have completed an amendment to our secured revolving credit facility designed to enable us to complete the divestiture plan. This amendment includes modifications to replace the former collateral coverage requirements with requirements relating to the maintenance of a "borrowing base" comprised of various potential classes of collateral.

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Additionally, this amendment removes the requirements relating to the receivables securitization facility described in the fifth bullet point above.

In connection with our divestiture plan, we plan to reduce our overall level of indebtedness using net proceeds realized from dispositions. In addition to mandatory or voluntary prepayments under our credit facilities, means of reducing our indebtedness may include, among others, purchasing our senior and/or senior subordinated notes in the open market, in privately negotiated transactions or otherwise, or redeeming, defeasing or otherwise discharging the indebtedness represented thereby. Subject to compliance with the provisions of our credit facilities and other debt instruments (as the same may be amended or waived from time to time) and any applicable legal requirements, any such purchases or other actions may be commenced, suspended, discontinued or resumed, and the method or methods of effecting any such purchases or other actions may be changed, at any time or from time to time without notice.

Significant changes in our balance sheet from December 31, 2001 to June 30, 2002, include an increase of \$44.2 million in accounts receivable due to typical seasonal increases in sales volume and prices and a decrease in income tax refunds of \$32.6 due to refunds received. Long-term assets of discontinued operations decreased significantly due to the impairment charges discussed previously.

Contingency reserves, which represent an estimate of future cash needs for various contingencies (primarily payments for siding litigation settlements), totaled \$131.7 million at June 30, 2002, of which \$32.5 million is estimated to be payable within one year. As with all accounting estimates, there is inherent uncertainty concerning the reliability and precision of these estimates. The amounts ultimately paid in resolving these contingencies could exceed the current reserves by a material amount. Contingency related payments totaled \$22.6 million for the first six months of 2002.

POTENTIAL IMPAIRMENTS

We have a continuing financial interest in Samoa Pacific Cellulose LLC (SPC) (see discussion at Note 10 of the Notes to the financial statements included in Item 8 in our annual report on Form 10-K for the year ended December 31, 2001) in the form of various classes of preferred equity interests and secured and unsecured receivables and retained inventory. 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 balances secured by underlying collateral. While we currently believe that the receivable from SPC is recoverable, 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. At June 30, 2002, the \$16.9 million balance of the receivable exceeds the book value of the underlying collateral. The collectibility of the receivable is dependent on a recovery in the market for commodity pulp products from the low levels experienced in the first half of 2002. Although we believe that recovery in pulp pricing will occur, there can be no assurance that the timing or extent of a recovery would be sufficient to assure collection of these amounts. 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.

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 anticipated cash flows that result from our estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. However, should the markets for our products deteriorate from June 30, 2002 levels or should we decide to invest capital in alternative projects, it is possible that we will be required to record further impairment charges.

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We also review from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, our strategic plan and other relevant circumstances. Because a determination to dispose of particular assets can require us to estimate the net sales proceeds expected to be realized upon such disposition, which may be less than the estimated undiscounted future net cash flows associated with such assets prior to such determination, we may be required to record impairment charges in connection with decisions to dispose of assets.

OUTLOOK: ISSUES AND UNCERTAINTIES

We generally do not provide public forecasts of our 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 this view include a favorable interest rate environment, a trend of increasing home ownership rates, steady growth of repair and remodeling and demographics that support more housing and increased sizes. While we are optimistic about our long-term prospects, the following issues and uncertainties should be considered in evaluating our potential financial performance.

Cyclical industry conditions and commodity pricing have and may continue to adversely affect our financial condition and results of operations. Our operating results reflect the general cyclical pattern of the building products industry. Most of our products, including OSB, plywood and lumber (we are in the process of divesting our plywood and lumber businesses), 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 principal 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 principal on our debt.

We have a high degree of product concentration. OSB accounted for over 40% of our revenues from continuing operations during the second quarter of 2002, 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 may 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 June 30, 2002, 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 \$90 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 disasters 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 June 30, 2002, we had consolidated debt of approximately \$1.2 billion of which \$397 million is associated with limited recourse notes payable. 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 (5) 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 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.

Our ability to successfully implement our divestiture plan is subject to circumstances beyond our control. If our estimates relating to the timing and effects of our divestiture plan prove to be inaccurate, we may be required to record additional losses or charges on our financial statements. Whether, when and terms upon which we will be able to consummate the sales of businesses and assets contemplated by our divestiture plan will be affected by numerous circumstances beyond our control. These circumstances include the demand for businesses and assets of the type we are seeking to sell and the concurrent supply of comparable or substitute businesses and assets, all of which may be significantly affected by current and prospective economic and industry conditions and conditions in the capital markets. These matters may also be affected by the future operating results and perceptions regarding the prospect of the businesses and assets that we are seeking to sell, and any casualty losses or other developments adversely affecting the same. If we are unable to implement our divestiture plans as presently expected, or if our estimates relating to the economic consequences of implementing our divestiture plan prove to be inaccurate, we may be compelled to change our divestiture plan or to revise our estimates relating thereto.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of our debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Based upon our indebtedness at June 30, 2002, a 100 basis point interest rate change would impact the pre-tax net income and cash flow by \$1.6 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 our indebtedness, we historically have not entered into material currency rate hedges with respect to our exposure from operations (although we may do so in the future). At June 30, 2002, we had outstanding foreign exchange contracts with notional amounts of \$50 million (Canadian) to hedge firm and anticipated purchase commitments, debt payments and firm sales commitments denominated in foreign currencies.

Many 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 (³/₈" basis) or 4.9 billion feet (⁷/₁₆" basis), a \$1 change in the annual average price on 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 (³/₈" basis) or approximately 715 million square feet (¹/₂" basis), a \$1 change in the annual average

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price on a ¹/₂" basis would change annual pre-tax profits by approximately \$0.7 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 we may do so in the future.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Oriented strand board, million square feet ³ / ₈ " basis	1,363	1,361	2,723	2,729
Softwood plywood, million square feet ³ / ₈ " basis	206	194	392	401
Lumber, million board feet	330	243	610	471
Wood-based siding, million square feet ³ / ₈ " basis	202	193	389	348
Engineered I-Joist, million lineal feet	23	23	41	37
Laminated veneer lumber (LVL), thousand cubic feet	2,277	2,079	4,293	3,773

(1) Amounts shown above include production that is consumed within LP as well as production that is available for sale to outside customers.

INDUSTRY PRODUCT TRENDS

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

	OSB	Plywood	Lumber
	N. Central ⁷ / ₁₆ " Basis	Southern Pine ¹ / ₂ " Basis Cdx 3- Ply	Framing Lumber Composite Prices
Annual Average			
1993	\$ 236	\$ 282	\$ 394
1994	265	302	405
1995	245	303	337
1996	184	258	398
1997	142	265	417
1998	205	284	349
1999	260	326	401
2000	206	229	323
2001 1st Qtr. Avg.	132	242	284
2001 2nd Qtr. Avg.	191	303	366
2002 1st Qtr. Avg.	165	253	316
2002 2nd Qtr. Avg.	159	255	313

Source: *Random Lengths*

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Certain environmental matters and legal proceedings involving us are discussed below. Additional environmental matters and legal proceedings involving us are discussed in Item 7, Legal Proceedings, in our annual report on Form 10-K for the year ended December 31, 2001.

Environmental Matters

We have received a notice of potential penalty from a state regulatory agency relating to potential noncompliance with prevention of significant determination (PSD) regulations, which were self disclosed to the agency by LP. Based upon the information presently available, we do not believe that this will have an adverse effect on our financial position, results of operation, cash flows or liquidity.

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

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 (which has been concluded). 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. That obligation has been satisfied as of June 30, 2002 through cash payments on a discounted basis of approximately \$265 million. In addition to our mandatory contribution, at June 30, 2002, 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 it becomes 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.

In the second quarter of 2002, we began offering eligible claimants the opportunity to receive a pro rata share of a court approved alternative payment program (the "Alternative Payment Program") in satisfaction of their claims. The Alternative Payment Program was extended to all claimants who had valid claims filed as of March 15, 2002. Pursuant to this offer, we paid approximately \$14 million from the Alternative Payment Program in satisfaction of approximately \$38 million in claims. Claimants who accept payment from the Alternative Payment Program may not file additional claims under the settlement.

At June 30, 2002, 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 \$90 million. Approximately 2,400 new claims were filed during the second quarter of 2002.

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.

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 June 30, 2002 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.

Nature Guard Cement Shakes Matters

We were named in four putative class actions filed in California and one putative class action filed in the state of Washington: *Virginia L. Davis v. Louisiana-Pacific Corporation*, filed in the Superior Court of California, County of Stanislaus, on January 9, 2001; *Mahleon R. Oyster and George Sousa v. Louisiana-Pacific Corporation*, filed in the Superior Court of California, County of San Francisco, on July 30, 2001; *Angel H. Jasso and Angela Jasso v. Louisiana-Pacific Corporation*, filed in the Superior Court of California, County of Stanislaus, on September 7, 2001; *Keith Oguro v. Louisiana-Pacific Corporation*, filed in the Superior Court of California, County of San Francisco, on March 12, 2002; and, *Nick P. Marassi, M.D. and Debra Marassi v. Louisiana-Pacific Corporation*, filed in the Superior Court for the State of Washington, Snohomish County, on June 13, 2001. The plaintiffs in the *Davis*, *Oyster/Sousa* and *Jasso* cases sought and were granted coordination in California State Court. The coordinated case was assigned to the Superior Court for Stanislaus County, California. On April 2, 2002, class counsel filed a Master Complaint captioned as *Nature Guard Cement Roofing Shingle Cases*. The plaintiffs in the *Davis*, *Oyster/Sousa*, *Jasso* and *Marassi* cases as well as a plaintiff from Oregon named Karl E. Von Tagen were named as putative class representatives in the Master Complaint. As a result, the separate actions filed by those individuals should be dismissed shortly. The plaintiffs in *Oguro* also have indicated that they will dismiss their action and Mr. Oguro will simply become an unnamed member of the class in the Stanislaus County case.

The named plaintiffs in the *Nature Guard Cement Roofing Shingle Cases* purport to represent a national class of persons owning structures on which our Nature Guard Fiber Cement Shakes were installed as roofing. On July 29, 2002, the Court granted plaintiffs leave to file an amended complaint deleting claims for fraudulent concealment, unjust enrichment, strict product liability and negligence. The Amended Master Complaint asserts claims for breach of express and implied warranties, unfair business practices, and violation of the consumer legal remedies act. 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. Plaintiffs' motion to certify a class and our motion to deny class certification are scheduled for hearing on August 28, 2002.

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.

Retirement Plan Matters

We, our directors and certain of our affiliates, have been named as a defendant in a putative class action filed in United States District Court for the District of Oregon, captioned *Frederick J. Darlington, et al. v. Louisiana-Pacific Corporation, et al.* The action was filed on behalf of a purported class of persons who are participants and beneficiaries of the Louisiana-Pacific Corporation 401(k) and Profit Sharing Plan (the "Plan"). Plaintiffs generally allege breaches of fiduciary duty and violations of disclosure requirements and obligations under the Employee Retirement Income Security Act ("ERISA") in relation to investments in our common stock as acquired or held through the Plan. Plaintiffs seek compensatory damages, equitable and injunctive relief and a declaration that LP and the other defendants violated duties, obligations and responsibilities imposed upon them as fiduciaries and co-fiduciaries and the disclosure requirements under ERISA. We believe that these allegations are

without merit and we have substantial defenses to this action and we intend to defend it vigorously. Based upon the information currently available, we believe that the resolution of this matter will not have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

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 materially exceed the recorded liabilities related to these matters. However, it is possible that, in either the near term or the longer term, revised estimates or actual payments will significantly exceed the recorded liabilities.

For information regarding our financial statement reserves for the estimated costs of the environmental and legal matters referred to above, see Note 8 of the Notes to financial statements included in Item 8, Financial Statements and Supplementary Data, in our annual report on Form 10-K for the year ended December 31, 2001.

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

LP held its Annual Meeting of Stockholders on May 6, 2002, at which the stockholders of LP voted on the following:

The election of three Class II directors of LP for terms expiring at the Annual Meeting of Stockholders in 2005, approval of the 1997 Incentive Stock Plan, as amended and reapproval of the performance goals under LP's Annual Cash Incentive Award Plan.

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

1. ELECTION OF DIRECTORS

	For	Withheld
E. Gary Cook	87,928,644	5,711,016
Paul W. Hansen	88,294,226	5,711,016
Brenda J. Lauderback	88,345,004	5,711,016

2. Management proposal regarding the approval of the 1997 incentive stock option award plan as amended

	FOR	AGAINST	ABSTAIN
SHARES	81,437,978	11,938,309	778,269

3. Management proposal regarding the reapproval of performance goals under annual cash incentive award plan

	FOR	AGAINST	ABSTAIN
SHARES	89,448,238	3,888,219	818,099

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

(a) Exhibits

10.1 Supplemental Executive Retirement Plan, as amended and restated as of May 1, 2002.

10.2 2000 Employee Stock Purchase Plan as amended and restated effective as of July 15, 2002.

10.3 Waiver and Second Amendment, dated as of July 23, 2002 to the Credit Agreement, dated November 15, 2001, among LP, Bank of America, N.A., and the other financial institutions that are parties thereto.

10.4 Third Amendment, dated as of August 2, 2002 to the Credit Agreement dated November 15, 2001, among LP, Bank of America, N.A., and the other financial institutions that are parties thereto.

10.5 Limited Waiver of Credit and Security Agreement among LP, LP Receivables Corporation, Blue Ridge Asset Funding Corporation, Wachovia Bank, NA and the other financial institutions that are parties thereto and Limited Waiver of and Second Amendment, dated as of July 23, 2002, to Receivables Sale Agreement, dated as of November 15, 2001, among LP, LP Wood Polymers, Inc. and LP Receivables Corporation.

10.6 Waiver and Fourth Amendment dated as of July 23, 2002 to the Standby Note Purchase and Support Agreement dated August 16, 1999, among LP, Bank of America, N.A. and Canadian Imperial Bank of Commerce.

10.7 Waiver and First Amendment dated as of July 23, 2002, to the Canada Credit Agreement, dated November 30, 2001, among LP, Louisiana-Pacific Canada Ltd. and Royal Bank of Canada.

(b) Reports on Form 8-K

We filed a Form 8-K on May 8, 2002 reporting certain matters under item 5 thereof.

SIGNATURES

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

LOUISIANA-PACIFIC CORPORATION

Date: August 14, 2002

By: /s/ MARK A. SUWYN

Mark A. Suwyn
Chairman and Chief Executive Officer

Date: August 14, 2002

By: /s/ CURTIS M. STEVENS

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LOUISIANA-PACIFIC CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Amended and Restated as of May 1, 2002
(Executed August 9, 2002)

LOUISIANA-PACIFIC CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

ARTICLE I—PURPOSE; EFFECTIVE DATE

The purpose of this Supplemental Executive Retirement Plan (the "Plan") is to provide supplemental retirement and death benefits for certain key employees of Louisiana-Pacific Corporation (the "Corporation"). It is intended that the Plan will aid in retaining and attracting employees of exceptional ability by providing them with these benefits. The Plan became effective as of July 1, 1997, was amended and restated as of January 1, 2000, January 1, 2002 and May 1, 2002, and is further amended and restated as of May 1, 2002 as set forth herein.

ARTICLE II—DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise:

2.1 Acquiring Person

"Acquiring Person" means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); provided, however, that the term Acquiring Person shall not include:

- (a) Corporation or any of its Subsidiaries;
- (b) Any employee benefit plan or related trust of Corporation or any of its Subsidiaries;
- (c) Any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan; or
- (d) Any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

2.2 Accumulated with Interest

"Accumulated with Interest" means to project Qualified and Other Plan Accounts amounts from one date to a subsequent date assuming an interest rate of seven percent (7%) compounded annually.

2.3 Actuarial Equivalent

"Actuarial Equivalent" means equality in value of the aggregate amounts expected to be received under different forms and timing of payment, which shall be determined by using the Pension Benefit Guaranty Corporation Lump Sum Interest Rate for Private Sector Payments (as published in appendix C of 29 CFR 4022, or any successor or replacement rate) and the UP84 Mortality Table set back four (4) years for males and females.

2.4 Beneficiary

"Beneficiary" means the person, persons or entity entitled under Article VI to receive any Plan benefits payable after a Participant's death.

2.5 Board

"Board" means the Board of Directors of the Corporation,

2.6 Change in Control

A "Change in Control" shall occur upon:

- (a) The acquisition by any Acquiring Person of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of the combined voting

power of the then outstanding securities which vote generally in the election of directors ("Voting Securities"); provided, however, that for purposes of this paragraph (a), the following acquisitions will not constitute a Change in Control:

- (i) Any acquisition directly from Corporation;
- (ii) Any acquisition by Corporation;

(iii) Any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Corporation or any corporation controlled by Corporation; or

(iv) Any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii), and (iii) of paragraph (c) of this definition of Change in Control; or

(b) During any period of twelve (12) consecutive calendar months, individuals who at the beginning of such period constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director during the period whose election, or nomination for election, by Corporation's shareholders was approved by a vote of at least a majority of the directors then constituting the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as such term is used in Section 3(d) and 14(d) of the Exchange Act) other than the Board; or

(c) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of Corporation (a "Business Combination") in each case, unless, following such Business Combination:

(i) All or substantially all of the individuals and entities who were the beneficial owners of the Voting Securities outstanding immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Corporation or all or substantially all of Corporation's assets either directly or through one (1) or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Voting Securities;

(ii) No Person (excluding any employee benefit plan, or related trust, of Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and

(iii) At least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of Corporation of any plan or proposal for the liquidation or dissolution of Corporation.

2.7 Committee

"Committee" means the Committee appointed by the Chief Executive Officer to administer the Plan pursuant to Article VII.

2.8 Compensation

"Compensation" means base pay and annual cash incentive bonuses paid to a Participant during the calendar year, before reduction for amounts deferred under the Louisiana-Pacific Executive Deferred Compensation Plan or any other salary reduction program. Compensation does not include expense reimbursements, any form of noncash compensation or benefits, stock option income, group life insurance premiums, severance pay, or any other payments or benefits other than base pay and annual cash incentive bonuses.

2.9 Corporation

"Corporation" means Louisiana-Pacific Corporation, a Delaware corporation, or any successor to the business thereof.

2.10 Deferred Retirement Date

"Deferred Retirement Date" means the first day of the month coincident with or next following the Participant's termination of employment with the Employer if it occurs after the Participant's Normal Retirement Date.

2.11 Disability

"Disability" means a physical or mental condition which, in the opinion of the Committee, prevents an employee from satisfactorily performing employee's usual duties for Employer. The Committee's decision as to Disability will be based upon medical reports and/or evidence satisfactory to the Committee. In no event shall a Disability be deemed to occur or to continue after a Participant's Normal Retirement Date.

2.12 Early Retirement Date

"Early Retirement Date" means the date on which the Participant terminates employment with the Employer if it occurs on or after the first day of the month coincidental with or next following a Participant's attainment of age fifty-five (55) and completion of five (5) Years of Participation, but prior to his Normal Retirement Date.

2.13 Employer

"Employer" means the Corporation and any affiliated or subsidiary corporation of the Corporation which is incorporated under the laws of any state of the United States.

2.14 Final Average Compensation

"Final Average Compensation" means the Participant's Compensation during the sixty (60) consecutive complete calendar months of paid employment out of the last one hundred twenty (120) months of employment with the Employer in which the Participant's Compensation is the highest divided by sixty (60). If a Participant's number of complete calendar months of paid employment with the Employer is less than sixty (60), the Participant's Final Average Compensation shall be the monthly average of all such complete calendar months of paid employment.

2.15 Final Compensation

"Final Compensation" means a Participant's base pay for the twelve (12) months prior to termination of employment with the Employer, plus the average annual cash incentive bonus paid the last three (3) years, divided by twelve (12). If the Participant has not been a Participant in the

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Employer's annual incentive plan for three (3) full years or been an employee for a full twelve (12) months, then the proceeding determination shall be adjusted pro rata.

2.16 Involuntarily Terminated

"Involuntarily Terminated" means a Participant is discharged or resigns in response to a change in day-to-day duties, or reduction in Compensation or benefits, to a downward change of title, or to a relocation requested by Employer.

2.17 Normal Retirement Date

"Normal Retirement Date" means the first day of the month coincident with or next following the Participant's attainment of age sixty-two (62).

2.18 Participant

"Participant" means any individual who is participating or has participated in the Plan as provided in Article III.

2.19 Qualified and Other Plan Accounts

"Qualified and Other Plan Accounts" means a Participant's (1) ESOT, ESOT Transfer, Matching, Profit Sharing and Frozen Profit Sharing Accounts under the Louisiana-Pacific Salaried 401(k) and Profit Sharing Plan, (2) accrued benefits attributable to employer contributions under the Louisiana-Pacific Corporation Retirement Account Plan and any other employee pension benefit plan maintained by the Employer, (3) Supplemental Benefit Plan Account under the Louisiana-Pacific Supplemental Benefits Plan, (4) Qualified Plan Makeup Credits Account under the Louisiana-Pacific Executive Deferred Compensation Plan and (5) fifty percent (50%) of the value of his or her Employer Matching Contributions Account under the Louisiana-Pacific Executive Deferred Compensation Plan.

2.20 Retirement

"Retirement" means a Participant's termination of employment with the Employer at the Participant's Early Retirement Date, Normal Retirement Date, or Deferred Retirement Date.

2.21 Spouse

"Spouse" means a Participant's wife or husband who is lawfully married to the Participant at the time of the Participant's death.

2.22 Supplemental Retirement Benefit

"Supplemental Retirement Benefit" means the benefit determined under Article V of this Plan.

2.23 Target Retirement Percentage

"Target Retirement Percentage" means the percentage of Final Average Compensation which will be used as a target from which other forms of retirement benefits are subtracted, as provided in Article V, to arrive at the amount of the Supplemental Retirement Benefit actually payable to a Participant. This percentage shall equal fifty percent (50%) multiplied by a fraction, the numerator of which is the Participant's Years of Credited Service, not to exceed fifteen (15), and the denominator of which is fifteen (15). The adjusted Target Retirement Percentage shall be rounded to four (4) decimal places.

2.24 Years of Credited Service

"Years of Credited Service" means the whole number of years of vesting service credited under the provisions of the Louisiana-Pacific Corporation Retirement Account Plan.

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2.25 Years of Participation

"Years of Participation" means the number of twelve (12) month periods the Participant has been a Participant in the Plan as set out in Section 3.1(b) of the Plan. For the initial Participants, as set out in Appendix A, Years of Participation shall be measured from January 1, 1997.

3.1 Eligibility and Participation

(a) Eligibility. Eligibility to participate in the Plan shall be limited to those employees of an Employer who are designated by the Committee.

(b) Participation. An employee's participation in the Plan shall be effective upon notification of the employee of his status as a Participant by the Committee. Participation in the Plan shall continue until such time as the Participant terminates employment with the Employer, and as long thereafter as the Participant is eligible to receive benefits under this Plan.

3.2 Vesting

Each Participant shall be one hundred percent (100%) vested in benefits under this Plan after completing five (5) Years of Participation in the Plan. The preceding notwithstanding, each Participant shall be one hundred percent (100%) vested in benefits under this Plan upon death, Disability or a Change in Control.

3.3 Cessation of Eligibility

Notwithstanding Section 3.1(b) of this Plan, if a Participant ceases to be designated by the Committee as eligible to participate in the Plan, by reason of a change in employment status or otherwise, participation herein and eligibility to receive benefits hereunder shall be limited to the Participant's interest in such benefits as of the date designated by the Committee.

ARTICLE IV—PRERETIREMENT SURVIVOR BENEFIT

4.1 Pretermination Survivor Benefit

If a Participant dies while employed by the Employer, the Employer shall pay a supplemental survivor benefit to the Participant's Spouse. The amount of this benefit shall be equal to one-half ($1/2$) of the Participant's monthly accrued Supplemental Retirement Benefit payable monthly for the life of the Spouse, calculated using the three percent (3%) reduction per year specified in 5.3 to the Participant's age at death if the Participant died before attaining age 62, with payments commencing to the Spouse within thirty (30) days following the Participant's date of death; provided, that if the Participant would have been entitled to a benefit described in Section 5.7(c) had the Participant terminated employment with the Employer immediately prior to the date of death and such benefit has a greater Actuarial Equivalent value than the benefit under this Section 4.1, then the benefit described in 5.7(c) shall be payable to the Participant's Spouse or Beneficiary as the case may be.

ARTICLE V—SUPPLEMENTAL RETIREMENT BENEFITS

5.1 Normal Retirement Benefit

If a Participant retires on the Normal Retirement Date, the Employer shall pay to the Participant a monthly Supplemental Retirement Benefit for the Participant's life equal to the Target Retirement Percentage multiplied by the Participant's Final Average Compensation, less

(a) Fifty percent (50%) of the Participant's primary Social Security benefit determined at age sixty-two (62), and

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(b) An amount equal to the Participant's Qualified and Other Plan Accounts amounts, determined as of the Participant's date of termination and subject to Section 5.9, converted to a monthly life annuity on an Actuarial Equivalent basis

times the vesting percentage determined under Section 3.2 of this Plan.

5.2 Deferred Retirement Benefit

If a Participant retires at a Deferred Retirement Date, the Employer shall pay to the Participant a Supplemental Retirement Benefit calculated pursuant to Section 5.1, except that 5.1(a) and 5.1(b) shall be measured at the Participant's date of termination.

5.3 Early Retirement Benefit

If a Participant retires at an Early Retirement Date, the Employer shall pay to the Participant a monthly Supplemental Retirement Benefit for the Participant's life equal to the Target Retirement Percentage multiplied by the Participant's Final Average Compensation, less

(a) Fifty percent (50%) of the Participant's primary Social Security benefit projected to be paid at age sixty-two (62) assuming no future increases in Compensation, no change in the Social Security Act and no change in the cost of living or the average wage indexes, and

(b) An amount equal to the Participant's Qualified and Other Plan Accounts amounts, determined as of the Participant's date of termination and subject to Section 5.9, converted to a monthly life annuity beginning at age sixty-two (62) on an Actuarial Equivalent basis but assuming no growth in such amounts to age sixty-two (62);

times the vesting percentage determined under Section 3.2 of this Plan.

If a Participant retires with the approval of the Committee, the above Early Retirement Benefit shall be reduced by three percent (3%) for each year by which the benefit commencement date precedes the Participant's sixty-second (62nd) birthday (prorated for partial years on a monthly basis). If a Participant retires without the approval of the Committee, the above Early Retirement Benefit shall be reduced by five percent (5%) for each year by which the benefit commencement date precedes the Participant's sixty-second (62nd) birthday (prorated for partial years on a monthly basis). For Participants who retire without approval of the Committee, this benefit shall be further reduced by a fraction equal to the Participant's actual Years of Credited Service at termination over Years of Credited Service the Participant would have had at age sixty-two (62).

5.4 Early Termination Retirement Benefit

If a Participant terminates employment prior to Early Retirement, the Employer shall pay to the Participant a monthly Supplemental Retirement Benefit for the Participant's life equal to the product of (a) times (b) times (c) where:

(a) is an amount equal to the Target Retirement Percentage multiplied by the Participant's Final Average Compensation, less

(i) Fifty percent (50%) of the Participant's primary Social Security benefit projected to be paid at age sixty-two (62) assuming no future increases in Compensation, no change in the Social Security act and no change in the cost of living or the average wage indexes, and

(ii) An amount equal to the Qualified and Other Plan Accounts amounts, determined as of the date of the Participant's date of termination and subject to Section 5.9, converted to a monthly life annuity beginning at age sixty-two (62) on an Actuarial Equivalent basis but assuming no growth in such amounts to age sixty-two (62).

(b) is the vesting percentage determined under Section 3.2 of this Plan; and

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(c) is a fraction equal to the Participant's Years of Credited Service at termination over Years of Credited Service the Participant would have had at age sixty-two (62).

5.5 Change in Control Benefits

If a Participant is Involuntarily Terminated within thirty-six (36) months of a Change in Control, such Participant shall be granted two (2) extra Years of Credited Service under the Plan, and the greater of Final Compensation or Final Average Compensation shall be used in determining the Participant's benefit. For such Involuntarily Terminated Participants, benefits shall be payable at the later of age fifty-five (55) or their date of termination. Such benefit shall be calculated pursuant to Section 5.3 and as if the Participant retired with the approval of the Committee.

5.6 Disability Retirement Benefit

If a person terminates employment prior to Normal Retirement as a result of Disability, the Employer shall pay to the Participant a Supplemental Retirement Benefit commencing at the Participant's Normal Retirement Date equal to the amount the Participant would have received at such time under the Normal Retirement provisions of this Article. For purposes of this calculation and notwithstanding the receipt of any accelerated distribution or distributions under Section 5.8, Years of Credited Service and Years of Participation shall continue to accrue during the period of Disability and the Participant's Final Average Compensation shall be based only on the amounts earned during the sixty (60) months prior to Disability if this provides the Participant with a greater benefit.

5.7 Payment of Benefits

(a) Form of Benefit Payments. The normal form of benefit payment shall be a life annuity payable monthly. Any other form of monthly benefit elected by the Participant shall be the Actuarial Equivalent to a life annuity payable monthly. At the time of enrollment the Participant shall elect the form of benefit payment. The form of benefit payments available to the Participant shall be:

(i) Life Annuity

(ii) 10-Year Certain and Life Annuity

(iii) 50% Joint and Spouse Survivor Annuity

(iv) 100% Joint and Spouse Survivor Annuity

Participants may amend their form of benefit election by filing a change form with the Committee at least ninety (90) days before termination of employment with the Employer.

(b) Commencement of Benefit Payments. The Supplemental Retirement Benefits payable to a Participant under the Normal and Deferred Retirement provisions of this Article shall commence within thirty (30) days of the Participant's termination of employment. The Early Retirement Benefit payable to a Participant shall commence within thirty (30) days of Participant's termination. However, the Participant may elect to delay the commencement of such benefit if the election is made at least ninety (90) days prior to termination, provided that commencement may not be delayed beyond the Participant's sixty-second (62nd) birthday. The Supplemental Retirement Benefits payable to a Participant under the Early Termination or Disability provisions of this Article shall commence within thirty (30) days of the Participant attaining age sixty-two (62).

(c) Death Prior to Commencement of Benefit Payments. If a Participant terminates employment and dies before the commencement of benefits as provided under Section 5.7(b), any survivor benefit under the form of benefit that was elected by the Participant under Section 5.7(ii),

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(iii) or (iv) shall be payable to the Participant's Spouse or Beneficiary, as the case may be, at the time benefits otherwise would have commenced to the Participant.

5.8 Accelerated Distribution

Notwithstanding any other provision of the Plan, at any time a Participant shall be entitled to receive, upon written request to the Committee, a lump-sum distribution of the Actuarial Equivalent of the Participant's unpaid vested accrued benefits under this Plan on the date on which the Committee receives the written request. The vested accrued benefit for active Participants shall be calculated as if the Participant terminated on the date the distribution is requested. For those Participants eligible for Early Retirement, the lump-sum amount shall be calculated as if the Participant had terminated without permission on the date the

distribution is requested. Each accelerated distribution shall be subject to a penalty equal to ten percent (10%) of the amount that would otherwise be distributed, and that amount shall be forfeited by the Participant. The amount payable under this section shall be paid in a lump sum within sixty-five (65) days following the receipt of the notice by the Committee from the Participant. In the event a Participant requests and obtains an accelerated distribution under this section the Participant shall cease to be a Participant under the Plan; provided, that if the Participant remains employed by the Employer, participation and future benefit accruals under the Plan may resume following a period of one (1) year from the date of distribution if the Participant remains an eligible Participant under Section 3.1 at that time.

5.9 Qualified and Other Retirement Plan Accounts Offset

In the event that all or a portion of a Participant's Qualified and Other Retirement Plan Accounts are paid out prior to the applicable benefit calculation date under any provision of Article V of the Plan, the value of such Accounts at termination shall be the amount distributed Accumulated with Interest to the date of termination.

5.10 Excise Tax and Lost Benefit Makeup

If as a result of participating in the Plan the Participant is required to pay additional excise tax under Section 4999 of the Internal Revenue Code ("IRC"), or receives a smaller benefit from any other Employer plan as a result of any IRC Section 280G Golden Parachute limitations, then a makeup amount shall be payable from the Plan. This amount shall be equal to the amount of Section 4999 excise tax payable and any lost benefit from other Employer Plans due to IRC Section 280G Golden Parachute limitation, as a result of participation in the Plan, plus any excise tax and income taxes payable due to this payment. The Corporation and Participant shall cooperate in good faith in making such determination and in providing the necessary information for this purpose.

5.11 Withholding; Payroll Taxes

The Employer shall withhold from payments made hereunder any taxes required to be withheld from a Participant's wages for the federal or any state or local government. However, a Beneficiary may elect not to have withholding for federal income tax purposes pursuant to Section 3405 of the Internal Revenue Code, or any successor provision.

5.12 Payment to Guardian

If a Plan benefit is payable to a minor or a person declared incompetent or to a person incapable of handling the disposition of his property, the Committee may direct payment of such Plan benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Committee may require proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution of the Plan benefit. Such distribution shall completely discharge the Committee and the Employer from all liability with respect to such benefit.

ARTICLE VI—BENEFICIARY DESIGNATION

6.1 Beneficiary Designation

Each Participant shall have the right, at any time, to designate any person or persons as his Beneficiary or Beneficiaries (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of his death prior to payment to Participant of the benefits due to the Participant under the Plan. Each Beneficiary designation shall be in a written form prescribed by the Committee, and will be effective only when filed with the Committee during the Participant's lifetime.

6.2 Changing Beneficiary

Subject to Section 6.3, any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by the filing of a new designation with the Committee. The filing of a new designation shall cancel all designations previously filed. If a Participant's benefits under the Plan are subject to the community property laws of any state, any Beneficiary designation or change in Beneficiary designation shall be valid or effective only as permitted by applicable law.

6.3 No Beneficiary Designation

In the absence of an effective Beneficiary Designation, or if all designated Beneficiaries predecease the Participant or dies prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be the person in the first of the following classes in which there is a survivor:

- (a) the surviving Spouse;
- (b) the Participant's children, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take by right of representation the share the parent would have taken if living;
- (c) the Participant's estate.

ARTICLE VII—ADMINISTRATION

7.1 Committee; Duties

The Plan shall be administered by the Committee, which shall consist of not less than three (3) persons appointed by the Chief Executive Officer and which may include the CEO as a member. The Committee shall have the authority to make, amend, interpret and enforce all appropriate rules and regulations for the

administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in connection with the Plan. A majority vote of the Committee members shall control any decision. Members of the Committee may be Participants under the Plan.

7.2 Agents

The Committee may, from time to time, employ other agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Employer.

7.3 Binding Effect of Decisions

The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

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7.4 Indemnity of Committee

The Employer shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct.

ARTICLE VIII—CLAIMS PROCEDURE

8.1 Claim

Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee which shall respond in writing within thirty (30) days.

8.2 Denial of Claim

If the claim or request is denied, the written notice of denial shall state:

- (a) The reason for denial, with specific reference to the Plan provisions on which the denial is based.
- (b) A description of any additional material or information required and an explanation of why it is necessary.
- (c) An explanation of the Plan's claim review procedure.

8.3 Review of Claim

Any person whose claim or request is denied or who has not received a response within thirty (30) days may request review by notice given in writing to the Committee. The claim or request shall be reviewed by the Committee who may, but shall not be required to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

8.4 Final Decision

The decision on review shall normally be made within sixty (60) days. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing and shall state the reason and the relevant plan provisions. All decisions on review shall be final and bind all parties concerned.

ARTICLE IX—TERMINATION, SUSPENSION OR AMENDMENT

9.1 Termination, Suspension or Amendment of Plan

The Corporation may at any time terminate, suspend or amend the Plan in whole or in part; provided, however, that any such termination or suspension, or any amendment that would materially change the benefits provided under the Plan, shall be subject to the prior approval of the Compensation Committee of the Board. Provided, further, that no such action shall be effective to decrease or restrict the accrued benefit of any Participant as of the date of such action.

ARTICLE X—MISCELLANEOUS

10.1 Unfunded Plan

The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of

ERISA. Accordingly, the Plan shall terminate and no further benefits shall accrue hereunder in the event it is determined by a court of competent jurisdiction or by an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt. In the event of such termination, the amount of each Participant's vested benefits under the Plan shall be distributed to such Participant at such time and in such manner as the Committee, in its sole discretion, determines.

10.2 Unsecured General Creditor

In the event of Employer's insolvency, Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, interest or claims in any property or assets of the Employer, nor shall they be Beneficiaries of, or have any rights, claims or interests in any life insurance policies, annuity contracts or the proceeds therefrom owned or which may be acquired by the Employer. In that event, any and all of the Employer's assets and policies shall be, and remain, the general, unpledged, unrestricted assets of the Employer. The Employer's obligation under the Plan shall be that of an unfunded and unsecured promise of the Employer to pay money in the future.

10.3 Trust Fund

The Employer shall be responsible for the payment of all benefits provided under the Plan. At its discretion, the Employer may establish one or more trusts, with such trustees as the Board may approve, for the purpose of providing for the payment of such benefits. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Employer's creditors. To the extent any benefits provided under the Plan are actually paid from any such trust, the Employer shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligation of, and shall be paid by, the Employer.

10.4 Nonassignability

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

10.5 Not a Contract of Employment

The terms and conditions of the Plan shall not be deemed to constitute a contract of employment between the Employer and the Participant, and the Participant (or his or her Beneficiary) shall have no rights against the Employer except as may otherwise be specifically provided herein. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Employer or to interfere with the right of the Employer to discipline or discharge the Participant at any time.

10.6 Protective Provisions

A Participant will cooperate with the Employer by furnishing any and all information requested by the Employer, in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Employer may deem necessary and taking such other action as may be requested by the Employer.

10.7 Terms

Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

10.8 Captions

The captions of the articles, sections and paragraphs of the Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

10.9 Governing Law; Arbitration

The provisions of the Plan shall be construed and interpreted according to the laws of the State of Oregon. Any dispute or claim that arises out of or that relates to the Plan or to the interpretation, breach, or enforcement of the Plan, must be resolved by mandatory arbitration in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc., and any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

10.10 Validity

In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

10.11 Notice

Any notice or filing required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to any member of the Committee or the Secretary of the Employer. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

10.12 Successors

The provisions of the Plan as it may be amended from time to time shall bind and inure to the benefit of the Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of the Employer, and successors of any such corporation or other business entity.

LOUISIANA-PACIFIC CORPORATION

By: /s/ MICHAEL J. TULL

Vice President, Human Resources

By: /s/ ANTON C. KIRCHHOF

Secretary

Dated: August 9, 2002

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**LOUISIANA-PACIFIC CORPORATION
2000 EMPLOYEE STOCK PURCHASE PLAN**

Amended and Restated Effective July 15, 2002

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, 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, 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, 2004, or any earlier date of purchase pursuant to subscriptions entered into during the Second 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, 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

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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

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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,

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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

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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

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that thereafter cease to be subject to any subscription agreement hereunder shall remain subject to and reserved for use in connection with the Second 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.

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[LOUISIANA-PACIFIC CORPORATION 2000 EMPLOYEE STOCK PURCHASE PLAN Amended and Restated Effective July 15, 2002](#)

WAIVER AND SECOND AMENDMENT

This WAIVER AND SECOND AMENDMENT ("*Second Amendment*"), dated as of July 23, 2002, is entered into by and among LOUISIANA-PACIFIC CORPORATION, a Delaware corporation (the "*Borrower*"), BANK OF AMERICA, N.A., as agent for the Lenders (the "*Administrative Agent*") and those financial institutions parties to the Credit Agreement as defined below (collectively, the "*Lenders*") signatory hereto.

RECITALS

A. The Borrower, the Lenders and the Administrative Agent are parties to a Credit Agreement dated as of November 15, 2001 (as amended or modified from time to time, the "*Credit Agreement*"), pursuant to which the Administrative Agent and the Lenders have extended certain credit facilities to the Borrower.

B. The Borrower and the Administrative Agent also executed that certain Security Agreement dated as of November 15, 2001 pursuant to which the Borrower granted to the Administrative Agent for the benefit of the Lenders a security interest in certain assets of the Borrower to secure the Borrower's Obligations under the Credit Agreement (the "*Security Agreement*").

C. The Borrower has reported to the Administrative Agent and the Lenders that Schedules 5.13 and 7.02 to the Credit Agreement need to be corrected and updated due to certain unintentional omissions and inaccuracies on such Schedules ("*Schedule Inaccuracies*"). The Borrower has asked the Lenders to amend Schedules 5.13 and 7.02 to the Credit Agreement to correct and update certain information and amend the Security Agreement in certain respects and, subject to the terms and conditions of this Second Amendment, the Lenders have agreed to do so.

D. The Borrower has reported to the Administrative Agent and the Lenders that the Borrower and its Subsidiary, LP Receivables Corporation ("*LP Receivables*") have unintentionally failed to comply with certain obligations under the Permitted Securitization (the "*Securitization Non-Compliance Events*"), as more fully described in the waiver, attached hereto as *Exhibit A* (the "*Securitization Waiver*"), with Wachovia Bank, N.A. ("*Wachovia*"), as Administrative Agent, Committed Bank and Liquidity Bank, and Blue Ridge Asset Funding Corporation, as Lender (the "*Receivables Lender*"). Pursuant to the Securitization Waiver, Wachovia, the Receivables Lender and LP Receivables waive all defaults and events of defaults under the Transaction Documents (as defined in the Permitted Securitization Credit and Security Agreement) arising from the Securitization Non-Compliance Events.

E. The Borrower has reported to the Administrative Agent and the Lenders that the Schedule Inaccuracies and the Securitization Non-Compliance Events may have resulted in defaults and cross-defaults under other agreements to which the Borrower and its Subsidiaries are a party, which consequence may have resulted in defaults under the Credit Agreement. The Borrower has requested the Administrative Agent and the Lenders waive any such defaults.

F. The Lenders are willing to waive certain Defaults and Events of Default under the Credit Agreement and to amend the Schedules to the Credit Agreement and the Security Agreement, subject to the terms and conditions of this Second Amendment.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

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

2. *Defaults and Waiver.* shall mean:

(a) For purposes of this Second Amendment, the "*Existing Defaults*" shall mean:

(i) the Defaults and Events of Default existing on the date hereof under Section 6.03(a), Section 8.01(b), Section 8.01(c), Section 8.01(d) and Section 8.01(e) of the Credit Agreement solely as a result of the Schedule Inaccuracies and the Securitization Non-Compliance Events; and

(ii) the Defaults and Events of Default, including, without limitation, any Default or Event of Default under Section 8.01 (e) of the Credit Agreement, existing on the date hereof arising from any breaches, defaults, events of default or cross-defaults arising solely from the Schedule Inaccuracies and the Securitization Non-Compliance Events under each of the Forex Agreement, the Canadian Credit Facility, the Transaction Documents (as defined in the Permitted Securitization Credit and Security Agreement) and any other agreement to which the Borrower or any of its subsidiaries may be a party, *provided*, that, in the case of any such agreement, the breaches, defaults, events of default or cross defaults arising solely from the Schedule Inaccuracies and the Securitization Non-Compliance Events under such agreement have been cured or have been waived by all parties necessary to effectuate a valid and binding waiver of such breaches, defaults, events of default or cross defaults.

(b) Subject to and upon the terms and conditions hereof, the Lenders hereby waive the Existing Defaults. Without limiting the foregoing, the Lenders agree that no Obligation shall bear interest at the Default Rate, and the Borrower shall not be obligated to pay any such interest, as a result of any Existing Default.

(c) Nothing contained herein shall be deemed a waiver of (or otherwise affect the Administrative Agent's or the Lenders' ability to enforce) any Default or Event of Default (other than the Existing Defaults), including without limitation (i) any Default or Event of Default (other than the Existing Defaults) as may now or hereafter exist and arise from or otherwise be related to the Existing Defaults (including without limitation any cross-default arising under the Credit Agreement (other than the Existing Defaults) by virtue of any matters resulting from the Existing Defaults), and (ii) any Default or Event of Default (other than the Existing Defaults) existing at any time after the Effective Date (as defined below) and which is the same as any of the Existing Defaults.

3. *Amendments to the Credit Agreement.* Schedule 2.01 to the Credit Agreement is amended and restated as set forth on Replacement Schedule 2.01 attached hereto to reflect decreases in each Lender's Commitment resulting from mandatory prepayments made by the Borrower pursuant to the Credit Agreement. Schedules 5.13 and 7.02 to the Credit Agreement are amended and restated as set forth in Replacement Schedules 5.13 and 7.02 attached hereto.

4. *Amendment to the Security Agreement.* Section 4.1 (a) of the Security Agreement is amended to read as follows:

"(a) keep all the Inventory (other than inventory sold in the ordinary course of business or inventory in transit in the ordinary course of business to or between the locations of the Grantor specified in Item A of Schedule I or to purchasers of such inventory) at the places therefor specified in Section 3.1 and the office(s) where it keeps its records concerning the Inventory located at the addresses set forth on Item B of Schedule I or at such other places in a jurisdiction where all representations and warranties set forth in Article III (including Section 3.5) shall be true and correct, and all action required pursuant to Section 4.5 shall have been taken with respect to the Inventory, and to deliver not more than thirty days after the end of each fiscal quarter a report in form and

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substance satisfactory to the Agent which discloses the locations of all places where Inventory is stored; and

5. *Representations and Warranties.* The Borrower hereby represents and warrants, as of the Effective Date (as defined below), to the Administrative Agent and each of the Lenders as follows:

(a) Other than the Existing Defaults, no Default or Event of Default has occurred and is continuing.

(b) The execution, delivery and performance by the Borrower of this Second Amendment 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 Authority) in order to be effective and enforceable. The Credit Agreement as amended by this Second Amendment constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms, without defense, counterclaim or offset except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability whether enforcement is sought in a proceeding at law or in equity.

(c) After giving effect to this Second Amendment, all representations and warranties made by it contained in the Credit Agreement are true and correct as though made on and as of the Effective Date (as defined in Section 6 below) (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; and, with respect to Section 5.13(c) (i), except to the extent disclosed on Schedule 1 hereto).

(d) It is entering into this Second Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Administrative Agent, the Lenders (except for performance of the terms hereof applicable to them) or any other person.

6. *Effective Date.* This Second Amendment will become effective as of the date first written above (the "*Effective Date*"), provided that the Administrative Agent has received each of the following:

(a) an original or facsimile of this Second Amendment, duly executed by the Required Lenders and the Borrower;

(b) a consent and waiver, duly executed by the Borrower, Bank of America, N.A. and Canadian Imperial Bank of Commerce (together with Bank of America, N.A., "*Forex Lenders*") as parties to the Forex Agreement whereby the Forex Lenders shall have consented to the Second Amendment, agreed that any provisions of the Credit Agreement which are incorporated by reference into the Forex Agreement are amended as set forth herein and waived each breach or default arising under the Forex Agreement and all other documents related thereto from the Existing Defaults;

(c) a waiver, duly executed by the Borrower and Royal Bank of Canada as parties to the Canadian Credit Facility whereby such parties shall have waived each breach or default arising under the Canadian Credit Facility and all other documents related thereto from the Existing Defaults; and

(d) a Securitization Waiver, duly executed by each party thereto.

7. *Reservation of Rights.* The Borrower acknowledges and agrees that neither the Administrative Agent's nor the Lenders' forbearance in exercising their rights and remedies in connection with the Existing Defaults nor the execution and delivery by the Administrative Agent

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and the Lenders of this Second Amendment, shall be deemed (i) to create a course of dealing or otherwise obligate the Administrative Agent or the Lenders to forbear or execute similar waivers under the same or similar circumstances in the future or (ii) to waive, relinquish or impair any right of the Administrative Agent or the Lenders to receive any indemnity or similar payment from any person or entity as a result of any matter arising from or relating to the Existing Defaults.

8. *Miscellaneous.*

(a) All terms, covenants and provisions of the Credit Agreement, after giving effect to this Second Amendment, are and shall remain in full force and effect, and all references therein to such Credit Agreement shall henceforth refer to the Credit Agreement as amended by this Waiver and Amendment. This Waiver and Amendment shall be deemed incorporated into, and a part of, the Credit Agreement.

(b) 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.

(c) This Second Amendment shall be governed by, and construed in accordance with, the law of the State of New York made and to be performed entirely within such state; *provided that* the Administrative Lender and each Lender shall retain all rights arising under federal law.

(d) This Second Amendment, together with the Credit 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 Section 10.01 of the Credit Agreement,

(e) This Second Amendment may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

(f) If any term or provision of this Second Amendment is 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 Credit Agreement, respectively.

(g) The Borrower covenants to pay or reimburse the Administrative Agent and the Lenders, upon demand, for all reasonable costs and expenses (including, without limitation, allocated costs of in-house counsel) incurred in connection with the development, preparation, negotiation, execution and delivery of this Second Amendment.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Second Amendment as of the date first above written.

LOUISIANA-PACIFIC CORPORATION, as the Borrower

By: /s/ CURTIS M. STEVENS
Name: Curtis M. Stevens
Title: EVP & CFO

BANK OF AMERICA, N.A., as Administrative Agent, an L/C Issuer and a Lender

By: /s/ MICHAEL BALOK
Name: Michael Balok
Title: Managing Director

ROYAL BANK OF CANADA, as Documentation Agent and a Lender

By: /s/ CHRIS ABE
Name: Chris Abe
Title: Manager

THE BANK OF NOVA SCOTIA, as a Lender

By: /s/ DARYL K. HOGGE
Name: Daryl K. Hogge
Title: Director

WACHOVIA BANK, N.A., as Syndication Agent and a Lender

By: /s/ SHAWN JANKO
Name: Shawn Janko
Title: Vice President

EXPORT DEVELOPMENT CANADA, (formerly known as EXPORT DEVELOPMENT CORPORATION), as a Lender

By: /s/ SAMUEL ASIEDER

Name: Samuel Asieder

Title: Asset Management

By: /s/ ROBERT PELLETIER

Name: Robert Pelletier

Title: Asset Management

**REPLACEMENT SCHEDULE 2.01
COMMITMENTS AND PRO RATA SHARES**

Lender	Commitment	Pro Rata Share
BANK OF AMERICA, N.A.	\$ 49,320,628.21	26.315789478%
WACHOVIA BANK, N.A.	\$ 49,320,628.20	26.315789472%
ROYAL BANK OF CANADA	\$ 49,320,628.20	26.315789472%
TAE BANK OF NOVA SCOTIA	\$ 29,592,376.92	15.789473683%
EXPORT DEVELOPMENT CANADA	\$ 9,864,125.64	5.263157894%
TOTAL	\$ 187,418,387.17	100.0000000%

**REPLACEMENT SCHEDULE 5.13
5.13(c) ERISA Compliance**

The Company sponsors the Louisiana-Pacific Corporation Retirement Account Plan. Originally this was a defined benefit pension plan covering certain hourly employees of LP. Effective January 1, 2000, this was converted to a cash balance plan covering most non-bargained employees. As of January 1, 2002, on an ongoing basis, the Plan has a surplus of approximately \$1,000,000. As of January 1, 2002, on a plan termination basis, the Plan has an unfunded liability of approximately \$29,000,000.

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, 2002, on an ongoing basis, the Plan has a surplus of approximately \$1,000,000. As of January 1, 2002, on a plan termination basis, the Plan has an unfunded liability of approximately \$14,000,000.

**SCHEDULE 7.02
EXISTING INVESTMENTS(1)
LOUISIANA-PACIFIC CORPORATION**

(1) Investments listed on this schedule that apply to wholly-owned Foreign Subsidiaries are listed to indicate that such existing investments do not count towards the \$50,000,000 limit on investments in Foreign Subsidiaries contained in Section 7.02(j) of the Credit Agreement.

Guaranties

1. All guaranties listed on Schedule 7.03

Joint Venture Arrangements

2. Bridge loan to Samoa Pacific Cellulose, LLC ("Samoa"), pursuant to the Bridge Loan Agreement between Samoa and Louisiana-Pacific Corporation ("LPC"), dated February 21, 2001.
3. Investment in Louisiana-Pacific Coillte Ireland pursuant to the Joint Venture Agreement between LPC and Coillte Teorantia, dated September 14, 1993 or otherwise.
4. Investment in Louisiana-Pacific Chile S.A, pursuant to the Joint Venture Agreement entered into May 21, 1999 among Bomasil S.A., LPC and Louisiana-Pacific South America S.A. otherwise.

Foreign Subsidiaries

5. Louisiana-Pacific Canada Pulp Co.
6. 3047525 Nova Scotia Company

7. 3047526 Nova Scotia Company
8. Louisiana-Pacific Canada Ltd.
9. Louisiana-Pacific B.C. Forest Products Limited
10. LP Engineered Wood Products Ltd.
11. Louisiana Pacific de Mexico, S.A. de C.V.
12. Louisiana-Pacific, S.A. de C.V.
13. Louisiana-Pacific Coillte Ireland Limited
14. L-P Foreign Sales Corporation
15. Louisiana-Pacific South America S.A.

Other Investments

16. Investment in LP Receivables Corporation
 17. Investment in LPS Corporation
 18. Investment in Louisiana-Pacific Timber Company
 19. Timber Notes Receivables
 20. Loans to executive officers and other executives under the Executive Loan Program for the purchase of the Borrower's Common Stock
-

LOUISIANA-PACIFIC CANADA LTD.

Joint Venture Arrangements

1. Investment in Slocan-LP OSB Corp. ("Slocan"; formerly known as 600720 B.C. Ltd.) pursuant to the Shareholders Agreement among Slocan Forest Products Ltd., Louisiana-Pacific Canada Ltd. and Slocan, dated June 23, 2000 or otherwise.

Subsidiaries

2. Louisiana-Pacific B.C. Forest Products Limited
3. LP Engineered Wood Products Ltd.

LOUISIANA-PACIFIC TIMBER COMPANY

Investment in L-PSPV, Inc.

LPS CORPORATION

Investment in Samoa Pacific Cellulose

Investment in LPS II Corporation

Investment in L-P Redwood, LLC

LPS II CORPORATION

Investment in Samoa Pacific Cellulose

L-P REDWOOD,-LLC

Investment in L-P SPV2, LLC

GREENSTONE INDUSTRIES, INC.

Investment in US Green Fiber LLC pursuant to the Limited Liability Company Agreement of US Green Fiber LLC or otherwise.

LOUISIANA-PACIFIC LIMITED PARTNERSHIP

Subsidiary

Louisiana-Pacific Canada Ltd.

3047525 NOVA SCOTIA COMPANY

Subsidiary

Investment in Louisiana-Pacific Limited Partnership.

3047526 NOVA SCOTIA COMPANY

Subsidiary

Louisiana-Pacific Limited Partnership

LOUISIANA-PACIFIC SOUTH AMERICA S.A.

Subsidiary

Louisiana-Pacific Chile, S.A.

INVESTMENTS IN FORM OF INTER-COMPANY LOANS

Investments in form of inter-company indebtedness, as listed on Exhibit C to Schedule 7.03.

SCHEDULE 1

On May 4, 2002, the Company announced a program of facility sales and closures that to the extent implemented may result in a reduction under ERISA Section 4043(c)(3) of more than 24 percent of the active participants in 2002 or 2003, or more than 25 percent of the active participants in 2002 and 2003, in either or both of the Louisiana-Pacific Corporation Retirement Account Plan or the ABTco. Inc. Retirement Plan.

As such, it would be a Reportable Event, unless the 30 day notice period has been waived under 29 CFR Section 4043.23(c)(2) or (3). It is not presently known whether either such waiver will apply and thus it is not presently certain that either such event would be a Reportable Event under the Credit Agreement. Such participant reductions may constitute a partial termination of either or both such Plans, in which event the affected participants must under tax qualified plan law be vested to the extent their benefits are funded. The Company has decided to fully vest the affected participants who are not already vested, by Plan amendment, instead of incurring the substantial administrative expenses and uncertainties of a vesting to the extent funded determination.

QuickLinks

[Exhibit 10.3](#)

[WAIVER AND SECOND AMENDMENT](#)

[RECITALS](#)

[REPLACEMENT SCHEDULE 2.01 COMMITMENTS AND PRO RATA SHARES](#)

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[SCHEDULE 7.02 EXISTING INVESTMENTS\(1\) LOUISIANA-PACIFIC CORPORATION](#)

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[INVESTMENTS IN FORM OF INTER-COMPANY LOANS](#)

[SCHEDULE 1](#)

THIRD AMENDMENT

THIS THIRD AMENDMENT (this "*Third Amendment*"), dated as of August 2, 2002, is entered into by and among LOUISIANA-PACIFIC CORPORATION, a Delaware corporation (the "*Borrower*"), BANK OF AMERICA, N.A., as agent for the Lenders (the "*Administrative Agent*") and those financial institutions parties to the Credit Agreement as defined below (collectively, the "*Lenders*") signatory hereto.

RECITALS

A. The Borrower, the Lenders and the Administrative Agent are parties to a Credit Agreement dated as of November 15, 2001 (as amended or modified from time to time, the "*Credit Agreement*"), pursuant to which the Administrative Agent and the Lenders have extended certain credit facilities to the Borrower.

B. The Borrower has asked the Lenders to permanently reduce the Aggregate Commitments and to amend the Credit Agreement in certain respects, and subject to the terms and conditions of this Third Amendment, the Lenders have agreed to do so.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

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

2. *Amendment to Credit Agreement.*

(a) The Credit Agreement (exclusive of Schedules and Exhibits other than as specifically amended herein) is hereby amended to read as shown on the version of the Credit Agreement attached hereto as Exhibit A.

(b) Schedule 2.01 to the Credit Agreement is hereby amended and restated as set forth on Replacement Schedule 2.01 attached hereto. The Lenders hereby waive the required notice and reduction amount restrictions set forth in clauses "(i)" and "(ii)" of the first sentence of Section 2.06. The Borrower acknowledges and agrees that the Lenders are waiving the required notice and reduction amount restrictions solely in connection with Commitment reduction effected by this Third Amendment.

(c) Schedule 5.13 to the Credit Agreement is hereby amended and restated as set forth on Replacement Schedule 5.13 attached hereto.

3. *Representations and Warranties.* The Borrower hereby represents and warrants, as of the Effective Date (as defined in Section 5 below), to the Administrative Agent and each of the Lenders as follows:

(a) No Default or Event of Default has occurred and is continuing.

(b) The execution, delivery and performance by the Borrower of this Third Amendment 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 Authority) in order to be effective and enforceable. The Credit Agreement as amended by this Third Amendment constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms, without defense, counterclaim or offset except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability whether enforcement is sought in a proceeding at law or in equity.

(c) After giving effect to this Third Amendment, all representations and warranties made by it contained in the Credit Agreement are true and correct as though made on and as of the Effective Date (as defined in Section 5 below) (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 Third Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Administrative Agent, any Lender (except for performance of the terms hereof applicable to them) or any other person.

4. *Amendment Fee.* In consideration of the execution of this Third Amendment, the Borrower agrees to pay, as a condition to the effectiveness of this Third Amendment, to the Administrative Agent (i) for the benefit of each Lender, an amendment fee equal to 0.25 % of the Commitment of each such Lender and (ii) such other fees for the benefit of the Administrative Agent or Banc of America Securities LLC as may be agreed in a separate agreement between the Borrower and such parties.

5. *Effective Date.* The amendments set forth in paragraph 2 hereof shall become effective as of the date each of the following conditions has been fulfilled to the satisfaction of the Lenders or waived by the Lenders (the "*Effective Date*"):

(a) *Opinions of Borrower's Counsel.* Administrative Agent shall have received opinions satisfactory to it from counsel for the Borrower covering such matters incident to the transactions described herein as Administrative Agent may reasonably request. Such opinions shall be addressed to the Lenders, shall be dated as of the Effective Date, and shall be otherwise satisfactory in substance and form to Administrative Agent and Administrative Agent's counsel.

(b) *Costs and Expenses.* The Borrower shall have paid all accrued and unpaid fees, costs and expenses to the extent then due and payable under the Loan Documents at the Effective Date, together with reasonable Attorney Costs of BofA to the extent invoiced prior to or at the Effective Date, together with such additional reasonable amounts of Attorney Costs as shall constitute BOA'S estimate of reasonable Attorney Costs incurred or to be incurred through; the closing proceedings, *provided* that such estimate shall not thereafter preclude final settling of accounts between the Borrower and BofA.

(c) *Proceedings.* All proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incident thereto shall be satisfactory in substance and form to Administrative Agent, and Administrative Agent shall have received all such counterpart originals or certified or other copies of such documents as Administrative Agent may reasonably request.

(d) *Lenders.* Administrative Agent shall have received executed counterparts of this Third Amendment from all of the Lenders.

(e) *Payment of Fee.* Administrative Agent shall have received payment in full in immediately available funds of the amendment fee referenced in Section 4 above.

(f) *Borrowing Base Certificate.* The Borrower shall have executed and delivered to the Administrative Agent a Borrowing Base Certificate substantially in the form of Exhibit B attached hereto showing that, after giving effect to the Third Amendment, the Outstanding Amount will not exceed the sum of the Cash Collateral and the Collateral Value of the Borrowing Base.

(g) *Forex Obligations.* Bank of America, N.A. and Canadian Imperial Bank of Commerce as parties to the Forex Agreement shall have consented to this Third Amendment and shall have agreed that any provisions of the Credit Agreement which are incorporated by reference into the Forex Agreement are amended as set forth herein.

6. *Miscellaneous.*

(a) All terms, covenants and provisions of the Credit Agreement, after giving effect to this Third Amendment, are and shall remain in full force and effect, and all references therein and in the other Loan Documents to the Credit Agreement shall henceforth refer to the Credit Agreement as amended by this Third Amendment. This Third Amendment shall be deemed incorporated into, and a part of, the Credit Agreement.

(b) This Third 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 Third Amendment.

(c) This Third Amendment 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.

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

(e) This Third Amendment, together with the Credit Agreement, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Third Amendment supersedes all prior drafts and communications with respect thereto. This Third Amendment may not be amended except in accordance with the provisions of Section 10.01 of the Credit Agreement.

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

(g) The Borrower hereby covenants to pay or to reimburse the Administrative Agent and the Lenders, upon demand, for all reasonable costs and expenses (including, without limitation, allocated costs of in-house counsel) incurred in connection with the development, preparation, negotiation, execution and delivery of this Third Amendment.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Third Amendment as of the date first above written.

LOUISIANA-PACIFIC CORPORATION, as the Borrower

By: /s/ Curtis M. Stevens

Name: Curtis M. Stevens

Title: EVP, Administration and CFO

BANK OF AMERICA, N.A., as Administrative Agent, an L/C Issuer
and a Lender

By: /s/ Michael Balok

Name: Michael Balok

Title: Managing Director

WACHOVIA BANK, N.A., as Syndication Agent and a Lender

By: /s/ Shawn Janko

Name: Shawn Janko

Title: Vice President

ROYAL BANK OF CANADA, as Documentation Agent and a Lender

By: /s/ Chris Abe

Name: Chris Abe

Title: Manager

THE BANK OF NOVA SCOTIA, as Lender

By: /s/ Daryl K. Hogge

Name: Daryl K. Hogge

Title: Director

EXPORT DEVELOPMENT CANADA, (formerly known as EXPORT DEVELOPMENT CORPORATION), as a Lender

By: /s/ William Clements

Name: William Clements

Title: RMO Asset Management

By: /s/ Vito Di Turi CA

Name: Vito Di Turi CA

Title: Asset Management

EXHIBIT A

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*.

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"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 $\frac{1}{2}$ 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.

"Binding Commitment Date" means (i) with respect to a Tender Offer Payment made pursuant to a tender offer, the date which is 10 Business Days prior to the date such tender offer is commenced, (ii) with respect to a Tender Offer Payment made pursuant to a redemption, the date which is 10 Business Days prior to the date on which the Borrower gives notice of the redemption of the applicable notes to the applicable indenture trustee and/or the holders thereof, (iii) with respect to all other Tender Offer Payments, the date on which a binding commitment to make such payment is made and which Tender Offer Payments are made within 2 Business Days of the date on which such binding commitment is made, (iv) with respect to a Market Order Payment made in connection with a Market Order constituting an instruction delivered by Borrower, the date on which the Borrower delivers such Market Order to a broker, dealer or other intermediary (which Market Order shall not be valid for more than 30 days thereafter and which Market Order shall specify the maximum Dollar amount of notes to be purchased pursuant thereto), (v) with respect to a Market Order Payment made in connection with Market Order constituting one or more offers to sell presented to the Borrower, the first day of a period of 10 consecutive Business Days during which the Borrower may make such Market Order Payments, (vi) with respect to a Permitted Repayment or Forex Payment, the date which is the date on which a binding commitment to make such payment is made, (vii) with respect to a purchase of Replacement Assets, the date which is 2 Business Days prior to the date on which a binding commitment to purchase such Replacement Assets is made, and (viii) with respect to a Capital Expenditure, the date which is 2 Business Days prior to the date on which a binding commitment to make such Capital Expenditure is made.

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

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"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.

"Borrowing Base Certificate" means a certificate substantially in the form attached to the Third Amendment as Exhibit B, certified as true and correct by a Responsible Officer of the Borrower.

"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 Expenditure" means a capital expenditure to construct or improve Core Assets.

"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(c).

"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, 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, subject to immaterial administrative costs of the institution holding such 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; (f) money market funds that are rated "AAm" by S&P and "Aam" by Moody's or higher; and (g) auction rate securities with an "A" rating or better from any major rating agency.

"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.

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"Collateral" means (a) all Cash Collateral and Restricted 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 Documents" means, collectively, all documents with respect to Cash Collateral and Restricted 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, but excluding any such document the Lien of which has been released with respect to all Collateral encumbered thereby in accordance with Section 2.14.

"Collateral Value of the Borrowing Base" shall mean at any date the sum of:

(a) The lesser of (1) the aggregate outstanding balances due under all Eligible Accounts at such date multiplied by 60% and (2) \$75,000,000.00; plus

(b) The lesser of: (1) 40% of the book value of all Eligible Inventory at such date, and (2) \$75,000,000.00; plus

(c) Fifty percent (50%) of the Deemed Mortgage Property Value; plus

(d) One hundred percent (100%) of the amount of any Restricted Cash Collateral; provided, however, that in the calculation of the Collateral Value of the Borrowing Base in connection with the making of any Credit Extension, the aggregate without duplication of any Requested Amounts which are not Released Amounts shall be deducted from the amount of Restricted Cash Collateral used in such calculation (it being understood that Released Amounts, notwithstanding the fact that they may remain deposited in the Restricted Cash Collateral Account, do not constitute Restricted Cash Collateral and would not be included in the calculation of Restricted Cash Collateral in any event).

"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.

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"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, but excluding, in each case, the Forex Obligations and the Installment Notes (as defined in the Forex Obligation) to the extent cash or Cash Equivalents have been pledged to secure or deposited to provide for the payment of either the Forex Obligations or such Installment Notes, 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 or created for the consummation of a Note Financing, but only to the extent that such Indebtedness is Non-Recourse (by virtue of clause (a) in the definition of such term) 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 each of the Timber Notes Receivable and the Purchase Money Notes, up to the amount, if any, that the interest expense in such period on the senior notes secured by the Timber Notes Receivable or the Note Financing secured by such Purchase Money Notes, as applicable, 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 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, (ii) up to \$100,000,000 (in the aggregate) in non-cash items and non-cash gains or losses arising from Permitted Dispositions, (iii) up to \$10,000,000 in cash losses associated with the closure of the pulp mill located in Chetwynd, British Columbia, and (iv) all non-cash charges related to FASB 142 adjustments.

"*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.

"*Core Assets*" shall have the meaning given such term in Section 7.05(l).

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"*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 F*, 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 herewith, but excluding any such Deed of Trust or any such deed of trust, mortgage, or similar instrument the Lien of which has been released with respect to all Collateral encumbered thereby in accordance with Section 2.14.

"*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

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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 Account*" shall mean an account receivable of the Borrower (net of any credit balance, trade discount, or unbilled amount or retention) for which each of the following statements is accurate (and the Borrower by including such account receivable in any Borrowing Base Certificate shall be deemed to represent and warrant to the Administrative Agent and the Lenders the accuracy of such statements as of the date of such Borrowing Base Certificate):

(a) Said account receivable is a binding and valid obligation of the obligor thereon, in full force and effect and enforceable in accordance with its terms (except as may be limited by Debtor Relief Laws or by general equitable principles (whether enforcement is sought by proceedings in law or equity)) and Administrative Agent for the benefit of the Lenders has a first priority perfected security interest in such account receivable pursuant to a security agreement in form and substance satisfactory to the Lenders (except for Liens permitted under *Section 7.01(c)* and *Section 7.01(d)*);

(b) Said account receivable is derived from sales made or services rendered to the obligor thereunder in the ordinary course of the Borrower's business;

(c) Said account receivable is free of all default by the obligor thereunder, counterclaims, offsets and defenses and from any rescission, cancellation or avoidance, whether by operation of law or otherwise;

(d) Said account receivable is free and clear of all Liens except in favor of the Administrative Agent and except for Liens permitted under *Section 7.01(c)* and *Section 7.01(d)* ;

(e) The obligor on said account receivable (1) is located within the United States of America, the District of Columbia, or, if not so located, is covered by Eximbank insurance, other insurance acceptable to the Administrative Agent in its sole discretion, or a letter of credit in form and substance acceptable to the Administrative Agent, which letter of credit names the Administrative Agent as the beneficiary or which, if issued in favor of the Borrower has been assigned to the Administrative Agent for the benefit of the Lenders; (2) is not the subject of any pending bankruptcy or insolvency proceeding, does not have a trustee or receiver currently appointed for all or a substantial part of its property, is not currently subject to an assignment for the benefit of creditors, a written admission of its inability to pay its debts as they mature or a suspension of its business; (3) is not a federal governmental department, commission, board, bureau or agency; and (4) is not an Affiliate of the Borrower.

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

"*Eligible Inventory*" shall mean Inventory owned by the Borrower or its Subsidiaries as defined in the New York Uniform Commercial Code in which Lender has a first priority perfected security interest pursuant to a security agreement in form and substance satisfactory to the Lenders, free and clear of all Liens, except for Liens permitted under *Section 7.01(c)* and *Section 7.01(d)* (and the Borrower by including such Inventory in any Borrowing Base Certificate shall be deemed to represent and to warrant to the Administrative Agent and the Lenders as of the date of such Borrowing Base Certificate the conformity of such Eligible Inventory with this definition).

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"*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 (c) 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:

Eurodollar Base Rate

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

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(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).

"Exchange Value" has the meaning specified in Section 7.05(k)(iii).

"Excess Released Amount" has the meaning specified in Section 2.14(f).

"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.

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"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, (b) the Second Amendment to Standby Purchase and Note Support Agreement dated as of November 15, 2001, (c) the Consent and Third Amendment to Standby Purchase and Note Support Agreement dated as of December 30, 2001, and (d) the Waiver and Fourth Amendment to Standby Purchase and Note Support Agreement dated as of July 23, 2002.

"Forex Obligation" means the Borrower's obligations under the Forex Agreement.

"Forex Payment" means a payment or pledge of cash or Cash Equivalents by Borrower or Louisiana-Pacific Canada Ltd. to pay, perform, redeem, purchase or secure (with a first priority Lien, subject to immaterial administrative costs of the institution holding such collateral) in whole or in part the Forex Obligation or the Installment Notes (as defined in the Forex Agreement), as the case may be, together with any tender offer, redemption, purchase price or prepayment premiums, make-whole payments, accelerated fees and other prepayment charges required to be paid in connection therewith and any legal fees, financial advisory fees and other transaction costs incurred by the Borrower or a Subsidiary in connection therewith, or a reimbursement to the Borrower for such amounts paid by Louisiana-Pacific Canada Ltd. after the date on which a Permitted Disposition has occurred. Any such pledge shall be made pursuant to a security agreement and other documentation reasonably acceptable to Administrative Agent and the Required Lenders in their reasonable discretion and be accompanied by a legal opinion(s) to Administrative Agent in form and substance reasonably satisfactory thereto relating to such pledge and such other matters as Administrative Agent may reasonably request, which opinion(s) shall be rendered by United States and/or Canadian counsel, as may be reasonably required by Administrative Agent.

"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;

(f) Capital Lease Obligations and Synthetic Lease Obligations; and

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(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*.

"*Indemnites*" 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 Coverage Ratio for the Relevant Period*" means, as of any date of determination (a "*Determination Date*"), for the Borrower and its Subsidiaries on a consolidated basis, the ratio of (a) Consolidated EBITDDA to (b) Consolidated Interest Charges, calculated on a consolidated basis for the most recent four fiscal quarter period ending on or before the Determination Date (the "*Relevant Period*") and after giving pro forma effect (i) in the calculation of Consolidated EBITDDA, to any Permitted Dispositions made on or after the first day of the Relevant Period through and including the Determination Date, any Projected Replacement Asset EBITDDA and any Projected Capital Expenditure EBITDDA and (ii) in the case of calculation of Consolidated Interest Charges, (A) to any Permitted Debt Payment (excluding Forex Payments which constitute the pledge of cash or Cash Equivalents for the Forex Obligations) made on or after the first day of the Relevant Period through and including the Determination Date and (B) to assumed Permitted Debt Payments in an aggregate principal amount equal to the amounts on deposit in the Restricted Cash Collateral Account and the Segregated Account as of the Determination Date, assuming that such assumed Permitted Debt Payments bear interest at a rate per annum equal to the weighted average of the interest rates accruing on the then outstanding notes issued pursuant to the Indentures, provided that the Borrower shall not be entitled to make such assumption to the extent that the Borrower would be permitted, as of the Determination Date, to use any portion of such amounts on deposit under Sections 2.14(b)(ii)(D)(y) and 2.14(b)(ii)(E)(y) for Capital Expenditures and the purchase of Replacement Assets (it being understood that the Borrower shall be entitled to assume such Permitted Debt Payments regardless of whether the Borrower anticipates, as of the Determination Date, actually making such Permitted Debt Payments), in all cases as if such Permitted Payment or Permitted Disposition occurred as of the first day of the Relevant Period.

"*Interest Coverage Compliance Certificate*" means a certificate substantially in the form attached to the Third Amendment as Exhibit C.

"*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.

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"*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

(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

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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.

"Market Order" shall mean any instruction delivered by the Borrower to a broker, dealer or other intermediary to offer to purchase any the notes issued pursuant to the Indentures in the market for the Borrower's account or any offer to sell any the notes issued pursuant to the Indentures in the market presented to the Borrower by any broker, dealer or other intermediary which, upon acceptance by the Borrower, would result in the Borrower being entitled to purchase the notes subject thereto for its account.

"Market Order Payment" shall mean the market price offered or accepted by the Borrower for the notes subject to the Market Order, plus any incidental and customary broker, dealer or other

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intermediary transaction costs incurred by the Borrower that are typically associated with open market transactions.

"*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 (if any) subject to a Lien pursuant to the Deed of Trust (if any) 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, (d) income taxes payable on account of such Disposition, and (e) amounts received by such Person in respect of current assets, which amount shall not exceed the book value of such current assets.

"*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-Core Assets*" shall have the meaning given such term in *Section 7.05(j)*.

"*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)*.

"*Note Financing*" means Indebtedness of the Borrower or a Subsidiary of Borrower incurred in connection with a Purchase Money Note in a principal amount not in excess of the principal amount of such Purchase Money Note, which Indebtedness is secured by a Purchase Money Note, or any Guaranty Obligation of such Indebtedness, which in either case is created pursuant to an arms-length transaction with a Person who is not an Affiliate of Borrower.

"*Note Financing Subsidiary*" means a wholly owned Subsidiary of Borrower or of a wholly Subsidiary of Borrower which is created to facilitate a Note Financing and whose only material assets are the related Purchase Money Note, the related transaction documents and the rights and claims associated therewith, or equity ownership of a Subsidiary which owns such Purchase Money Note.

"*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.

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

"Permitted Core Asset Disposition" has the meaning specified in Section 7.05(l).

"Permitted Debt Payment" means any Permitted Payment (other than any purchase of Replacement Assets and any Capital Expenditure).

"Permitted Disposition" means a Permitted Core Asset Disposition or a Permitted Non-Core Asset Disposition.

"Permitted Non-Core Asset Disposition" has the meaning specified in Section 7.05(j).

"Permitted Payment" shall mean any of a Forex Payment, Permitted Repayment, Market Order Payment, Tender Offer Payment, purchase of Replacement Assets or Capital Expenditure.

"Permitted Repayment" means (i) a payment in whole or in part of outstanding principal or accrued but unpaid interest under (a) the Permitted Securitization, (b) any of the notes issued pursuant to the Indentures at their stated maturities but excluding any Tender Offer Payment or a Market Order Payment, (c) the Obligations in connection with a reduction of the Aggregate Commitments pursuant to Section 2.06 in the amount equal to the portion of such payment constituting a payment of principal, which reduction shall not be required if the Obligations are paid pursuant to Section 2.04 in connection with, and to permit a Tender Offer Payment or Market Order Payment, or (d) other Indebtedness permitted under Section 7.03, or (ii) a payment of unfunded reserves referred to in Section (a)(iii) of the definition of "Consolidated Funded Indebtedness," together with, in each case, any tender offer, redemption, purchase price or prepayment premiums, make-whole payments, accelerated fees and other prepayment charges required to be paid in connection therewith and any legal fees, financial advisory fees and other transaction costs incurred by the Borrower or a Subsidiary in connection therewith.

"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.

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"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.

"Projected Capital Expenditure EBITDDA" shall mean, as of any date of calculation of the Interest Coverage Ratio in connection with any release of Restricted Cash Collateral, projected EBITDDA attributable to any Capital Expenditure with respect to which the Borrower has presented invoices or

other evidence satisfactory to the Administrative Agent, with such projected calculation being approved by Required Lenders.

"*Projected Replacement Asset EBITDDA*" shall mean, as of any date of calculation of the Interest Coverage Ratio in connection with any release of Restricted Cash Collateral, EBITDDA attributable to any Replacement Asset with respect to which a letter of intent to purchase, purchase agreement or other similar document has been entered into by Borrower and the seller of such Replacement Asset, calculated either (i) based on historical EBITDDA of such Replacement Asset, with such historical calculation being acceptable to Administrative Agent in its sole discretion or (ii) based on projected EBITDDA of such Replacement Asset, with such projected calculation being approved by Required Lenders.

"*Purchase Money Note*" means Indebtedness owed to the Borrower or a Subsidiary of Borrower by the buyer of assets disposed of in connection with a Permitted Disposition as consideration in whole or in part for the purchase of such assets.

"*Quarterly Timber Report*" has the meaning specified in *Section 6.01(d)*.

"*Register*" has the meaning specified in *Section 10.07(c)*.

"*Release Request*" has the meaning specified in *Section 2.14(b)(ii)*.

"*Released Amount*" has the meaning specified in *Section 2.14(b)(ii)*.

"*Replacement Assets*" means either (a) Core Assets or (b) 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 all or substantially all of whose assets are Core Assets and 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.

"*Requested Amount*" has the meaning specified in *Section 2.14(b)(ii)*.

"*Requested Release Date*" has the meaning specified in *Section 2.14(b)(ii)*.

"*Required Lenders*" means, as of any date of determination, Lenders whose Voting Percentages aggregate more than 66²/₃%.

"*Required Lenders Request*" has the meaning specified in *Section 2.14(b)(ii)*.

"*Relevant Period*" shall have the meaning given such term in the definition of "Interest Coverage Ratio for the Relevant Period."

"*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 Cash Collateral*" means all cash or Cash Equivalents from time to time deposited into the Restricted Cash Collateral Account.

"*Restricted Cash Collateral Account*" means, if no Default or Event of Default has occurred and is continuing, at the Borrower's option, (x) a blocked deposit account at Bank of America and (y) investment accounts at Bank of America, another Lender, or an Affiliate of either invested in such other Cash Equivalents as directed by the Borrower (provided that at least fifty percent (50%) of the aggregate amount held in all such investment accounts from time to time must be held in investment accounts at Bank of America or an Affiliate thereof), or if a Default or Event of Default has occurred and is continuing, a blocked non-interest bearing account at Bank of America, into which Net Disposition Proceeds of Permitted Dispositions shall be deposited in accordance with, and to the extent required by, Section 2.05(b), which accounts shall be established pursuant to the Restricted Cash Collateral Agreements and in which the Administrative Agent shall have a perfected, first priority security interest, subject to immaterial administrative costs of the institution holding such collateral.

"*Restricted Cash Collateral Agreements*" means a security agreement, account control agreements or other documents relating to any other account which is a Restricted Cash Collateral Account as the Administrative Agent may require in order to cause Administrative Agent to have a perfected first priority security interest therein. Such documents shall be in form and substance satisfactory to Administrative Agent in its sole discretion and be accompanied by legal opinion(s) to Administrative Agent in form and substance satisfactory thereto relating to the security interest granted therein and such other matters as Administrative Agent may request, which opinion(s) shall be rendered by United States and/or Canadian counsel, as may be required by Administrative Agent.

"*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.

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"*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.

"*Segregated Account*" has the meaning specified in *Section 2.05(b)*.

"*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.

"*Settlement Reimbursement Payment*" means any Released Amounts that are released to reimburse the Borrower for Permitted Repayments described in clause (ii) of the definition thereof paid by the Borrower after the date on which a Permitted Disposition has occurred.

"*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, (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, (c) up to \$100,000,000 (in the aggregate) in non-cash items and non-cash gains or losses arising from Permitted Dispositions and (d) all non-cash charges related to FASB 142 adjustments.

"*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.

"*Specified Assets*" shall have the meaning given such term in *Section 7.05(a)(ii)*.

"*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,

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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.

"*Target Date*" has the meaning specified in Section 2.14(b)(ii)(D).

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

"*Tender Offer Payment*" shall mean any payment of principal or interest pursuant to a tender offer, redemption or other purchase, prepayment or defeasance prior to their stated maturity of amounts outstanding under any the notes issued pursuant to the Indentures (other than a Market

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Order Payment), together with any tender offer, redemption, purchase price or prepayment premiums, make-whole payments, accelerated fees and other prepayment charges required to be paid in connection therewith and any legal fees, financial advisory fees and other transaction costs incurred by the Borrower in connection therewith.

"*Third Amendment*" means the Third Amendment to Credit Agreement among the Borrower, the Agent and the Lenders dated as of August 2, 2002.

"*Third Amendment Effective Date*" means the "Effective Date" as defined in the Third Amendment.

"*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.

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(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 lesser of (x) the Aggregate Commitments and (y) the sum of the Cash Collateral and the Collateral Value of the Borrowing Base, 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 lesser of the Aggregate Commitments and the sum of Cash Collateral and the Collateral Value of the Borrowing Base, (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

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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

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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.

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(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:

(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

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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 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) $\frac{1}{8}$ 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; Cash Collateral and Restricted Cash Collateral.

(a) If for any reason on any date the Outstanding Amount of all Loans and L/C Obligations at any time exceeds the lesser of (x) the Aggregate Commitments then in effect and (y) the sum of the Cash Collateral and the Collateral Value of the Borrowing Base on such date, 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 Permitted Disposition, then (i) the Borrower shall promptly notify the Administrative Agent of the consummation of such Permitted Disposition (including the amount of the estimated Net Disposition Proceeds to be received by the Borrower or such Subsidiary), (ii) and, subject to the second sentence of this Section 2.05(b), immediately upon receipt thereof, deposit or cause to be deposited such Net Disposition Proceeds in the Restricted Cash Collateral Account. The Borrower shall not be required to deposit Net Disposition Proceeds from Permitted Dispositions made at any time when the Restricted Cash Collateral equals or exceeds the Aggregate Commitments; provided that all Net Disposition Proceeds of such Permitted Dispositions shall be placed in a segregated account (the "*Segregated Account*") and shall only be used for Permitted Payments to the extent such Permitted Payments would be permitted to be made under Section 2.14(b) if such Net Disposition Proceeds were Restricted Cash Collateral. Notwithstanding anything to the contrary herein or in any Restricted Cash Collateral Agreements, the Borrower shall be entitled to transfer, at any time, any amounts on deposit in the Restricted Cash Collateral Account which exceed the Aggregate Commitments at such time to the Segregated Account. Any such excess amounts so transferred from the Restricted Cash Collateral Account shall be free and clear of any Lien in favor of the Administrative Agent and such transfer of such excess amounts shall constitute evidence of the release of the Administrative Agent's Lien on such excess amounts.

(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 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.

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(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(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 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 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 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. Direction to Agent and Wire Instructions re Disbursement of Proceeds of Initial Loan 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

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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

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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 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; Release of Collateral.

(a) At all times after the Closing Date, the Obligations shall be secured in accordance with the Collateral Documents and this Agreement. In connection with the pledge of any Collateral which is included in the calculation of the Collateral Value of the Borrowing Base as reflected in a duly executed Borrowing Base Certificate delivered by the Borrower, the Borrower will from time to time execute or cause to be executed such security agreements, control agreements and any other documents incident to the granting or perfection of the Lien in such Collateral as Administrative Agent may reasonably request and any such documents will be "Collateral Documents" hereunder. Any pledge of new Mortgaged Property shall be subject to all of the conditions set forth in this Agreement relating to Mortgaged Property including those set forth in Section 4.01 (except that, in the case of Section 4.01(viii)(B), such appraisal reports shall show that the value of such Mortgaged Property, to the extent included in the Collateral Value of the Borrowing Base, causes the sum of the Cash Collateral and the Collateral Value of the Borrowing Base after inclusion of such Mortgaged Property to equal or exceed the aggregate Outstanding Amount of all Loans and L/C Obligations).

(b)

(i) From time to time, the Borrower may request in writing that the Administrative Agent release its Lien on any portion of the Collateral (other than Restricted Cash Collateral and Cash Collateral). The Administrative Agent shall release such Lien on such Collateral, *provided* that:

(A) As of the date of such requested release, no Default or Event of Default exists or will occur as a result of such release (including any Default or Event of Default under Section 2.05(a) (shortfall in Collateral Value of Borrowing Base), calculated as of the date of such release both before and after giving effect thereto as set forth in a Borrowing Base Certificate certified by a Responsible Officer of the Borrower);

(B) With respect to release of any Collateral which is Collateral (as defined in the Security Agreement), the inventory Lien securing the Forex Obligation has been terminated as to the portion of such Collateral being released and either (x) the principal balance of the Restricted Cash Collateral Account is at least \$30,000,000.00 as of the date of such requested release or (y) the Interest Coverage Ratio for the Relevant Period as of the date of such requested release is at least 2.0:1.00, as evidenced by an Interest Coverage Compliance Certificate;

(C) With respect to release of Collateral which is not Collateral (as defined in the Security Agreement) or Mortgaged Property, the Interest Coverage Ratio for the Relevant Period as of the date of such requested release is at least 2.0:1.00, as evidenced by an Interest Coverage Compliance Certificate;

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(D) With respect to release of Collateral which is Mortgaged Property, on the date of such requested release, new Collateral not currently pledged to Administrative Agent is pledged to Administrative Agent (which shall include Net Disposition Proceeds from the Disposition of the Mortgaged Property so released to the extent that the pledge of such Net Disposition Proceeds is required pursuant to Section 2.05(b)), which new Collateral if valued as if it were to be included in the Collateral Value of the Borrowing Base would have a value at least equal to the Deemed Mortgaged Property Value of the Mortgaged Property being released as such Mortgaged Property would be valued if included in the Collateral Value of the Borrowing Base;

(ii) From time to time, but not more than monthly in connection with Settlement Reimbursement Payments, the Borrower may request in writing that the Administrative Agent release its Lien on any portion of Restricted Cash Collateral in connection with a Permitted Payment. In such request (a "Release Request"), the Borrower shall specify the type of Permitted Payment, the amount of such Restricted Cash Collateral to be released ("Requested Amount"), the date of such release, which date shall be no earlier than the Binding Commitment Date applicable to the type of Permitted Payment (the "Requested Release Date"), and a detailed description of the intended transaction, and the Borrower shall submit an Interest Coverage Compliance Certificate and a Borrowing Base Certificate, each calculated as of the date the Release Request is submitted. The Borrower shall submit the Release Request to the Administrative Agent, not later than 9:00 a.m., San Francisco time (i) on the day which is nine Business Days prior to the Requested Release Date if Required Lenders must approve such request because it is made in connection with the calculation of Projected Replacement Asset EBITDDA or any Projected Capital Expenditure EBITDDA (a "Required Lenders Request"), and (ii) no sooner than ten days and no later than two Business Days prior to the Requested Release Date if such Required Lenders approval is not needed. The Administrative Agent shall deliver the notice described in Section 2.14(b)(ii)(F) below to the Borrower (i) within 2 Business Days after the Borrower submits a Release Request (other than a Required Lenders Request) and has satisfied the conditions set forth in Section 2.14 (b) (ii)(A),(B),(D) and (E), or (ii) in the case of a Required Lenders Request, within 9 Business Days, after the Borrower submits such Required Lenders Request and has satisfied the conditions set forth in Section 2.14 (b)(ii)(A),(B),(D) and (E), provided that Required Lenders have approved such Required Lenders Request. Any Lender that does not approve any Required Lenders Request shall deliver to the Borrower a written statement of its reasonable grounds for its failure to approve such Required Lenders Request. The Lien on the Requested Amount, less any amounts retained pursuant to Section 2.14(g), if any, (the Requested Amount less such amounts shall be referred to as the "Released Amount") shall be deemed to be released on the Requested Release Date, or earlier if the Administrative Agent shall have provided the notice described in Section 2.14(b)(ii)(F) below, *provided* that:

(A) As of the date the Release Request is submitted, no Default or Event of Default exists or will occur as a result of such release (including any Default or Event of Default under Section 2.05(a) (shortfall in Collateral Value of Borrowing Base), calculated as of the date the Release Request is submitted both before and after giving effect to such release as set forth in a Borrowing Base Certificate certified by a Responsible Officer of the Borrower);

(B) As of the date the Release Request is submitted, the Interest Coverage Ratio for the Relevant Period is at least 2.0:1.00, as evidenced by an Interest Coverage Compliance Certificate;

(C) In the case of a release of Restricted Cash Collateral in connection with a Market Order Payment or Tender Offer Payment, as of the Requested Release Date or

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such earlier date on which the Administrative Agent shall have provided the notice described in Section 2.14(b)(ii)(F), either (i) there are no outstanding Loans or (ii) on or prior to such date, the Borrower shall have delivered to the Administrative Agent an irrevocable notice pursuant to Section 2.04 that all outstanding Loans will be prepaid from the Restricted Cash Collateral released or from the Borrower's other funds;

(D) In the case of a release of Restricted Cash Collateral in connection with a Capital Expenditure, (x) the Release Request has been submitted after the date on which the aggregate amount of Permitted Debt Payments (excluding Forex Payments which constitute the pledge of cash or Cash Equivalents to secure the Forex Obligation) made and applied to the payment of principal exceeds \$150,000,000 (the "*Target Date*"), and (y) the Released Amount, when added to all disbursements of Restricted Cash Collateral (excluding any amounts that have been deposited pursuant to Section 2.14(f) or retained pursuant to Section 2.14(g) for a Permitted Payment other than a Capital Expenditure or the purchase of a Replacement Asset) (X) to purchase Replacement Assets and (Y) for Capital Expenditures, does not exceed fifty percent (50%) of the Net Disposition Proceeds resulting from Permitted Dispositions made after the Target Date that have been deposited either in the Restricted Cash Collateral Account or the Segregated Account;

(E) In the case of a release of Restricted Cash Collateral in connection with a purchase of Replacement Assets, (x) such request has been made after the date on which the aggregate amount of Permitted Debt Payments (excluding Forex Payments which constitute the pledge of cash or Cash Equivalents to secure the Forex Obligation) made and applied to the payment of principal exceeds \$200,000,000, and (y) the Released Amount, when added to all disbursements of Restricted Cash Collateral (excluding any amounts that have been deposited pursuant to Section 2.14(f) or retained pursuant to Section 2.14(g) for a Permitted Payment other than a Capital Expenditure or the purchase of a Replacement Asset) (X) for Capital Expenditures and (Y) to purchase Replacement Assets, does not exceed fifty percent (50%) of the Net Disposition Proceeds resulting from Permitted Dispositions made after the Target Date that have been deposited either in the Restricted Cash Collateral Account or the Segregated Account; and

(F) The Administrative Agent shall have notified the Borrower that the conditions set forth in Sections 2.14(b)(ii)(A), (B), (D) and (E) have been satisfied, and where applicable, that the Required Lenders have approved the Projected Replacement Asset EBITDDA or Projected Capital Expenditure EBITDDA.

The Administrative Agent shall be entitled to rely without further inquiry, and shall be fully protected in so relying, upon the accuracy of the certificates and other documents delivered to the Administrative Agent by the Borrower under this Section 2.14(b).

Solely for purposes of determining Required Lenders' approval of a Required Lenders Request, necessary to release the Administrative Agent's Lien on any Restricted Cash Collateral pursuant to this Section 2.14(b)(ii), unless a Lender shall have approved in writing any Projected Replacement Asset EBITDDA or any Projected Capital Expenditure EBITDDA contained in any Interest Coverage Compliance Certificate by 5:00 p.m., San Francisco time, on the sixth Business Day after delivery of such Interest Coverage Compliance Certificate by the Borrower or the Administrative Agent, such Lender will be deemed to have disapproved such Projected Replacement Asset EBITDDA or Projected Capital Expenditure EBITDDA. Any Interest Coverage Compliance Certificate delivered pursuant to Section 2.14(b)(ii) requiring Required

Lenders' approval shall be deemed to have been delivered as specified in Section 10.02 or on the date when such report is posted electronically on IntraLinks/IntraAgency or other relevant third-party commercial website (if any) on the Borrower's behalf.

(c) 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, but excluding the Restricted Cash Collateral, 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)*, 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.

(d) (i) In connection with the release of its Lien on any Collateral in accordance with *Section 2.14(b)(i)*, the Administrative Agent shall execute and deliver to the Borrower such releases or other documents as the Borrower may reasonably request, at the sole cost of the Borrower, to effect and evidence the release of such Lien. Once any such Lien is released as to all or any portion of the Collateral, the property released from such Lien shall no longer be considered Collateral for purposes of this Agreement.

(ii) In connection with the release of its Lien on any the Restricted Cash Collateral in accordance with Section 2.14(b)(ii), the Administrative Agent shall execute and deliver to the Borrower such releases or other documents as the Borrower may reasonably request, at the sole cost of the Borrower, to evidence the release of such Lien. If the Lien on the Released Amount is deemed to be released pursuant to Section 2.14(b)(ii), the Borrower shall be entitled to transfer, in whole or in part, such Released Amount from the Restricted Cash Collateral Account on any Business Day with the 30 days from and after the Requested Release Date (or such earlier date as provided in Section 2.14(b)(ii)) solely for the specified Permitted Payment in the applicable Release Request. Any such transfer shall constitute evidence of the release of the Lien on such Released Amount. Once any such Lien is released as to all or any portion of the Restricted Cash Collateral, any such amounts released from such Lien shall no longer be considered Restricted Cash Collateral for purposes of this Agreement.

(e) In connection with any pledge of Collateral to the Administrative Agent for the benefit of the Lenders, the Borrower shall cause to be delivered to the Administrative Agent a legal opinion in form and substance satisfactory to the Administrative Agent relating to such pledge and such other matters as Administrative Agent shall request, which shall be rendered by U.S. and/or Canadian counsel as required by Administrative Agent.

(f) Subject to *Section 2.14(g)*, promptly, but in any event within 3 Business Days after the Borrower or any of its Subsidiaries determines that any portion of a Released Amount will not be employed for the Permitted Payment specified in the applicable Release Request, the Borrower shall deposit or

cause to be deposited such portion of the Released Amount in the Restricted Cash Collateral Account. Without limiting the foregoing, and subject to Section 2.14(g), with respect to any Released Amount, the Borrower shall promptly, but in any event within 3 Business Days after the following events, deposit or cause to be deposited the portion of the Released Amount not employed for the applicable Permitted Payment as follows:

(i) With respect to a Capital Expenditure or the purchase of Replacement Assets, the earlier of the date on which the Borrower or any Subsidiary is no longer subject to a binding commitment for such Capital Expenditure or purchase of Replacement Assets, as the case

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may be, or such Capital Expenditure or purchase of such Replacement Assets shall have been consummated in full;

(ii) With respect to a Market Order Payment or Tender Offer, the date which is 10 days after the last payment of principal with respect to such Market Order Payment or Tender Offer Payment;

(iii) With respect to a Permitted Repayment, the date which is 10 days after the last payment of principal with respect to such Permitted Repayment; and

(iv) With respect to a Forex Payment (other than a Forex Payment constituting a reimbursement to the Borrower), the date which is 30 days after the earlier of the Requested Release Date or such earlier date as provided in Section 2.14(b)(ii), in either case relating to the Requested Release to effect such Forex Payment.

All amounts that the Borrower is required to deposit or caused to be deposited under this Section 2.14(f) shall be referred to as the "*Excess Released Amount*."

(g) Notwithstanding the requirements set forth in the foregoing Section 2.14(f), on the date that the Borrower must deposit or cause to be deposited any Excess Released Amount in the Restricted Cash Collateral Account pursuant to Section 2.14(f), if the conditions set forth in Section 2.14(b)(ii) have been satisfied with respect to a Released Amount in connection with a Permitted Payment other than the Permitted Payment generating such Excess Released Amount, and the Released Amount has not yet been transferred from the Restricted Cash Collateral Account, the Borrower shall only be required to deposit, or cause any Subsidiary to deposit the amount of the Excess Released Amount that exceeds such deemed Released Amount and the deemed Released Amount shall be reduced by the amount of such Excess Restricted Cash Collateral retained.

ARTICLE III. TAXES, YIELD PROTECTION AND ILLEGALITY

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.

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(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, 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 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

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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 constitute 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;

(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

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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).

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.

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(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*.

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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 each such term is 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)*.

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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)*, (iii) the delivery to the Administrative Agent of the Pledged Collateral, and (iv) the execution and delivery of the Restricted Cash Collateral Agreements, 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(o)*, in each case to the extent such perfection may be effected through the filing of a financing statement or obtaining control 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) Except as specifically disclosed in *Schedule 5.13*, 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 (i) 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 (ii) within 30 days after the end of each calendar month, a Borrowing Base Certificate; 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 (excluding, in the case of subclauses (i) and (ii), any report as to property which has been released from the Lien of

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the Deed of Trust prior to the date which is 60 days after the end of such fiscal quarter or earlier date of preparation of such report) (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) not later than 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 as of the date which is 45 days after the date of such notice to Borrower (or earlier date of preparation of such report), 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

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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.

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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.

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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 15% 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 Note Financing Subsidiary or 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 15% 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) *Reserved.*

(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)*). 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 not otherwise included in the other subsections of this Section 7.01 and which are 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, warehouse receipts, bills of lading, 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 Borrower's or Louisiana-Pacific Canada, Ltd.'s cash or Cash Equivalents, 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, in each case securing the Forex Obligation;

(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;

(q) Liens securing Note Financings provided that they do not extend beyond the Purchase Money Notes monetized pursuant thereto, any note purchase agreement and guaranty or other transaction documents executed in connection with such Purchase Money Note, deposit and securities accounts established in connection with any Note Financing and any credit balances, funds or investments therein, any other indebtedness owed to the Note Financing Subsidiary by the obligors on the Purchase Money Notes and any guaranty thereof, rights and claims associated therewith, and any books, records and other documents related thereto and the proceeds thereof; and

(r) Liens arising under agreements relating to Permitted Dispositions or exchanges of assets permitted under this agreement on assets to be disposed of or exchanged pursuant thereto or on holdback, escrow, or similar accounts established in connection therewith.

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 (x) of any Subsidiary in the Borrower, (y) by the Borrower or any Subsidiary in a wholly owned Domestic Subsidiary other than a Subsidiary identified on *Schedule 6.13(a)* or (z) of Borrower or any wholly owned Subsidiary of the Borrower in a Note Financing Subsidiary;

(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 in Purchase Money Notes, provided that they are monetized pursuant to Note Financings within sixty (60) days after the related Permitted Disposition, Investments made in Core Assets or Replacement Assets in connection with an exchange or the purchase of Replacement Assets permitted under *Section 2.14*, *Section 7.05(k)*, and *Section 7.05(l)*, and Investments made in notes issued under the Indentures, the Installment Notes (as defined in the Forex Agreement) and notes issued under any other Indebtedness permitted under *Section 7.03* to the extent purchased in connection with a Permitted Debt Repayment;

(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 15% 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, excluding Forex Payments received by the Borrower and paid to Louisiana-Pacific Canada Ltd. in respect of Forex Payments made by Louisiana-Pacific Canada Ltd., 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

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, (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 and (vii) with respect to any such Investments made after the Third Amendment Effective Date, the Investment is made in a Permitted Business relating to a Core Asset;

(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 15% 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 not otherwise included in the other subsections of this *Section 7.03* and which is 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;

(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;

(k) Indebtedness of Louisiana-Pacific Canada Ltd. and its Subsidiaries under the Canadian Credit Facility; and

(l) Indebtedness under Note Financings.

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 15% or more of the aggregate consolidated book value of assets (excluding intercompany assets) of the Borrower and its Subsidiaries;

(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;

(c) any Note Financing Subsidiary may Dispose of all or substantially all of its assets in connection with a Note Financing; and

(d) any Subsidiary may Dispose of all or substantially all of its assets in connection with a Disposition permitted under Section 7.05(j), Section 7.05(k) and 7.05(l).

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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 and shall only be permitted with respect to assets which are not Collateral or which constitute Collateral being released from the Administrative Agent's Lien prior to or concurrently with such Disposition in accordance with the provisions hereof relating to release of such Collateral:

(a) Dispositions of (i) 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 and (ii) Core Assets and Non-Core Assets, whether now owned or hereafter acquired, which are Disposed of in any single transaction the Net Disposition Proceeds of which do not exceed \$100,000 in connection with such single transaction, up to a maximum amount during the term of this Agreement of \$20,000,000 (such assets described in this Section 7.05(a)(ii) herein referred to as the "Specified Assets");

(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 Default or Event of Default exists or shall result from such exchange (including any Default or Event of Default under Section 2.05(a) (shortfall in Collateral Value of Borrowing Base) and, in connection with any exchange of Collateral, Borrower shall have delivered to Administrative Agent a confirming Borrowing Base Certificate certified by a Responsible Officer of the Borrower as of the date of such exchange, including calculations of compliance with Section 2.05(a) both before and after giving effect to 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;

(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*;

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(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) Subject to the Borrower first establishing and maintaining a Restricted Cash Collateral Account, Permitted Non-Core Asset Dispositions if:

(i) at the time of such Permitted Non-Core Asset Disposition no Default or Event of Default exists or shall result from such Permitted Non-Core Asset Disposition (including any Default or Event of Default under Section 2.05(a) (shortfall in Collateral Value of Borrowing Base), and, in connection with any Permitted Non-Core Asset Disposition of Collateral, Borrower shall have delivered to Administrative Agent a confirming Borrowing Base Certificate certified by a Responsible Officer of the Borrower as of the date of such Disposition, including calculations of compliance with Section 2.05(a) both before and after giving effect to such Disposition;

(ii) the consideration received in such Permitted Non-Core Asset Disposition is in the form of cash, Cash, Cash Equivalents, or Purchase Money Notes; and

(iii) Net Disposition Proceeds of such Permitted Non-Core Asset Disposition (including net proceeds of any Note Financing) are deposited into the Restricted Cash Collateral Account in accordance with, and to the extent required by, Section 2.05(b) to be held for application in accordance therewith.

As used herein, "Permitted Non-Core Asset Disposition" means any Disposition by the Borrower or its Subsidiaries of Non-Core Assets consummated after the Third Amendment Effective Date (except for Dispositions made in accordance with Section 7.05(m)), but excluding any Disposition of Collateral (as defined in the Security Agreement) until the conditions to release of the Administrative Agent's Lien on such Collateral contained in Section 2.14(b)(i)(B) hereof are satisfied and until the Borrower obtains any necessary consents under the Permitted Securitization, if any, and excluding Disposition of Specified Assets. As used herein, "Non-Core Assets" mean (i) timberlands, lumber mills, pulp mills, office facilities, distribution centers, industrial panel plants, plywood plants and the Borrower's wholesale lumber business including, in each case, related assets, (ii) any plants and facilities of the Borrower which have been nonoperational for at least ninety (90) consecutive days immediately prior to Disposition thereof (including assets which would otherwise constitute Core Assets but for being so nonoperational), and (iii) all other assets that are not Core Assets;

(k) exchanges by the Borrower or any Subsidiary of Non-Core Assets for Core Assets and Non-Core Assets if:

(i) at the time of such exchange, no Default or Event of Default exists or shall result from such exchange (including any Default or Event of Default under Section 2.05(a) (shortfall in Collateral Value of Borrowing Base), and, in connection with any exchange of Collateral, Borrower shall have delivered to Administrative Agent a confirming Borrowing Base Certificate certified by a Responsible Officer of the Borrower as of the date of such

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exchange, including calculations of compliance with Section 2.05(a) both before and after giving effect to such exchange;

(ii) the aggregate fair market value of all Non-Core Assets so exchanged by the Borrower and its Subsidiaries from the Third Amendment Effective Date does not exceed on a cumulative basis \$300,000,000 during the term of this Agreement;

(iii) the aggregate fair market value of the Core Assets and Non-Core Assets to be received in exchange (the "Exchange Value") is at least equal to the fair market value of the Non-Core Assets to be exchanged and the fair market value of such Core Assets constitutes at least 80% of the Exchange Value; and

(iv) the Administrative Agent has been notified of such proposed exchange and shall have received, in form and substance satisfactory to it, copies of appraisals or valuations for the Non-Core Assets to be exchanged and the Core Assets and Non-Core Assets to be received in the exchange, which appraisals or valuation shall, in the case of any exchange where the Borrower is transferring Non-Core Assets (in one or a series of related transactions) having a fair market value in excess of \$50,000,000 to be prepared by an independent appraiser, investment banker or other valuation consultant reasonably acceptable to the Administrative Agent, and in all other cases the appraisal or other valuation may be prepared by the Borrower.

To the extent any transaction includes both a Permitted Disposition and an exchange under this Section 7.05(k), the component which constitutes a Permitted Disposition shall be governed by the provisions of this Agreement relating thereto and the component which is an exchange under this Section 7.05(k) shall be governed hereby, as if each such component were a separate transaction.

(l) Subject to the Borrower first establishing and maintaining a Restricted Cash Collateral Account, Permitted Core Asset Dispositions if:

(i) at the time of such Permitted Core Asset Disposition no Default or Event of Default exists or shall result from such Permitted Core Asset Disposition (including any Default or Event of Default under Section 2.05(a) (shortfall in Collateral Value of Borrowing Base), and, in connection with any Permitted Core Asset Disposition of Collateral, Borrower shall have delivered to Administrative Agent a confirming Borrowing Base Certificate certified by a Responsible Officer of the Borrower as of the date of such Disposition, including calculations of compliance with Section 2.05(a) both before and after giving effect to such Disposition;

(ii) the consideration received in such Permitted Core Asset Disposition is in the form of cash, Cash, Cash Equivalents, Purchase Money Notes or Replacement Assets; and

(iii) Net Disposition Proceeds of such Permitted Core Asset Disposition (including net proceeds of any Note Financing) are deposited into the Restricted Cash Collateral Account in accordance with, and to the extent required by, Section 2.05(b) to be held for application in accordance therewith.

As used herein, "Permitted Core Asset Disposition" means any Disposition of Core Assets consummated after the Third Amendment Effective Date, the Net Disposition Proceeds of which and value of Replacement Assets received in connection therewith which (valued at fair market value on the date

of receipt by the Borrower and its Subsidiaries as demonstrated to the reasonable satisfaction of the Administrative Agent, without giving effect to subsequent changes in value), when added to the Net Disposition Proceeds and value of Replacement Assets received in connection therewith (valued at fair market value on the date of receipt by the Borrower and its Subsidiaries as demonstrated to the reasonable satisfaction of the Administrative Agent, without

giving effect to subsequent changes in value) of all other Dispositions of Core Assets consummated after the Third Amendment Effective Date (including any to be made concurrently with such Disposition), would not exceed \$50,000,000; provided that Permitted Core Asset Disposition shall exclude any Disposition of Collateral (as defined in the Security Agreement) until the conditions to release of the Administrative Agent's Lien on such Collateral contained in Section 2.14(b)(ii) hereof are satisfied and until the Borrower obtains any necessary consents under the Permitted Securitization, if any, and any Disposition of Specified Assets. As used herein, "Core Assets" mean any asset relating to oriented strand board, composite wood products, engineered wood products, and plastic building products, excluding any such asset which has been nonoperational for at least ninety (90) consecutive days immediately prior to Disposition thereof.

(m) Dispositions of Non-Core Assets by Louisiana-Pacific Canada Ltd., Louisiana-Pacific Canada Pulp Co., LP Canada Engineered Wood Products Ltd. and Louisiana Pacific de Mexico, S.A. de C.V., the aggregate Net Disposition Proceeds of which from and after the Third Amendment Effective Date do not exceed \$30,000,000.00.

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) or a Note Financing 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 the pledge of any Stock by the Borrower under *Section 6.13(b)* or (c) of any Domestic Subsidiary other than the Securitization Subsidiary, a Note Financing 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 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.

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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, the Obligations and subject to *Section 2.14(b)* (ii) above, a Permitted Debt Payment made from amounts deposited in the Restricted Cash Collateral Account or the Segregated Account or a Forex Payment made from other amounts held by Louisiana-Pacific Canada Ltd.), 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).

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(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

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 2.14(f)*, *Section 6.01*, *6.02(a)*, *6.02(b)*, *6.02(c)*, *6.05*, *6.10* or *6.12* or *Article VII*; or

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(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, 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 acceleration or mandatory prepayment of a Note Financing which is Non-Recourse), or such Guaranty Obligation to become payable or cash collateral in respect thereof to be demanded (provided that after Forex Payments have been made constituting cash collateral or cash deposits equal to at least 100% of the remaining payment obligations under the Installment Notes (as defined in the Forex Agreement) or the Forex Obligation, as applicable, this provision shall not apply to the Forex Agreement, the Installment Notes (as defined in the Forex Agreement) or the indenture under which such Installment Notes were issued); 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

(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.

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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

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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 Collateral or other property Disposed of as part of or in connection with any Disposition permitted hereunder including under *Section 7.05(d)*, *Section 7.05(j)*, *Section 7.05(k)* and *Section 7.05(l)*, (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 Cash Collateral that arose under *Section 2.05(g)* that Borrower elects to apply as a voluntary prepayment under *Section 2.06*, (vi) as permitted under *Section 2.14* or otherwise expressly permitted under this Agreement, 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)*.

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(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*);

(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;

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- (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)*); or
- (h) release the Liens upon any material portion of the Collateral (other than releases authorized under *Section 2.14* or *Section 9.11(b)*).

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.

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

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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

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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

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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 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.

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(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

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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

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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

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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)*, 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);

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(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.

Exhibit B

BORROWING BASE CERTIFICATE

TO: BANK OF AMERICA, N.A. (the "Administrative Agent")

This Certificate is given as of the _____ day of _____, 20____ pursuant to _____ of that certain Credit Agreement dated as of November 15, 2001 (as amended or modified from time to time, the "Credit Agreement") between Louisiana-Pacific Corporation, a Delaware corporation (the "Borrower"), the Administrative Agent and the Lenders from time to time party thereto. Capitalized terms used herein shall have the same meanings attributed to such terms in the Credit Agreement.

The Borrower hereby represents and warrants that the value of the Collateral in the Borrowing Base as of [insert last date of relevant month or other relevant date] [before] [after] giving effect to _____] is not less than the following:

1.	Balance of Accounts Outstanding:	\$	_____
	(a) Less credit balance, trade discount, or unbilled amount or retention	\$	_____
	(b) Net Balance of Accounts (Line (1) minus 1(a))	\$	_____
2.	Aggregate amount of Ineligible Accounts:		
	(a) Not a binding and valid obligation	\$	_____
	(b) Not first priority perfected security interest in account/subject to other liens (other than liens permitted as provided in definition of Eligible Accounts)	\$	_____
	(c) Obligor a federal government entity	\$	_____
	(d) Account subject to defaults, counterclaims, offsets, or defenses; subject to rescission, cancellation, or avoidance	\$	_____

(e)	Obligor an Affiliate.	\$	
(f)	Unacceptable foreign account	\$	
(g)	Obligor insolvent, etc.	\$	
(h)	Not derived from ordinary course sales	\$	
3.	Total Ineligible Accounts	\$	
4.	Total Eligible Accounts (Line 1(b) minus Line 3)	\$	
5.	Balance of Inventory (Inventory Value)	\$	
6.	Aggregate Amount of Inventory not eligible:		
(a)	Not owned free and clear (other than liens permitted in definition of Eligible Inventory)	\$	
(b)	No first priority perfected security interest for Agent (other than liens permitted in definition of Eligible Inventory)	\$	
7.	Total Ineligible Inventory	\$	
<hr style="border: 1px solid black;"/>			
8.	Total Eligible Inventory (Line 5 minus line 7)	\$	
9.	Deemed Mortgaged Property Value (as most recently determined in accordance with the definition of Deemed Mortgaged Property Value)	\$	
10.	Value of Restricted Cash Collateral Account (as of the Business Day prior to the date of the Borrowing Base Certificate)	\$	
11.	Borrowing Base:		
(i)	the lesser of \$75,000,000 or 60% of Line 4	\$	plus
(ii)	the lesser of \$75,000,000 or 40% of Line 8	\$	plus
(iii)	50% of Line 9	\$	plus
(iv)	100% of Line 10	\$..
12.	Total Borrowing Base (Sum of line 11(i), 11(ii), 11(iii) and 11(iv))	\$	
13.	Other Cash Collateral Pledged	\$	
14.	All Collateral (Line 12 plus Line 13)	\$	
15.	Principal Amount of Revolving Loans	\$	
16.	L/C Obligations	\$	

17.	Total Obligations (Line 15 plus Line 16)	\$	_____
18.	Availability Based on All Collateral Line 14 minus Line 17)	\$	_____
19.	Revolving Credit Limit Availability (Aggregate Commitments minus aggregate Loans and L/C Obligations)	\$	_____
20.	Letter of Credit Sub-Limit Availability (Letter of Credit Sub-Limit minus aggregate L/C Obligations)	\$	_____
21.	Loan Availability (lesser of Line 18 and Line 19	\$	_____
22.	L/C Obligation Availability (lesser of Line 18 and Line 20)	\$	_____

The Borrower hereby certifies that:

1. The foregoing accurately and correctly reflects the matters addressed therein as reflected on the records of the Borrower on the date indicated above.
2. The Borrower has not permitted and will not permit the total aggregate amount of Loans and L/C Obligations to exceed the availability therefor computed in the manner set forth above.

(1)[3. No Event of Default or Default exists or will occur as a result of the requested release, Disposition, or exchange of Collateral or other transaction with respect to which this Borrowing Base Certificate is submitted].

- (1) Section 3 is to be included in all Borrowing Base Certificates other than those submitted pursuant to Section 6.01(c) of the Credit Agreement and must be accompanied by a duplicate Borrowing Base Certificate giving effect to the transaction with respect to which it is submitted.

LOUISIANA-PACIFIC CORPORATION

By: _____

Name: _____

Title: _____

EXHIBIT C

FORM OF INTEREST COVERAGE COMPLIANCE CERTIFICATE

[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:

1. Subject to the proviso in Paragraph 3 below, attached hereto as *Schedule 1* is a true and accurate calculation of the Interest Coverage Ratio for the stated Relevant Period.
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 period covered by the attached calculation.

3. The attached analyses and information are true and accurate on and as of the date of this Certificate, *provided, however*, that with respect to projected and pro forma calculations and any calculations of Projected Replacement Asset EBITDDA and Projected Capital Expenditure EBITDDA (which remain subject to approval under the Credit Agreement) included therein, the financial information and assumptions which underlie and form the basis for the representations made in this Certificate were reasonable when made, were made in good faith and continue to be reasonable as of the date hereof (it being understood that assumptions and forecasts by necessity involve uncertainty and approximation).

4. The Borrower submits this Interest Coverage Compliance Certificate in connection with the intended [Forex Payment] [Tender Offer Payment] [Market Order Payment] [Permitted Repayment] [Capital Expenditure] [Replacement Asset purchase] described in detail in Schedule 2 attached hereto.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, _____.

LOUISIANA-PACIFIC CORPORATION

By: _____
 Name: _____
 Title: _____

Interest Coverage Compliance Certificate(2)

Interest Coverage Ratio for the Relevant Period
 As of _____, _____ ("Determination Date")

Relevant Period: Four most recent four fiscal quarter period ending on or before the Determination Date.

Definition	Consolidated EBITDDA	Total	Q1	Q2	Q3	Q4
<i>Consolidated Net Income</i>						
	Net Income					
	Less: Samoa SAB-30 Recognition					
	Less: Up to \$50mm for non-cash (Samoa, Chetwynd, LCPI, IP)					
	Less: Up to \$10mm cash (Chetwynd)					
	Less: Up to \$100mm non-cash charges relating to assets disposed or to be disposed					
	Less: FASB 142 non-cash charges					
	Less: Unusuals for Q1 per Waiver					
	(i) <i>Total Consolidated Net Income</i>		—	—	—	—
<i>Plus: Consolidated Interest Charges</i>						
	Interest and amortization of all premium payment fees, fees, charges, etc.		—	—	—	—
	Plus: Capitalized interest					
	Plus: Rent under capital leases treated as interest					
	Less: Interest Income on due Timber Notes (to the extent of expense)					
	Less: Interest Income on Purchase Money Notes that are monetized (to the extent of expense)					
Proforma	Less: Profoma Interest related debt pay down (actual or assumed)					
	(ii) <i>Total: Consolidated Interest Charges</i>		—	—	—	—
<i>Other EBITDDA Adjustments</i>						
	Plus: Accrued taxes (excluding extraordinary items or sale/write down of assets not in ordinary course of business)					
	Plus: Depreciation, amortization, and depletion					
	Plus: Amortization included in Equity in income/loss of unconsolidated affiliate					
Proforma	Less: Pro Forma EBITDDA from disposed assets					
Proforma	Plus: Projected Replacement Asset EBITDDA					
Proforma	Plus: Projected Capital Expenditure EBITDDA					
	(iii) <i>Total Consolidated EBITDDA</i>		—	—	—	—

Interest Coverage Ratio (Ratio of (iii) above to (ii) above)

- :

(2) By necessity, the computations described in this Compliance Certificate are less detailed than those contained in the Credit Agreement. In the event of any conflict between the two, the terms of the Credit Agreement shall in all instances prevail.

**REPLACEMENT SCHEDULE 2.01
COMMITMENTS AND PRO RATA SHARES**

<u>Lender</u>	<u>Commitment</u>	<u>Pro Rata Share</u>
Bank of America NA	49,210,526.33	26.315789481%
Wachovia Bank, N.A.	49,210,526.31	26.315789471%
Royal Bank of Canada	49,210,526.31	26.315789471%
The Bank of Nova Scotia	29,526,315.79	15.789473684%
Export Development Canada	9,842,105.26	5.263157893%
Total	\$ 187,000,000.00	100.0000000%

**REPLACEMENT SCHEDULE
5.13 5.13(c) ERISA Compliance**

5.13(c)(i)

On May 4, 2002, the Company announced a program of facility sales and closures that to the extent implemented may result in a reduction under ERISA Section 4043(c)(3) of more than 20 percent of the active participants in 2002 or 2003; or more than 25 percent of the active participants in 2002 and 2003, in either or both of the Louisiana-Pacific Corporation Retirement Account Plan or the ABTco. Inc. Retirement Plan.

As such, it would be a Reportable Event, unless the 30 day notice period has been waived under 29 CFR Section 4043.23(c)(2) or (3). It is not presently known whether either such waiver will apply and thus it is not presently certain that either such event would be a Reportable Event under the Credit Agreement. Such participant reductions may constitute a partial termination of either or both such Plans, in which event the affected participants must under tax qualified plan law be vested to the extent their benefits are funded. The Company has decided to fully vest the affected participants who are not already vested, by Plan amendment, instead of incurring the substantial administrative expenses and uncertainties of a vesting to the extent funded determination. The value of the benefits to be fully vested will not exceed \$5,000,000.00.

5.13(c)(ii)

The Company sponsors the Louisiana-Pacific Corporation Retirement Account Plan. Originally this was a defined benefit pension plan covering certain hourly employees of LP. Effective January 1, 2000, this was converted to a cash balance plan covering most non-bargained employees. As of January 1, 2002, on an ongoing basis, the Plan has a surplus of approximately \$1,000,000. As of January 1, 2002, on a plan termination basis, the Plan has an unfunded liability of approximately \$29,000,000.

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, 2002, on an ongoing basis, the Plan has a surplus of approximately \$1,000,000. As of January 1, 2002, on a plan termination basis, the Plan has an unfunded liability of approximately \$14,000,000.

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**LIMITED WAIVER OF CREDIT AND SECURITY AGREEMENT
AND LIMITED WAIVER OF AND SECOND AMENDMENT
TO RECEIVABLES SALE AGREEMENT**

This Limited Waiver of Credit and Security Agreement and Limited Waiver of and Second Amendment to Receivables Sale Agreement (this "**Limited Waiver and Amendment**"), dated as of July 23, 2002, is entered into by LP Receivables Corporation ("**LP Receivables**"), Louisiana-Pacific Corporation ("**LP**"), Wachovia Bank, National Association (f/k/a Wachovia Bank, N.A.) ("**Wachovia**"), as Administrative Agent, Committed Bank and Liquidity Bank, and Blue Ridge Asset Funding Corporation (the "**Lender**").

RECITALS

- A. LP, as Originator (in such capacity, the "**Originator**"), and LP Receivables, as Buyer (in such capacity, the "Buyer"), are parties to the Receivables Sale Agreement dated as of November 15, 2001 (as amended by the First Amendment thereto, the "**Receivables Sale Agreement**").
- B. LP Receivables, as Borrower (in such capacity, the "**Borrower**"), LP, as Master Servicer (in such capacity, the "**Master Servicer**"), the Lender and Wachovia, as Committed Bank (in such capacity, the "**Committed Bank**") and as Administrative Agent (in such capacity, the "**Administrative Agent**"), are parties to a Credit and Security Agreement dated November 15, 2001 (the "**Credit Agreement**").
- C. The Lender, the Administrative Agent and Wachovia, as Liquidity Bank (in such capacity, the "**Liquidity Bank**"), are parties to the Liquidity Asset Purchase Agreement, dated November 15, 2001.
- D. The Originator and the Buyer inadvertently and unintentionally failed to comply with the following obligations under the Receivables Sale Agreement: (1) the Originator failed to deliver to the Buyer the Purchase Reports required to be delivered by it to the Buyer under Section 1.2(b) of the Receivables Sale Agreement for each Monthly Reporting Date occurring on or prior to the date hereof; (2) the Buyer may have borrowed from the Originator, and the Originator may have loaned to the Buyer, Subordinated Loans under the Subordinated Note in excess of the amounts permitted under Section 1.3 of the Receivables Sale Agreement with respect to Receivables purchased by the Buyer under the Receivables Sale Agreement during the Calculation Periods ending on or prior to the date hereof; (3) the Originator failed to describe the US Credit Agreement Defaults, the Forex Agreement Defaults and the Canadian Credit Agreement Defaults (each as defined below) and the matters described in this paragraph D and paragraph E below in the compliance certificates heretofore delivered by the Originator pursuant to Section 4.1(a)(iii) of the Receivables Sale Agreement; (4) the Originator failed to notify the Buyer (or its assigns) of the US Credit Agreement Defaults, the Forex Agreement Defaults and the Canadian Credit Agreement Defaults and the matters described in this paragraph D as required by Section 4.1(b)(i) and Section 4.1(b)(iv) of the Receivables Sale Agreement; (5) the Originator failed to notify the Buyer (or its assigns) of the defaults or events of default occurring under Material Indebtedness and other financing arrangements to which the Originator is a debtor or an obligor as the result of the US Credit Agreement Defaults, the Forex Agreement Defaults, the Canadian Credit Agreement Defaults and the matters described in this paragraph D and paragraph E below as required under Section 4.1(b)(iv) of the Receivables Sale Agreement; and (6) the Buyer may have made, and the Originator may have accepted, payments under the Subordinated Note on or prior to the date hereof in excess of the amounts permitted under Section 4 of the Subordinated Note and Section 1.3(b) of the Receivables Sale Agreement (the matters described in this paragraph D are referred to as "**BSA Non-Compliance Events**").
- E. The Master Servicer and the Borrower inadvertently and unintentionally failed to comply with the following obligations under the Credit Agreement: (1) the Master Servicer and the Borrower failed to describe the US Credit Agreement Defaults, the Forex Agreement Defaults, the Canadian Credit Agreement Defaults and the matters described in paragraph D above and this paragraph E in the compliance certificates heretofore delivered by them pursuant to Section 7.1(a)(iii) of the Credit Agreement; (2) the Master Servicer and the Borrower failed to notify the Administrative Agent of the

US Credit Agreement Defaults, the Forex Agreement Defaults, the Canadian Credit Agreement Defaults and the matters described in paragraph D above and this paragraph E as required by Section 7.1(b)(i) and Section 7.1(b)(v) of the Credit Agreement; (3) the Master Servicer and the Borrower failed to notify the Administrative Agent of the defaults or events of default occurring under Material Indebtedness or any other financing arrangement pursuant to which they are debtors or obligors as the result of the US Credit Agreement Defaults, the Forex Agreement Defaults, the Canadian Credit Agreement Defaults and the matters described in paragraph D above and this paragraph E as required by Section 7.1(b)(v) of the Credit Agreement; (4) the Borrower has and may have failed to require the Originator to perform the obligations of the Originator under the Receivables Sale Agreement described in paragraph D above, the Borrower may have failed to purchase Receivables on or prior to the date hereof strictly in compliance with the terms of the Receivables Sale Agreement as described in paragraph D above and the Borrower may have failed to vigorously enforce the rights and remedies afforded to it under the Receivables Sale Agreement with respect to the breaches thereof by the Originator described in paragraph D above, all in violation of Section 7.1 (g) of the Credit Agreement; (5) in connection with the RSA Non-Compliance Events and Credit Agreement Non-Compliance Events, the Borrower may have failed to take the actions necessary to ensure that the facts and assumptions relating to the matters described in paragraph D above and this paragraph E contained in the true-sale and nonconsolidation opinions delivered by Brobeck, Phleger & Harrison LLP under the Credit Agreement (and the certificates and the Separateness Agreement accompanying such opinions) remain true and correct and are complied with, in violation of Section 7.1(i)(xviii) of the Credit Agreement; (6) the Borrower may have failed to purchase Receivables on or prior to the date hereof in strict compliance with the terms of the Receivables Sale Agreement as described in paragraph D above in violation of Section 7.1(1) of the Credit Agreement; (7) the Borrower may have incurred debt on or prior to the date hereof with respect to the Subordinated Loan in excess of that permitted under the Receivables Sale Agreement in violation of Section 7.1 (h) of the Credit Agreement; (8) the Borrower may have made payments under the Subordinated Note on or prior to the date hereof in violation of Section 7.1(i)(xvi) and Section 7.2(g) of the Credit Agreement; (9) the Master Servicer failed to administer Collections received on or prior to the date hereof in the manner required by Section 2.3 of the Credit Agreement; and (10) the Buyer may have failed to maintain its Net Worth in an amount at least equal to the Required Capital Amount at all times on or prior to the date hereof in violation of Section 7.1(i)(xvi) of the Credit Agreement (the matters described in this paragraph E are referred to as "**Credit Agreement NonCompliance Events**").

F. The RSA Non-Compliance Events and the Credit Agreement Non-Compliance Events may have resulted in defaults and cross-defaults under other agreements to which LP or its subsidiaries are a party, which as a consequence may have resulted in Unmatured Amortization Events or Amortization Events under the Credit Agreement and Unmatured Termination Events and Termination Events under the Receivables Sale Agreement.

G. LP previously entered into a Credit Agreement, date as of November 15, 2001 (as amended, modified and supplemented from time to time, the "**US Credit Agreement**"), by and among LP, the several financial institutions from time to time party thereto (collectively, the "**US Banks**") and Bank of America, N.A. ("BofA"), as agent for the US Banks.

H. Concurrently with the execution of this Limited Waiver and Amendment, LP, US Banks constituting "**Required Lenders**" under the US Credit Agreement and BofA, as agent for the US Banks, are entering into a Waiver and Second Amendment (the "**US Amendment**"), a copy of which is attached hereto as Exhibit A, pursuant to which, among other things, such US Banks are waiving defaults and events of default arising from (x) the unintentional omission of certain items on Schedule 7.02 of the US Credit Agreement and the need to update Schedule 5.13 of the US Credit Agreement and (y) unintentional defaults and events of default under the Permitted Securitization (as defined in the US Credit Agreement) (collectively, the "**US Credit Agreement Defaults**").

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I. LP previously entered into a Standby Purchase and Note Support Agreement (as amended, modified and supplemented from time to time, the "**Forex Agreement**"), dated as of August 16, 1999, by and among LP, BofA and Canadian Imperial Bank of Commerce ("**CIBC**").

J. Concurrently with the execution of this Limited Waiver and Amendment, LP, BofA and CIBC are entering into a Waiver and Fourth Amendment to Standby Purchase and Note Purchase Agreement, a copy of which is attached hereto as Exhibit B, pursuant to which, among other things, BofA and CIBC are waiving the defaults and events of default being waived in the US Amendment and any breach, default or event of default under the Forex Agreement arising therefrom (collectively, the "**Forex Agreement Defaults**").

K. Louisiana-Pacific Canada Ltd. ("**LP Canada**") and LP previously entered into a Credit Agreement (as amended, modified and supplemented from time to time, the "**Canadian Credit Agreement**"), dated as of November 30, 2001, by and among LP Canada, LP and Royal Bank of Canada ("**Royal**").

L. Concurrently with the execution of this Limited Waiver and Amendment, LP Canada, LP and Royal are entering into a Waiver and First Amendment, a copy of which is attached hereto as Exhibit C, pursuant to which, among other things, Royal is waiving defaults and events of default arising from (x) the unintentional inaccuracy of certain items on Schedule D of the Canadian Credit Agreement and (y) any breach, default or event of default being waived in the US Amendment (collectively, the "**Canadian Credit Agreement Defaults**").

M. The US Credit Agreement Defaults, the Forex Agreement Defaults and the Canadian Credit Agreement Defaults and the related failure to give certain notices with respect thereto have resulted in Unmatured Amortization Events or Amortization Events under the Credit Agreement pursuant to Sections 9.1(b), 9.1(d) and 9.1(f) thereof and Unmatured Termination Events and Termination Events under the Receivables Sale Agreement pursuant to Sections 5.1(a)(ii), 5.1(b) and 5.1(c) thereof.

N. The US Credit Agreement Defaults, the Forex Agreement Defaults and the Canadian Credit Agreement Defaults have resulted in defaults and cross-defaults under other agreements to which LP or its subsidiaries are a party, which as a consequence has resulted in Unmatured Amortization Events or Amortization Events under the Credit Agreement pursuant to Section 9.1(f) thereof and Unmatured Termination Events and Termination Events under the Receivables Sale Agreement pursuant to Section 5.1(c) thereof.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1. *Defined Terms*, Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Credit Agreement.
2. *Amendment of Receivables Sale Agreement*. With the consent of Lender and Wachovia, as Administrative Agent, Committed Bank and Liquidity Bank, the Buyer and the Originator hereby amend the definition of "Required Capital Amount" contained in Exhibit 1 to the Receivables Sale Agreement to read in its entirety as follows:

Required Capital Amount: As of any date of determination, an amount equal to the greater of (i) 8% 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.

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3. *Covenants of LP and LPRC*. On or prior to the Scheduled Monthly Reporting Date occurring in August 2002 (the "**August 2002 Monthly Reporting Date**"), the Originator shall deliver to the Buyer and the Administrative Agent (a) a Purchase Report (each, an "**Actual Purchase Report**") for each Calculation Period occurring prior to the August 2002 Monthly Reporting Date showing the actual settlements made between the Originator and the Buyer under the Receivable Sale Agreement for payment of the Purchase Price of Receivables sold to the Buyer in such Calculation Period and (b) a revised Purchase Report (each, a "**Devised Purchase Report**") for each such Calculation Period reflecting adjustments to the related Actual Purchase Report to set forth the settlements that would have been made by the Buyer and the Originator under the Receivables Sale Agreement for payment of the Purchase Price of the Receivables sold to the Buyer in such Calculation Period if such settlement and all prior settlements for the payment of Purchase Price for Receivables under the Receivable Sale Agreement and each related repayment of the Subordinated Note, if any, had been made in full compliance with Section 1.3 of the Receivables Sale Agreement and Section 4 of the Subordinated Note, as applicable. Each such Actual Purchase Report or Revised Purchase Report shall accurately report the information required to be reported therein pursuant to this Section 3 and Section 1.2(b) of the Receivables Sale Agreement to the reasonable satisfaction of the Administrative Agent. If the actual outstanding principal amount of the Subordinated Note on the last Business Day of the Calculation Period immediately preceding the Purchase Settlement Date occurring in August 2002 is more than the principal amount of the Subordinated Note (the "**Permitted Balance**") that would have been outstanding on such last Business Day had the Buyer and the Originator effected all settlements for payment of the Purchase Price of Receivables sold to the Buyer during such Calculation Period and all prior Calculation Periods and each related repayment of the Subordinated Note, if any, in full compliance with Section 1.3 of the Receivables Sale Agreement and Section 4 of the Subordinated Note, as applicable, the Buyer and the Originator shall reduce the outstanding principal amount of the Subordinated

Note to the Permitted Balance on the Purchase Settlement Date occurring in August 2002, but effective as such last Business Day, it being agreed that the Originator shall be deemed to have made a capital contribution to the Buyer in the amount of such reduction effective as of such last Business Day.

4. *RSA Waivers.* The Buyer, the Lender, the Administrative Agent, the Committed Bank and the Liquidity Bank hereby waive any Unmatured Termination Event or Termination Event arising solely from the RSA Non-Compliance Events, the US Credit Agreement Defaults, the Forex Agreement Defaults and the Canadian Credit Agreement Defaults, including, without limitation, any Unmatured Termination Event or Termination Event arising from any default or cross-default or other consequence arising from the RSA Non-Compliance Events, the US Credit Agreement Defaults, the Forex Agreement Defaults or the Canadian Credit Agreement Defaults under any agreement to which LP or any of its subsidiaries may be a party (the "**Existing Termination Event Defaults**"). In addition, the Buyer, the Lender, the Administrative Agent, the Committed Bank and the Liquidity Bank agree that, notwithstanding anything to the contrary contained in the Receivables Sale Agreement, the Originator shall have no obligation to deliver any Purchase Report to the Buyer (or its assigns) pursuant to Section 1.2 of the Receivables Sale Agreement until the August 2002 Scheduled Monthly Reporting Date as required in Section 3 hereof. Nothing contained herein shall be deemed a waiver of (or otherwise affect the Buyer's, the Lender's, the Administrative Agent's ability to enforce) any breach of or default under the Receivables Sale Agreement other than the Existing Termination Event Defaults.

5. *Credit Agreement Waivers.* The Lender, the Administrative Agent, the Committed Bank and the Liquidity Bank hereby waive any Unmatured Amortization Event or Amortization Event arising solely from the Credit Agreement Non-Compliance Events, the US Credit Agreement Defaults, the Forex Agreement Defaults and the Canadian Credit Agreement Defaults, including, without limitation, any Unmatured Amortization Event or Amortization Event arising from any

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default or cross-default or other consequence arising from the Credit Agreement Non-Compliance Events, the US Credit Agreement Defaults, the Forex Agreement Defaults or the Canadian Credit Agreement Defaults under any agreement to which LP or any of its subsidiaries may be a party (the "**Existing Amortization Event Defaults**"). Without limiting the foregoing, the Lender, the Committed Bank and the Liquidity Bank agree that no Loan, Bank Funding or Liquidity Funding shall bear interest at the Default Rate, either before or after the date hereof, as the result of any Existing Amortization Event Default. In addition, the Lender, the Bank and the Liquidity Bank agree that, notwithstanding anything to the contrary contained in the Credit Agreement, (a) the Borrower shall not be obligated under Section 7.1 (g) of the Credit Agreement to vigorously enforce its rights under the Receivables Sale Agreement with respect to the Existing Termination Defaults, (b) the Borrower shall not be obligated under Section 7.1(i)(xvi) of the Credit Agreement to maintain a Net Worth at least equal to the Required Capital Amount until the Purchase Settlement Agreement occurring in August 2002, (c) the Borrower shall not be obligated under Section 7.1(i)(xviii) to correct any of the Existing Termination Event Defaults or Existing Amortization Event Defaults, and (d) until the Purchase Settlement Agreement occurring in August 2002, any outstanding principal amount of the Subordinated Note that exceeds the amounts permitted under Section 1.3 of the Receivables Sale Agreement shall be permitted. Nothing contained herein shall be deemed a waiver of (or otherwise affect the Lender's, the Administrative Agent's, the Committed Bank's or the Liquidity Bank's ability to enforce) any breach of or default under the Credit Agreement other than the Existing Amortization Event Defaults.

6. *Representations and Warranties of LP and LP Receivables.* LP and LP Receivables each hereby represents and warrants to the other parties hereto as follows:

(a) Other than the Existing Termination Event Defaults, no Unmatured Termination Event or Termination Event has occurred and is continuing.

(b) Other than the Existing Amortization Event Defaults, no Unmatured Amortization Event or Amortization Event has occurred and is continuing.

(c) The execution, delivery and performance by it of this Limited Waiver and Amendment has been duly authorized by all necessary corporate and other action and does not and will not require any registration with, consent or approval of, notice to or action by, any Person in order to be effective and enforceable. Each of the Credit Agreement and the Receivables Sale Agreement constitutes the legal, valid and binding obligations of it, enforceable against it in accordance with its respective terms, without defense, counterclaim or offset.

(d) After giving effect to this Limited Waiver and Amendment, all representations and warranties made by it contained in the Credit Agreement and the Receivables Sale Agreement are true and correct.

(e) It is entering into this Limited Waiver and Amendment on the basis of its own investigation and for its own reasons, without reliance upon the Lender, the Committed Bank, the Liquidity Bank or the Administrative Agent (except for performance of the terms hereof applicable to them) or any other Person.

7. *Representations and Warranties of Other Parties.* Wachovia represents and warrants to LP and LP Receivables that Wachovia is the sole Committed Bank and the sole Liquidity Bank. Each of the Lender, the Administrative Agent, the Committed Bank and the Liquidity Bank represents and warrants to LP and LP Receivables that satisfaction of the Rating Agency Condition with respect to the limited waivers and amendments contained herein is not required for the effectiveness of this Limited Waiver and Amendment.

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8. *Effective Date.* This Limited Waiver and Amendment shall be effective as of the date first above written.

9. *Reservation of Rights.* The execution, delivery and effectiveness of this Limited Waiver and Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent, Lender, Committed Bank or any Liquidity Bank under the Credit Agreement, Receivables Sale Agreement or any of the other Transaction Documents. Except as expressly modified by the waiver set forth in this Limited Waiver and Amendment, the terms and provisions of the Credit Agreement and Receivables Sale Agreement, respectively, are hereby ratified and confirmed and shall continue in full force and effect. Without limiting the foregoing, each of LP and LP Receivables acknowledges and agrees that none of the Lender's, the Administrative Agent's, the Committed Bank's or the Liquidity Bank's forbearance in exercising their rights and remedies in connection with the Existing Termination Event Defaults and the Existing Amortization Event Defaults nor the execution and delivery by the Lender, the

Administrative Agent, the Committed Bank and the Liquidity Bank of this Limited Waiver and Amendment, shall be deemed (i) to create a course of dealing or otherwise obligate Lender, the Administrative Agent, the Committed Bank or the Liquidity Bank to forbear or execute similar waivers under the same or similar circumstances in the future or (ii) to waive, relinquish or impair any right of the Lender, the Administrative Agent, the Committed Bank or the Liquidity Bank to receive any indemnity or similar payment from any Person as a result of any matter arising from or relating to any Existing Termination Event Defaults or Existing Amortization Event Defaults.

10. *Miscellaneous.*

(a) All terms, covenants and provisions of the Credit Agreement and the Receivables Sale Agreement, after giving effect to this Limited Waiver and Amendment, are and shall remain in full force and effect.

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

(c) This Limited Waiver and Amendment shall be governed by and construed in accordance with the law of the State of New York (without regard to principles of conflicts of laws) other than Section 5-1401 of the New York General Obligations Law.

(d) This Limited Waiver and Amendment, together with the Credit Agreement, the Receivables Sale Agreement and the other Transaction Documents, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Limited Waiver and Amendment supersedes all prior drafts and communications with respect thereto.

(e) This Limited Waiver and Amendment may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of such counterparts taken together shall be deemed to constitute but one and the same instrument. Delivery of an executed counterpart by facsimile shall be effective as delivery of a manually executed counterpart of this Limited Waiver and Amendment.

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

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(g) LP agrees to pay or reimburse Wachovia and the Lender, upon demand, for all costs and expenses incurred by them in connection with the development, preparation, negotiation, execution and delivery of this Limited Waiver and Amendment.

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

LOUISIANA-PACIFIC CORPORATION, as Originator and Master Servicer

By: /s/ CURTIS M. STEVENS

Name: Curtis M. Stevens
Title: EVP & CFO

LP RECEIVABLES CORPORATION, as Buyer and Borrower

By: /s/ CURTIS M. STEVENS

Name: Curtis M. Stevens
Title: VP

WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent,
Committed Bank and Liquidity Bank

By: /s/ ELIZABETH R. WAGNER

Name: Elizabeth R. Wagner
Title: Director

BLUE RIDGE ASSET FUNDING CORPORATION, as Lender

By: Wachovia Bank, National Association as Attorney-In-Fact

By: /s/ ELIZABETH R. WAGNER

Name: Elizabeth R. Wagner
Title: Director

QuickLinks

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WAIVER AND FOURTH AMENDMENT TO
STANDBY PURCHASE AND NOTE SUPPORT AGREEMENT

THIS WAIVER AND FOURTH AMENDMENT (this "*Fourth Amendment*"), dated as of July 23, 2002, 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, the Second Amendment (the "*Second Amendment*") to Standby Purchase and Note Support Agreement, dated as of November 15, 2001 and the Consent and Third Amendment to the Standby Purchase and Note Support Agreement, dated as of December 30, 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 (collectively, the "*Standby Lenders*") under certain circumstances.
- B. L-P and BofA also executed that certain Collateral Agency and Security Agreement dated as of November 15, 2001 pursuant to which L-P granted to BofA, as collateral agent (the "*Collateral Agreement*") for the benefit of the Standby Lenders a security interest in certain assets of L-P to secure L-P's Obligations under the Agreement (the "*Standby Security Agreement*").
- C. L-P previously entered into a Credit Agreement, dated as of November 15, 2001 (as amended, modified and supplemented from time to time, the "*Credit Agreement*"), by and among L-P, the several financial institutions from time to time party thereto (collectively, the "*Banks*"), and BofA, as agent for the Banks, certain covenants of which were incorporated by reference in the Agreement upon the effectiveness of the Second Amendment.
- D. Concurrently with the execution of this Fourth Amendment, L-P, Banks constituting "Required Lenders" under the Credit Agreement, and BofA, as agent for the Banks, are entering into a Waiver and Second Amendment, dated as of July 23, 2002 (the "*US Amendment*"), attached hereto as *Exhibit A*, pursuant to which (1) such Banks are waiving defaults and events of defaults arising from (x) unintentional omissions and inaccuracies on Schedules 5.13 and 7.02 of the Credit Agreement and (y) unintentional defaults and events of defaults under the Permitted Securitization (as defined in the Credit Agreement), and (ii) L-P and such Banks are (X) amending and restating Schedules 5.13 and 7.02 of the Credit Agreement, and (Y) amending the Security Agreement by L-P in favor of BofA as Agent, dated as of November 15, 2001 (the "*Security Agreement*").
- E. Because the Agreement incorporates by reference certain of the provisions of the Credit Agreement, without giving effect to any amendment thereof unless consented to by the Standby Lenders, L-P has asked the Standby Lenders to consent to the amendment and restatement of the Schedules as referred to above. L-P and the Standby Lenders would also like to amend the Standby Security Agreement to conform to the amendment of the Security Agreement described in Section 4 of the US Amendment.
- F. L-P has reported to the Standby Lenders that the defaults and events of defaults being waived in the US Amendment result in breaches and defaults under the Agreement. L-P has asked the Standby Lenders to waive such breaches and defaults.

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

1. *Consent and Amendments.*

- (a) The Standby Lenders hereby consent to the amendment and restatement of Schedules 5.13 and 7.02 of the Credit Agreement described in Section 3 of the US Amendment, and the Standby Lenders acknowledge that such amendment and restatement is effective pursuant to Section 2(a)(i) of the Agreement as an amendment of Sections 5.13 and 7.02 of the Credit Agreement as incorporated in the Agreement.

- (b) Section 4.1(a) of the Standby Security Agreement is hereby amended to read as follows:

"(a) keep all the inventory (other than inventory sold in the ordinary course of business or inventory in transit in the ordinary course of business to or between the locations of the Grantor specified in *Item A of Schedule I* or to purchasers of such inventory) at the places therefor specified in Section 3.1 and the office(s) where it keeps its records concerning the Inventory located at the addresses set forth on *Item B of Schedule I* or at such other places in a jurisdiction where all representations and warranties set forth in Article III (including Section 3.5) shall be true and correct, and all action required pursuant to Section 4.5 shall have been taken with respect to the Inventory, and to deliver not more than thirty days after the end of each fiscal quarter a report in form and substance satisfactory to the Collateral Agent which discloses the locations of all places where Inventory is stored; and"

2. *Waiver.*

- (a) The Standby Lenders hereby waive any breach or default of the Agreement existing on the date hereof arising solely from the Existing Defaults (as defined in the US Amendment) (the "*Forex Defaults*").
- (b) Nothing contained herein shall be deemed a waiver of (or otherwise affect BofA's or CIBC's ability to enforce) any breach or default (other than the Forex Defaults), including without limitation (i) any breach or default (other than the Forex Defaults) as may now or hereafter exist and arise from or otherwise be related to the Forex Defaults (including without limitation any cross-default arising under the Agreement (other than the Forex Defaults) by virtue of any matters resulting from the Forex Defaults),

and (ii) any breach or default under the Agreement (other than the Forex Defaults) existing at any time *after* the Effective Date (as defined below) which is the same as any of the Forex Defaults.

3. *Representations and Warranties.* L-P hereby represents and warrants, as of the Effective Date (as defined below), as follows:

- (a) Other than the Forex Defaults, no breach or default has occurred and is continuing under the Agreement.
- (b) The execution, delivery and performance of this Fourth 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 Fourth 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

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may be limited by Debtor Relief Laws (as defined in the Credit Agreement) or by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

- (c) After giving effect to this Fourth Amendment, all its representations and warranties contained in the Agreement are true and correct as though made on and as *of the* Effective Date, as defined below in Section 4 (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, and, with respect to Section 5.13(c)(i), except to the extent disclosed on Schedule 1 hereto).
- (d) It is entering into this Fourth Amendment on the basis of its own investigation and for its own reasons, without reliance upon BofA or CIBC (except for the performance of the terms hereof applicable to them) or any other person.

4. *Effective Date.* This Fourth Amendment will become effective as of the date first written above (the "Effective Date"), provided that (a) the effective date (as defined in the US Amendment) has occurred, and (b) BofA and CIBC have received an original or facsimile of this Fourth Amendment, duly executed by BofA, CIBC and LP.

5. *Reservation of Rights.* L-P acknowledges and agrees that neither the Standby Lenders' forbearance in exercising their rights and remedies in connection with the Forex Defaults nor the execution and delivery by the Forex Lenders of this Fourth Amendment, shall be deemed (i) to create a course of dealing or otherwise obligate the Forex Lenders to forbear or execute similar waivers under the same or similar circumstances in the future or (ii) to waive, relinquish or impair any right of the Forex Lenders to receive any indemnity or similar payment from any person or entity as a result of any matter arising from or relating to the Forex Defaults.

6. *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 Fourth Amendment. This Fourth Amendment shall be deemed incorporated into, and a part of, the Agreement.
- (b) This Fourth 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 Fourth 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).
- (c) This Fourth Amendment shall be governed by and construed in accordance with the law of the State of California (without regard to principles of conflicts of laws).
- (d) This Fourth Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.
- (e) This Fourth 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 Fourth Amendment supersedes all prior drafts and communications with respect thereto. This Fourth Amendment may not be amended except in accordance with the provisions of Paragraph 3(b) of the Agreement.

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- (f) If any term or provision of this Fourth Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Fourth Amendment or the Agreement, respectively.
- (g) L-P hereby covenants to pay or to reimburse BofA and CIBC, upon demand, for all reasonable costs and expenses (including reasonable attorney fees and expenses) incurred in connection with the development, preparation, negotiation, execution and delivery of this Fourth Amendment, and any other amendments or other documents relating to this Fourth Amendment.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Waiver and Fourth Amendment to Standby Purchase and Note Support Agreement as of the date first above written.

LOUISIANA-PACIFIC CORPORATION

By: /s/ CURTIS M. STEVENS

Name: Curtis M. Stevens
Title: EVP & CFO

BANK OF AMERICA, N.A., as Collateral Agent and Standby Lender

By: /s/ MICHAEL BALOK

Name: Michael Balok
Title: Managing Director

CANADIAN IMPERIAL BANK OF COMMERCE, as Standby Lender

By: /s/ DAVID WHITE

Name: David White
Title: Managing Director Executive Director

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SCHEDULE I

On May 4, 2002, the Company announced a program of facility sales and closures that to the extent implemented may result in a reduction under ERISA Section 4043(c)(3) of more than 20 percent of the active participants in 2002 or 2003, or more than 25 percent of the active participants in 2002 and 2003, in either or both of the Louisiana-Pacific Corporation Retirement Account Plan or the ABTco. Inc. Retirement Plan.

As such, it would be a Reportable Event, unless the 30 day notice period has been waived under 29 CFR Section 4043.23(c)(2) or (3). It is not presently known whether either such waiver will apply and thus it is not presently certain that either such event would be a Reportable Event under the Credit Agreement. Such participant reductions may constitute a partial termination of either or both such Plans, in which event the affected participants must under tax qualified plan law be vested to the extent their benefits are funded. The Company has decided to fully vest the affected participants who are not already vested, by Plan amendment, instead of incurring the substantial administrative expenses and uncertainties of a vesting to the extent funded determination.

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WAIVER AND FIRST AMENDMENT

This WAIVER AND FIRST AMENDMENT ("First Amendment"), dated as of July 23, 2002, is entered into by and among LOUISIANA-PACIFIC CANADA LTD., a British Columbia Company (the "Borrower"), LOUISIANA-PACIFIC CORPORATION, a Delaware corporation (the "Guarantor"), and ROYAL BANK OF CANADA, a Canadian chartered bank ("Royal").

RECITALS

A. The Borrower, the Guarantor and Royal are parties to a Credit Agreement dated as of November 30, 2001 (as amended or modified from time to time, the "Credit Agreement"), pursuant to which Royal has extended certain credit facilities to the Borrower.

B. In December, 2001 the Guarantor obtained a consent to exclude from the calculation of Consolidated Net Income, for the four consecutive fiscal quarter period ended December 31, 2001, certain non-cash unusual charges. In order to document such consent the Guarantor has asked Royal to confirm its consent in this First Amendment and Royal has agreed to do so.

C. The Borrower and the Guarantor have reported to Royal that Schedule D to the Credit Agreement needs to be corrected and updated due to certain unintentional inaccuracies on such Schedule. The Borrower and the Guarantor have asked Royal to amend Schedule D to the Credit Agreement to correct and update certain information and, subject to the terms and conditions of this First Amendment, Royal has agreed to do so.

D. The Borrower and the Guarantor have reported to Royal that there have been certain unintentional defaults and events of default under the Guarantor Credit Agreement, as more fully described in the waiver, attached hereto as Exhibit A (the Guarantor Credit Facility Waiver"). Pursuant to the Guarantor Credit Facility Waiver, the administrative agent and the lenders party to the Guarantor Credit Facility waived certain defaults and events of defaults under the Guarantor Credit Facility (the "Guarantor Credit Facility Defaults").

E. The Borrower and the Guarantor have reported to Royal that the Guarantor Credit Agreement Defaults have resulted in defaults and Event of Defaults under the Credit Agreement. The Borrower and the Guarantor have requested Royal waive any such defaults and Events of Default.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

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

2. *Consent.* Royal hereby confirms its consent, effective as of December 31, 2001, to the exclusion from the calculation of Consolidated Net Income, for the period ended December 31, 2001 only, of an amount not to exceed US\$10,200,000 arising from non-cash unusual charges in the quarter ended March 31, 2001, and an amount not to exceed US\$2,000,000 arising from non-cash unusual charges in the quarter ended June 30, 2001.

3. *Amendment to Credit Agreement.* Schedule D to the Credit Agreement is amended and restated as set forth in Replacement Schedule D attached hereto,

4. *Waiver.* Royal hereby waives

(a) any default or Event of Default arising from the inaccuracies in Schedule D to the Credit Agreement which is being amended and restated by Replacement Schedule D attached hereto pursuant to this First Amendment, and

(b) any default or Event of Default arising from Guarantor Creditor Facility Defaults, including, without limitation, any Event of Default under Section 8.1(1) of the Credit Agreement and any default under Sections 7.2(h)(5) and (6) of the Credit Agreement

(collectively the "Existing Defaults").

(c) Nothing contained herein shall be deemed a waiver of (or otherwise affect Royal's ability to enforce its rights and remedies as a result of) any breach or default of the Credit Agreement other than the Existing Defaults

5. *Representations and Warranties.* Each of the Borrower and the Guarantor, as of the Effective Date (as defined below), hereby represents and warrants to Royal as follows;

(a) Other than the Existing Defaults, no default or Event of Default has occurred and is continuing.

(b) The execution, delivery and performance by the Borrower and the Guarantor of this First Amendment 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 Body) in order to be effective and enforceable. The Credit Agreement as amended by this First Amendment constitutes legal, valid and binding obligations of the Borrower and the Guarantor, enforceable against the Borrower and the Guarantor in accordance with its respective terms, without defense, counterclaim or offset except as such enforcement may be limited by (i) applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally; (ii) equitable principles relating to enforceability whether enforcement is sought in a proceeding at law or in equity; and (iii) the inability of the courts of Canada to give judgement for payment in foreign currencies.

(c) After giving effect to this First Amendment, all representations and warranties made by it contained in the Credit Agreement are true and correct as though made on and as of the Effective Date (as defined below)(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, and except to the extent, with respect to Section 2.21(c) (1), as specifically disclosed on Schedule 1 attached hereto).

(d) It is entering into this First Amendment on the basis of its own investigation and for its own reasons, without reliance upon Royal (except for performance of the terms hereof applicable to Royal) or any other Person.

6. *Effective Date.* This First Amendment will become effective as of the date first written above (the "Effective Date"), provided that Royal has received an original or facsimile of this First Amendment, duly executed by the Borrower and the Guarantor.

7. *Reservation of Rights.* Each of the Borrower and the Guarantor acknowledges and agrees that neither Royal's forbearance in exercising its rights and remedies in connection with the Existing Defaults nor the execution and delivery by Royal of this First Amendment, shall be deemed (i) to create a course of dealing or otherwise obligate Royal to forbear or execute similar waivers under the same or similar circumstances in the future or (ii) to waive, relinquish or impair any right of Royal to receive any indemnity or similar payment from any Person as a result of any matter arising from or relating to the Existing Defaults.

8. *Miscellaneous.*

(a) All terms, covenants and provisions of the Credit Agreement, after giving effect to this First Amendment, are and shall remain in full force and effect.

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(b) This First 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 First Amendment.

(c) This First Amendment shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein (without regard to principles of conflicts of laws).

(d) This First Amendment, together with the Credit Agreement, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This First Amendment supersedes all prior drafts and communications with respect thereto. This First Amendment may not be amended except in accordance with the provisions of Section 9.2 of the Credit Agreement.

(e) This First Amendment may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

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

(g) The Borrower covenants to pay or reimburse Royal, upon demand, for all reasonable costs and expenses (including, without limitation, allocated costs of in-house counsel) incurred in connection with the development, preparation, negotiation, execution and delivery of this First Amendment.

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IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this First Amendment as of the date first above written.

LOUISIANA-PACIFIC CANADA LTD., as the Borrower

By: /s/ CURTIS M. STEVENS

By: Curtis M. Stevens

Title: EVP & CFO

LOUISIANA-PACIFIC CANADA LTD., as the Guarantor

By: /s/ CURTIS M. STEVENS

By: Curtis M. Stevens

Title: EVP & CFO

ROYAL BANK OF CANADA LTD., as the Guarantor

By: illegible

By: illegible

Title: Managing Director

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REPLACEMENT 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 LP. Effective January 1, 2000, this was converted to a cash balance plan covering most non-bargained employees. As of January 1, 2002, on an ongoing basis, the Plan has a surplus of approximately \$1,000,000. As of January 1, 2002, on a plan termination basis, the Plan has an unfunded liability of approximately \$29,000,000.

The Guarantor sponsors the ABTco, Inc. Retirement Plan. This is a defined benefit plan covering bargained and non-bargained employees of ABTco. As of January 1, 2002, on an ongoing basis, the Plan has a surplus of approximately \$1,000,000. As of January 1, 2002, on a plan termination basis, the Plan has an unfunded liability of approximately \$14,000,000.

SCHEDULE 1

On May 4, 2002, the Company announced a program of facility sales and closures that to the extent implemented may result in a reduction under ERISA Section 4043(c)(3) of more than 20 percent of the active participants in 2002 or 2003, or more than 25 percent of the active participants in 2002 and 2003, in either or both of the Louisiana-Pacific Corporation Retirement Account Plan or the ABTco, Inc. Retirement Plan.

As such, it would be a Reportable Event, unless the 30 day notice period has been waived under 29 CFR Section 4043.23(c)(2) or (3). It is not presently known whether either such waiver will apply and thus it is not presently certain that either such event would be a Reportable Event under the Credit Agreement. Such participant reductions may constitute a partial termination of either or both such Plans, in which event the affected participants must under tax qualified plan law be vested to the extent their benefits are funded. The Company has decided to fully vest the affected participants who are not already vested, by Plan amendment, instead of incurring the substantial administrative expenses and uncertainties of a vesting to the extent funded determination

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