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# 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 September 30, 2003  
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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock: 105,888,573 shares of Common Stock, \$1 par value, outstanding as of October 26, 2003.

*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.*

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### 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 the cost of and availability of energy, primarily natural gas, electricity and diesel fuel;
- changes in other significant operating expenses;
- changes in exchange rates between the US dollar and other currencies, particularly the Canadian dollar and the Chilean peso;
- changes in general and industry-specific environmental laws and regulations;
- changes in circumstances giving rise to 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, US 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.

### Item 1. Financial Statements.

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

	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2003	2002	2003	2002
<b>Net Sales</b>	\$ 674.8	\$ 415.3	\$ 1,566.4	\$ 1,236.8
<b>OPERATING COSTS AND EXPENSES</b>				
Cost of sales	403.8	344.1	1,116.7	983.5
Depreciation, amortization and cost of timber harvested	33.8	31.9	98.8	100.6
Selling and administrative	42.5	32.9	119.0	103.4
(Gain) loss on sale or impairment of long lived assets	(22.5)	(38.8)	(64.2)	(43.0)
Other operating credits and charges, net	5.7	2.6	31.1	2.2
Total operating costs and expenses	463.3	372.7	1,301.4	1,146.7
Income (loss) from operations	211.5	42.6	265.0	90.1
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Foreign currency exchange gain (loss)	0.9	(0.5)	(0.8)	(1.6)
Gain (loss) on early extinguishment of debt	(1.5)	—	(1.5)	—
Interest expense	(22.0)	(23.9)	(67.2)	(72.1)
Interest income	8.1	8.3	23.9	24.0
Total non-operating income (expense)	(14.5)	(16.1)	(45.6)	(49.7)
Income (loss) before taxes, minority interest, and equity in earnings of unconsolidated affiliates	197.0	26.5	219.4	40.4
Provision for income taxes	87.8	9.8	98.9	18.2
Equity in (income) loss of unconsolidated affiliates	(0.7)	(0.2)	(0.3)	(0.9)
Minority interest in net income (loss) of consolidated subsidiary	—	(0.9)	—	(2.3)
<b>Income (loss) from continuing operations before cumulative effect of change in accounting principle</b>	109.9	17.8	120.8	25.4
<b>DISCONTINUED OPERATIONS</b>				
Income (loss) from discontinued operations	23.6	(23.5)	(19.6)	(66.3)
Provision (benefit) for income taxes	9.0	(9.0)	(7.5)	(25.3)
<b>Income (loss) from discontinued operations</b>	14.6	(14.5)	(12.1)	(41.0)
Income (loss) before cumulative effect of change in accounting principle	124.5	3.3	108.7	(15.6)
Cumulative effect of change in accounting principle, net of tax	—	—	0.1	(3.8)
<b>Net income (loss)</b>	\$ 124.5	\$ 3.3	\$ 108.8	\$ (19.4)
<b>Net income (loss) per share of common stock:</b>				
Income (loss) from continuing operations	\$ 1.04	\$ 0.17	\$ 1.15	\$ 0.24
Income (loss) from discontinued operations	0.14	(0.14)	(0.11)	(0.40)
Cumulative effect of change in accounting principle	—	—	—	(0.03)
<b>Net income (loss) per share - Basic</b>	\$ 1.18	\$ 0.03	\$ 1.04	\$ (0.19)
<b>Net income (loss) per share of common stock:</b>				
Income (loss) from continuing operations	\$ 1.03	\$ 0.17	\$ 1.14	\$ 0.24
Income (loss) from discontinued operations	0.14	(0.14)	(0.11)	(0.40)
Cumulative effect of change in accounting principle	—	—	—	(0.03)
<b>Net income (loss) per share - Diluted</b>	\$ 1.17	\$ 0.03	\$ 1.03	\$ (0.19)

**Average shares of common stock outstanding**

- Basic	105.1	104.6	105.1	104.6
- Diluted	106.3	104.7	105.5	104.6

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

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**CONDENSED BALANCE SHEET**  
**LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES**  
(Amounts in Millions Except Per Share) (Unaudited)

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 381.8	\$ 137.3
Receivables, net	180.0	99.3
Inventories	158.1	163.5
Prepaid expenses	14.9	11.3
Deferred income taxes	33.6	38.6
Current assets of discontinued operations	20.4	41.3
Total current assets	<u>788.8</u>	<u>491.3</u>
Timber and timberlands		
Forest licenses	94.0	97.3
Deposits and other	13.4	15.1
Timber and timberlands held for sale	227.9	377.5
Total timber and timberlands	<u>335.3</u>	<u>489.9</u>
Property, plant and equipment	1,811.7	1,770.1
Accumulated depreciation	(1,014.9)	(928.6)
Net property, plant and equipment	<u>796.8</u>	<u>841.5</u>
Goodwill	276.7	276.7
Other intangible assets	26.9	29.9
Notes receivable from asset sales	403.9	403.9
Assets transferred under contractual arrangement	—	29.1
Restricted cash	108.1	46.8
Other assets	108.9	63.9
Long-term assets of discontinued operations	41.2	100.2
Total assets	<u>\$ 2,886.6</u>	<u>\$ 2,773.2</u>
<b>LIABILITIES AND EQUITY</b>		
Current portion of long-term debt	\$ 8.1	\$ 35.3
Accounts payable and accrued liabilities	238.6	211.1
Current portion of contingency reserves	30.0	20.0
Total current liabilities	<u>276.7</u>	<u>266.4</u>
Long-term debt, excluding current portion:		
Limited recourse notes payable	396.5	396.5
Other long-term debt	618.7	673.6
Total long-term debt, excluding current portion	<u>1,015.2</u>	<u>1,070.1</u>
Contingency reserves, excluding current portion	63.2	106.1
Liabilities transferred under contractual arrangement	—	15.3
Deferred income taxes	291.0	216.1
Other long term liabilities	120.3	93.0
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock	116.9	116.9
Additional paid-in capital	442.2	446.8
Retained earnings	854.6	745.8
Treasury stock	(212.2)	(230.2)
Accumulated comprehensive loss	(81.3)	(73.1)
Total stockholders' equity	<u>1,120.2</u>	<u>1,006.2</u>
Total liabilities and equity	<u>\$ 2,886.6</u>	<u>\$ 2,773.2</u>

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

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

	Nine Months Ended September 30,	
	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 108.8	\$ (19.4)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and cost of timber harvested	104.5	121.0
(Gain) loss on sale or impairment on long-lived assets	(46.5)	(13.8)
Other operating charges and credits	37.7	7.2
Exchange loss on remeasurement	9.4	1.2
Increase in contingency reserves	7.9	3.8
Cash settlement of contingencies	(43.7)	(48.3)
Cumulative effect of change in accounting principle	(0.1)	6.3
Other adjustments	(9.4)	(10.2)
Increase in certain working capital components and deferred taxes	58.7	33.9
Net cash provided by operating activities	<u>227.3</u>	<u>81.7</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property, plant and equipment additions	(49.4)	(25.3)
Proceeds from timber & timberland sales	67.7	70.9
Proceeds from asset sales	31.9	32.5
(Increase) decrease in restricted cash from asset sales	37.1	(47.8)
Return of capital from unconsolidated subsidiary	102.8	—
Acquisition	—	(3.3)
Other investing activities, net	0.2	12.1
Net cash provided by investing activities	<u>190.3</u>	<u>39.1</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net payments under revolving credit facilities	(31.0)	(40.0)
Long term borrowings	0.2	17.1
Repayment of long-term debt	(53.9)	(49.5)
Sale of common stock under equity plans	9.2	—
Increase in restricted cash under LOCs	(99.4)	—
Other financing activities, net	0.6	(9.8)
Net cash used in financing activities	<u>(174.3)</u>	<u>(82.2)</u>
<b>EFFECT OF EXCHANGE RATE ON CASH:</b>		
	1.2	—
Net increase in cash and cash equivalents	244.5	38.6
Cash and cash equivalents at beginning of period	<u>137.3</u>	<u>61.6</u>
Cash and cash equivalents at end of period	<u>\$ 381.8</u>	<u>\$ 100.2</u>

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

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS FOR PRESENTATION

These accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments except other operating credits and charges, net and (gain) loss on sale or impairment of long lived assets referred to in Notes 12 and 13) necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of LP and its subsidiaries for the interim periods presented. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in LP's Annual Report on Form 10-K for the year ended December 31, 2002.

NOTE 2 - RECLASSIFICATIONS

Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. Certain prior period amounts have been reclassified to conform to the current period presentation. As a result of LP's divestiture plan announced in 2002 and modified in 2003, LP's previously reported consolidated financial statements have been restated to present the operations to be divested as discontinued operations separate from continuing operations in accordance with Statement of Financial Accounting Standard (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Additionally, as a result of the divestiture plan, LP modified its segment reporting under SFAS No. 131, "Disclosures about Segments of Enterprise and Related Information" to change structural framing products to engineered wood products (EWP) as a result of the presentation of a significant portion of the lumber operations as discontinued.

NOTE 3 – SECURITIZATION

LP sold certain timber and timberland during the second and third quarters of 2003 in various transactions for \$9.3 million cash and \$143.4 million notes receivable due in 2018 with variable interest rates. LP contributed the notes receivable and related letters of credit to a Qualified Special Purpose Entity (QSPE) accounted for under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The QSPE pledged the notes receivable as security for \$103.9 million of QSPE borrowings prior to the end of the third quarter and \$24.9 million of borrowings subsequent to the end of the quarter. The QSPE distributed \$102.8 million of the borrowing proceeds to LP as a return of capital prior to the end of the third quarter and \$24.7 million after the end of the quarter. The principal amount of the QSPE's borrowings is equal to approximately 90% of the principal amount of the notes receivable contributed by LP to the QSPE. LP's retained interest, in the form of an investment in the QSPE, is classified in "Other assets" in the non-current assets in the accompanying condensed consolidated balance sheet as of September 30, 2003. LP estimates the fair value of the retained interests based upon the present value of expected future cash flows, which are subject to the prepayment, credit and interest rate risks associated with the QSPE's assets and liabilities. The fair value of these retained interests approximates the carrying value.

In accordance with SFAS No. 140, the QSPE is not included in LP's consolidated financial statements and the assets and liabilities of the QSPE are not reflected on LP's condensed consolidated balance sheet. The QSPE's assets have been removed from LP's control and are not available to satisfy claims of LP's creditors (except to the extent of LP's retained interest, if any, remaining after the claims of the QSPE's creditors are satisfied). In general, the creditors to the QSPE have no recourse to LP's assets, other than LP's retained interest. However, under certain circumstances, LP may be liable for certain liabilities of the QSPE in a maximum amount not to exceed 10% of the aggregate principal amount of the notes receivable pledged by the QSPE. The estimated fair value of this guarantee is not material.

NOTE 4 – EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of shares of common stock outstanding. Diluted earnings per share are based upon the weighted average number of shares of common stock outstanding plus all potentially dilutive securities which were assumed to be converted into common shares at the beginning of the period under the treasury stock method. This method requires that the effect of potentially dilutive common stock equivalents (employee stock options and purchase plans) be excluded from the calculation of diluted earnings per

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share for the periods in which losses from continuing operations are reported because the effect is anti-dilutive. The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share amounts):

Dollar and share amounts in millions, except per share amounts	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<b>Numerator:</b>				
Income attributed to common shares:				
Income from continuing operations	\$ 109.9	\$ 17.8	\$ 120.8	\$ 25.4
Income (loss) from discontinued operations	14.6	(14.5)	(12.1)	(41.0)
Cumulative effect of change in accounting principle	—	—	0.1	(3.8)
Net income (loss)	<u>\$ 124.5</u>	<u>\$ 3.3</u>	<u>\$ 108.8</u>	<u>\$ (19.4)</u>
<b>Denominator:</b>				
Basic - weighted average common shares outstanding	105.1	104.6	105.1	104.6
Dilutive effect of employee stock plans	1.2	0.1	0.4	—
Diluted shares outstanding	<u>106.3</u>	<u>104.7</u>	<u>105.5</u>	<u>104.6</u>
<b>Basic earnings per share:</b>				
Income (loss) from continuing operations	\$ 1.04	\$ 0.17	\$ 1.15	\$ 0.24
Income (loss) from discontinued operations	0.14	(0.14)	(0.11)	(0.40)
Effect of change in accounting principle	—	—	—	(0.03)
Net income (loss) per share	<u>\$ 1.18</u>	<u>\$ 0.03</u>	<u>\$ 1.04</u>	<u>\$ (0.19)</u>
<b>Diluted earnings per share:</b>				
Income (loss) from continuing operations	\$ 1.03	\$ 0.17	\$ 1.14	\$ 0.24
Income (loss) from discontinued operations	0.14	(0.14)	(0.11)	(0.40)
Effect of change in accounting principle	—	—	—	(0.03)
Net income (loss) per share	<u>\$ 1.17</u>	<u>\$ 0.03</u>	<u>\$ 1.03</u>	<u>\$ (0.19)</u>

Stock options to purchase approximately 2.0 million shares at September 30, 2003 and 6.4 million shares at September 30, 2002 were not dilutive and, therefore, were not included in the computations of diluted income per common share amounts.

NOTE 5 – STOCK-BASED COMPENSATION

Stock options and other stock-based compensation awards are accounted for using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. See Note 9 of the Notes to the financial statements included in Item 8 of LP's Annual Report on Form 10-K for the year ended December 31, 2002 for further discussion of LP's stock plans. The following table illustrates the effect on net income (loss) per share if LP had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

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Dollars amounts in millions, except per share amounts	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2003	2002	2003	2002
Net income (loss), as reported	\$ 124.5	\$ 3.3	\$ 108.8	\$ (19.4)
Add: Stock-based employee compensation included in reported net income (loss), net of related income tax effects	1.4	0.2	2.6	0.7
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1.9)	(1.1)	(4.6)	(3.3)
Pro forma net income (loss)	\$ 124.0	\$ 2.4	\$ 106.8	\$ (22.0)
Net income (loss) per share—basic, as reported	\$ 1.18	\$ 0.03	\$ 1.04	\$ (0.19)
Net income (loss) per share—diluted, as reported	\$ 1.17	\$ 0.03	\$ 1.03	\$ (0.19)
Net income (loss) per share—basic, proforma	\$ 1.18	\$ 0.02	\$ 1.02	\$ (0.21)
Net income (loss) per share—diluted, proforma	\$ 1.17	\$ 0.02	\$ 1.01	\$ (0.21)

#### NOTE 6 – INVENTORIES

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

Dollar amounts in millions	September 30, 2003	December 31, 2002
Logs	\$ 32.1	\$ 29.3
Other raw materials	26.4	29.0
Finished products	90.5	94.3
Supplies	11.0	12.7
LIFO reserve	(1.9)	(1.8)
Total	\$ 158.1	\$ 163.5
Inventory included in current assets of discontinued operations		
Logs	\$ 7.4	\$ 45.2
Other raw materials	4.1	5.1
Finished products	12.4	20.4
Supplies	2.5	3.9
LIFO reserve	(6.0)	(33.3)
Total	\$ 20.4	\$ 41.3

The preparation of interim financial statements requires the estimation of LP's year-end inventory quantities and costs for purposes of determining 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, except that the LIFO inventory reserve associated with divested operations is adjusted as of the date of the divestiture.

#### NOTE 7 – INTANGIBLE ASSETS

LP has recorded intangible assets (other than goodwill) in its Condensed Consolidated Balance Sheets, as follows:

Dollar amounts in millions	September 30, 2003	December 31, 2002
Forest licenses (recorded as part of Timber and timberlands)	\$ 94.0	\$ 97.3
Forest licenses (recorded as part of Long-term assets of discontinued operations)	—	1.2
Goodwill associated with equity investment in GreenFiber	16.4	16.4
SFAS No. 87 pension intangible asset	7.6	9.0
Other intangible assets	2.9	4.5
	26.9	29.9
Total intangible assets	\$ 120.9	\$ 128.4

Included in the balance of timber and timberlands are values allocated to Canadian forest licenses in the purchase price allocations for both Le Groupe Forex (Forex) and the assets of Evans Forest Products (\$131 million at the dates of the acquisitions). These licenses have a life of twenty to twenty-five years and are renewable every five years. These licenses are amortized on a straight-line basis over the original life of the license. Activity during the first nine months of 2003 was as follows:

Dollar amounts in millions	OSB	Engineered Wood Products	Other	Total
Balance as of December 31, 2002	\$ 77.7	\$ 15.8	\$ 3.8	\$ 97.3
Amortization during the year	(2.4)	(0.8)	(0.1)	(3.3)

Balance as of September 30, 2003	\$	75.3	\$	15.0	\$	3.7	\$	94.0
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Annual estimated amortization for each of the next five years is \$4.8 million per year.

Additionally, LP has goodwill of \$16.4 million associated with GreenFiber, an equity method investee. This amount is included in the line item "Other intangible assets" on LP's condensed consolidated balance sheet as of September 30, 2003 and December 31, 2002.

#### NOTE 8 – BUSINESSES HELD FOR SALE AND DIVESTITURES

During 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, certain lumber mills, wholesale and distribution businesses, and included such businesses as discontinued operations. Although LP plans to divest its remaining fee timber assets, the operations associated with these assets are not reported as discontinued operations due to the nature of these assets, as this assets do not met the criteria to be classified as a separate business. In 2003, LP announced further divestitures of most of its remaining lumber mills as well as an interior hardboard panel operation. At September 30, 2003, LP has three lumber operations and an interior hardboard panel operation classified as discontinued.

Sales and income (loss) for these businesses are as follows:

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Dollar amounts in millions	Quarter ended Sept. 30,		Nine Months ended Sept. 30,	
	2003	2002	2003	2002
Sales	\$ 80.7	\$ 171.7	\$ 269.8	\$ 568.2
Income (loss) from discontinued operations	\$ 14.6	\$ (14.5)	\$ (12.1)	\$ (41.0)

Included in income (loss) from discontinued operations for the quarter ended September 30, 2003 is income of \$20.9 million associated with the liquidation of certain LIFO inventories due to reduced log inventories at sites to be sold or closed. For the nine month period ended September 30, 2003, the LIFO liquidation income is \$27.1 million. During the third quarter of 2002, LP recorded similar LIFO liquidation income of \$2 million.

In the first quarter of 2002, LP recorded a loss of \$6.0 million associated with impairment charges on assets held for sale and a net gain of \$2.2 million from business interruption insurance recoveries related to incidents at facilities that occurred in past years. Additionally, LP recorded a gain of \$2.7 million to reflect the changes in the estimated fair value of several energy contracts since December 31, 2001.

In the second quarter of 2002, LP recorded a loss of \$19.6 million associated with impairment charges on assets held for sale; a loss of \$3.9 million on severance accrued as part of the recently announced divestiture plan; a loss of \$6.4 million related to curtailment expense on a defined benefit pension plan associated with the expected divestitures; a gain of \$0.6 million 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 from business interruption insurance recoveries related to incidents at facilities that occurred in past years.

In the third quarter of 2002, LP recorded a loss of \$9.6 million associated with assets held for sale; a loss of \$4.2 million on severance accrued as part of the announced divestiture plan; a gain of \$0.5 million to reflect the changes in the estimated fair value of several energy contracts since June 30, 2002; a gain of \$1.4 million from business interruption insurance recoveries related to incidents at facilities that occurred in past years; a loss of \$4.5 million related to a retained timber contract associated with a sold mill as the timber harvest will likely not be used by us and will likely be sold at less than the contract price; and a gain of \$2.0 million related to the reversal of curtailment expense taken in the second quarter of 2002 on a defined benefit pension plan associated with the expected divestitures.

In the first quarter of 2003, LP recorded a gain of \$7.5 million on the sale of various assets previously held for sale and a loss of \$0.5 million related to severance charges.

In the second quarter of 2003, LP recorded a loss of \$2.5 million related to curtailment expense on a defined benefit pension plan associated with the expected divestitures; a loss of \$15.0 million related to an operating lease associated with a mill that has been permanently closed (in accordance with SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities"); a loss of \$1.4 million related to a timber contract associated with a closed mill; and impairment charges of \$24.4 million on assets held for sale.

In the third quarter of 2003, LP recorded a loss of \$1.7 million related to timber contracts associated with closed or sold mills; a loss of \$0.9 million related to severance charges and a gain of \$0.5 million on the sale of various assets previously held for sale.

The assets of the discontinued operations included in the accompanying condensed consolidated balance sheets as of September 30, 2003 and December 31, 2002 are as follows:

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Dollar amounts in millions	September 30, 2003	December 31, 2002
Inventories	\$ 20.4	\$ 41.3
Timber and timberlands	5.4	6.3
Property, plant and equipment	87.2	231.3
Accumulated depreciation	(51.4)	(137.4)
Net, property, plant and equipment	35.8	93.9

Total long-term assets of discontinued operations		41.2		100.2
Total assets of discontinued operations	\$	61.6	\$	141.5

#### NOTE 9 – INCOME TAXES

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 by income component for the year. This rate is applied to year-to-date income or loss at the end of each quarter. For the nine months ended September 30, 2003, the primary differences between the statutory rate on continuing operations and the calculated rate relates to differences associated with non-deductible foreign currency exchange losses on certain intercompany debt that is denominated in Canadian dollars.

The components and associated estimated effective income tax rates applied to each period are as follows:

Dollar amounts in millions	Quarter Ended September 30,					
	2003			2002		
	Tax Provision	Tax Rate		Tax Provision	Tax Rate	
Continuing operations	\$ 87.8	44%		\$ 9.8	36%	
Discontinued operations	9.0	38%		(9.0)	38%	
	<u>\$ 96.8</u>	<u>44%</u>		<u>\$ 0.8</u>	<u>20%</u>	

  

Dollar amounts in millions	Nine Months Ended September 30,					
	2003			2002		
	Tax Provision	Tax Rate		Tax Provision	Tax Rate	
Continuing operations	\$ 98.9	45%		\$ 18.2	42%	
Discontinued operations	(7.5)	38%		(25.3)	38%	
Cumulative effect of accounting change	0.1	38%		(2.5)	40%	
	<u>\$ 91.5</u>	<u>46%</u>		<u>\$ (9.6)</u>	<u>33%</u>	

#### NOTE 10 – REVOLVING CREDIT AGREEMENTS

In September 2003, LP further amended this facility to convert it to a secured letter of credit facility. As so amended, the facility expires in January 2005 and provides for (i) no revolving credit borrowing, (ii) up to \$125 million in face amount of letters of credit outstanding at any time, and (iii) the pledge by LP, as security for its reimbursement obligations under the facility, of cash collateral in an amount equal to 100% of the face amount of the letters of credit outstanding under the facility at any time.

#### NOTE 11 – COMPREHENSIVE INCOME

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

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Dollar amounts in millions	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2003	2002	2003	2002
Net income (loss)	\$ 124.5	\$ 3.3	\$ 108.8	\$ (19.4)
Foreign currency translation adjustment	0.7	(0.1)	1.4	(1.1)
Minimum pension liability adjustment	—	—	(11.2)	—
Net gain (loss) on derivative instruments designated and qualifying as cash flow hedge instrument	0.8	—	1.4	—
Other	0.1	—	0.2	0.1
Change in accumulated comprehensive loss	1.6	(0.1)	(8.2)	(1.0)
Comprehensive income (loss)	<u>\$ 126.1</u>	<u>\$ 3.2</u>	<u>\$ 100.6</u>	<u>\$ (20.4)</u>

#### NOTE 12 – OTHER OPERATING CREDITS AND CHARGES, NET

The major components of "Other operating credits and charges, net" in the Condensed Consolidated Statements of Income for the quarter and nine months ended September 30 are reflected in the table below and are described in the paragraphs following the table:

Dollar amounts in millions	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2003	2002	2003	2002
Additions to product related contingency reserves	\$ —	\$ —	\$ (6.7)	\$ —
Additions to environmental contingency reserves	—	—	(2.7)	—
Additions to litigation reserves	—	(2.0)	(2.0)	—
Insurance recoveries	—	—	—	1.9
Loss on energy contract	(5.0)	—	(5.0)	—
Loss related to assets and liabilities transferred under contractual arrangement	—	—	(16.0)	—
Severance charges	(0.7)	(0.6)	(0.7)	(2.1)
	<u>\$ (5.7)</u>	<u>\$ (2.6)</u>	<u>\$ (31.1)</u>	<u>\$ (2.2)</u>

In the first quarter of 2002, LP recorded a net gain of \$1.9 million (\$1.2 million after taxes, or \$0.01 per diluted share) from business interruption insurance recoveries related to incidents at facilities that occurred in past years.



In the second quarter of 2002, LP recorded a loss of \$1.5 million (\$0.9 million after tax, or \$0.01 per diluted share) on severance accrued as part of the divestiture plan.

In the third quarter of 2002, LP recorded a loss of \$0.6 million (\$0.4 million after taxes, or \$0.00 per diluted share) on severance recorded as part of the divestiture plan and a loss of \$2.0 million (\$1.2 million after taxes, or \$0.01 per diluted share) due to increase in litigation reserves.

In the second quarter of 2003, LP recorded a loss of \$16.0 million (\$9.8 million after taxes, or \$0.09 per diluted share) related to assets and liabilities transferred under contractual arrangement due to the increase in a valuation allowance associated with notes receivable from Samoa Pacific Cellulose, LLC (see Footnote 17 for further discussion); a loss of \$6.7 million (\$4.1 million after taxes, or \$0.04 per diluted share) from increases in product related contingency reserves associated with the nationwide siding class action settlement and a loss of \$2.7 million (\$1.7 million after taxes, or \$0.01 per diluted share) associated with an increase in environmental reserves at our Ketchikan Pulp Company operations.

In the third quarter of 2003, LP recorded a loss a loss of \$5.0 million (\$3.1 million after taxes, or \$0.03 per diluted share) related to an energy contract associated with Samoa Pacific and a loss of \$0.7 million (\$0.4 million after taxes, or \$0.00 per diluted share) on severance recorded as part of the divestiture plan.

**NOTE 13 – (GAINS) LOSSES ON SALE OR IMPAIRMENT OF LONG-LIVED ASSETS**

The major components of “Gain (loss) on sale or impairment of long-lived assets” in the Condensed Consolidated Statements Of Income for the quarter and nine months ended September 30 are reflected in the table below and are described in the paragraphs following the table:

Dollar amounts in millions	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2003	2002	2003	2002
Gain on sales of timber	\$ 22.1	\$ 57.6	\$ 63.9	\$ 57.6
Gain (loss) on other long-lived assets	0.4	(0.5)	0.3	6.6
Impairment charges on long term assets	—	(18.3)	—	(21.2)
	<u>\$ 22.5</u>	<u>\$ 38.8</u>	<u>\$ 64.2</u>	<u>\$ 43.0</u>

In the first quarter of 2002, LP recorded a loss of \$1.6 million (\$1.0 million after taxes, or \$0.01 per diluted share) associated with impairment charges on assets held.

In the second quarter of 2002, LP 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 and a gain of \$7.1 million (\$4.3 million after taxes, or \$0.04 per diluted share) on the sale of certain assets.

In the third quarter of 2002, LP recorded a loss of \$18.3 million (\$11.2 million after taxes, or \$0.11 per diluted share) associated with an impairment charge of \$16.7 million of the purchase price of Forex allocated to a timber license associated with an OSB project in Quebec that was cancellation in September of 2002 as well as other associated assets; a gain of \$57.6 million (\$35.3 million, or \$0.34 per diluted share) on the sale of various timberlands and a loss of \$0.5 million (\$0.4 million after taxes, or \$0.0 per diluted share) on the sales of other assets.

In the first quarter of 2003, LP recorded a gain of \$12.5 million (\$7.7 million after taxes, or \$0.07 per diluted share) associated with the sale of a portion of LP’s timberlands as part of LP’s divestiture plan.

In the second quarter of 2003, LP recorded a gain of \$29.3 million (\$18.0 million after taxes, or \$0.17 per diluted share) associated with the sale of a portion of LP’s timberlands as part of LP’s divestiture plan and a loss of \$0.1 million (\$0.1 million after taxes, or \$0.00 per diluted share) associated with the sale of certain other assets.

In the third quarter of 2003, LP recorded a gain of \$22.1 million (\$13.5 million after taxes, or \$0.13 per diluted share) associated with the sale of a portion of LP’s timberlands as part of LP’s divestiture plan and a gain of \$0.4 million (\$0.2 million after taxes, or \$0.00 per diluted share) associated with the sale of certain other assets.

**NOTE 14 – LEGAL AND ENVIRONMENTAL MATTERS**

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.

**NOTE 15 - CUMULATIVE EFFECT OF ACCOUNTING CHANGES**

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 was effective for LP beginning January 1, 2003. As part of this implementation, LP recognized a gain of \$0.2 million (before taxes). This change was primarily associated with the treatment of the monitoring costs on closed landfills and timber reforestation obligations associated with LP’s timber licenses in Canada.

During the first quarter of 2002, LP implemented SFAS No. 142, “Goodwill and other intangible assets.” As part of the initial implementation, LP determined that \$6.3 million (before taxes) of goodwill reported in the Engineered Wood Products business was impaired as of January 1, 2002 based upon the net present value of the estimated future cash flows.

These charges were recorded in the line item “cumulative effect of change in accounting principles” as of January 1, 2003 and 2002.

NOTE 16 – SELECTED SEGMENT DATA

See Note 2 for discussion of reclassification of prior year segment data.

**Operating Results:**

Dollar amounts in millions	Quarter Ended September 30,			Nine Months Ended September 30,		
	2003	2002	% change	2003	2002	% change
<b>Net sales:</b>						
OSB	\$ 403.2	\$ 173.0	133	\$ 826.7	\$ 556.6	49
Composite Wood Products	121.7	90.0	35	311.2	278.1	12
Plastic Building Products	56.3	47.0	20	156.5	120.8	30
Engineered Wood Products	82.2	81.6	1	219.6	202.9	8
Pulp	—	0.6	(100)	—	1.3	(100)
Other	23.8	36.7	(35)	76.2	120.7	(37)
Less: Intersegment sales	(12.4)	(13.6)	(9)	(23.8)	(43.6)	(45)
	<u>\$ 674.8</u>	<u>\$ 415.3</u>	62	<u>\$ 1,566.4</u>	<u>\$ 1,236.8</u>	27
<b>Operating profit (loss):</b>						
OSB	\$ 197.8	\$ 8.0	2373	\$ 248.7	\$ 56.1	343
Composite Wood Products	23.3	9.6	143	43.5	38.0	14
Plastic Building Products	4.0	3.4	18	13.2	5.4	144
Engineered Wood Products	(1.6)	2.6	(162)	(3.7)	6.9	(154)
Pulp	—	1.4	(100)	—	(2.2)	100
Other	(1.7)	1.1	(255)	0.6	6.8	(91)
Other operating credits and charges, net	(5.7)	(2.6)	(119)	(31.1)	(2.2)	(1314)
Gain (loss) on sale or impairment of long-lived assets	22.5	38.8	(42)	64.2	43.0	49
General corporate and other expenses, net	(26.2)	(20.2)	(30)	(71.2)	(63.3)	(12)
Gain (loss) on early debt extinguishment	(1.5)	—		(1.5)		
Interest income (expense), net	(13.9)	(15.6)	11	(43.3)	(48.1)	10
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated subsidiaries	<u>\$ 197.0</u>	<u>\$ 26.5</u>	643	<u>\$ 219.4</u>	<u>\$ 40.4</u>	443

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

Dollar amounts in millions	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2003	2002	2003	2002
OSB	\$ 19.7	\$ 17.5	\$ 55.7	\$ 56.4
Composite Wood Products	4.1	4.2	12.5	12.3
Plastic Building Products	2.0	1.7	5.6	4.6
Engineered Wood Products	3.7	4.2	11.3	12.5
Pulp	—	—	—	—
Other	1.4	1.6	5.6	6.8
Non segment related	2.9	2.7	8.1	8.0
	<u>\$ 33.8</u>	<u>\$ 31.9</u>	<u>\$ 98.8</u>	<u>\$ 100.6</u>

NOTE 17 – POTENTIAL IMPAIRMENTS

LP continues to review several mills and projects for potential impairments. Management currently believes that it has adequate support for the carrying value of each of these assets based upon the anticipated cash flows that result from our estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. However, should the markets for LP's products deteriorate from September 30, 2003 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 make assumptions regarding the transaction structure for the disposition and 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.

As part of the sale of LP's Samoa, California pulp mill to Samoa Pacific Cellulose LLC (SPC), there are several contingent liabilities (primarily concerning environmental remediation) associated with these operations that, under certain circumstances, could become LP's liabilities. LP has not fully recorded an accrual for these liabilities, as LP does not believe that payment is likely to occur.

LP's Canadian subsidiaries have arrangements with various Canadian provincial governments which give its subsidiaries the right to harvest a volume of wood off public land from defined forest areas under supply and management agreements, long-term pulpwood agreements and various other timber licenses. Total timber under license in British Columbia (BC) is located on 7,900,000 acres. In March of 2003, the BC government announced major changes to the provincial timber license structure. These included a 20% reduction in the harvesting rights for holders of long-term licenses and the introduction of an

auction based timber system. This will not affect LP's softwood timber licenses associated with its OSB facilities in BC. Although this legislation has been enacted, the regulations that will establish the new timber pricing system and basis for the 20% timber license reduction have not yet been published. As a result, LP is unable to predict what effects these changes will have on future operations. The BC government has acknowledged that licensees will be fairly compensated for the reduction in harvesting rights and the costs associated with the related improvements (including roads and bridges).

As part of the acquisition of the assets of Evans Forest Products in 1999, LP allocated a portion of the purchase price to these timber licenses based upon the present value of the difference between the cost of the timber under licenses and the timber purchased on the open market as of the date of acquisition. As a result of the change in the enacted timber license structure and integral relationship between these licenses and the acquired operations, LP will be required to complete an impairment test, once the compensation has been determined, on these operations to determine what, if any, impairment is required.

NOTE 18 – CONTINGENCY RESERVES

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

<u>Dollar amounts in millions</u>	<u>September 30, 2003</u>	<u>December 31, 2002</u>
Environmental reserves	\$ 21.3	\$ 25.7
OSB siding reserves	17.7	39.0
Hardboard siding reserves	46.6	49.6
Other	7.6	11.8
<b>Total contingencies</b>	<b>93.2</b>	<b>126.1</b>
Current portion contingencies	(30.0)	(20.0)
Long term portion contingencies	<b>\$ 63.2</b>	<b>\$ 106.1</b>

OSB and Hardboard Siding Reserves

LP has established reserves relating to certain liabilities associated with products manufactured which were the subjects of nationwide class action lawsuits. These settlement agreements relate to a nationwide class action suit involving OSB Siding manufactured by LP and installed prior to January 1, 1996 and a nationwide class action suit involving hardboard siding manufactured or sold by corporations acquired by LP in 1999 and installed prior to May 15, 2000, were approved by the applicable courts in 1996 and 2000, respectively. LP continues to have payment and other obligations under the nationwide OSB and hardboard siding settlements. These settlements are discussed in detail in Note 12 of the Notes to financial statements included in Item 8 of LP's Annual Report on Form 10-K for the year ended December 31, 2002.

NOTE 19 – GUARANTEES AND INDEMNIFICATIONS

LP is party to contracts in which LP agrees to indemnify third parties for certain liabilities that arise out of or relate to the subject matter of the contract. In some cases, this indemnity extends to related liabilities arising out of the negligence of the indemnified parties, but usually excludes any liabilities caused by gross negligence or willful misconduct of the indemnified parties. LP cannot estimate the potential amount of future payments under these agreements until events arise that would trigger the liability.

Additionally, in connection with certain sales of assets and divestures of businesses, LP has agreed to indemnify the buyer and related parties for certain losses or liabilities incurred by the buyer or such related parties with respect to 1) the representations and warranties made to the buyer by LP in connection with the sales and 2) liabilities related to the pre-closing operations of the assets sold. Indemnities related to pre-closing operations generally include environmental liabilities, tax liabilities and other liabilities not assumed by the buyer.

Indemnities related to the pre-closing operations of sold assets normally do not represent added liabilities for LP, but simply serve to protect the buyer from potential liability associated with the obligations that existed (known and unknown) at the time of the sale. LP records accruals for those pre-closing obligations that are considered probable and reasonably estimable. We have not accrued any additional amounts as a result of the indemnity agreements summarized below, which resulted from significant asset sales and divestures in recent years. Under FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtness of Others", LP is required to record a liability for the fair value of the guarantees that are entered into subsequent to December 31, 2002.

- In connection with various sales of LP's timberlands, LP has agreed to indemnify the various buyers with respect to losses resulting from breaches of limited representations and warranties contained in these agreements. These indemnities, which LP believes are significantly narrow, generally are not capped at a maximum potential liability and do not expire.

- In connection with the exchange of LP's Texas and Louisiana plywood mills and a medium density fiberboard (MDF) mill to Georgia Pacific Corporation in 2002, LP agreed to indemnify Georgia Pacific Corporation for certain losses resulting from breaches of LP's representations and warranties contained in the exchange agreement. LP is not required to pay under this indemnification obligation until claims against LP, on a cumulative basis exceed \$500,000. Upon exceeding this \$500,000 threshold, LP is generally required to provide indemnification for any losses in excess of \$500,000, up to a limit of \$15 million. This indemnification expires in September of 2007.
- In connection with the sale of LP's particleboard mill at Missoula, MT to Roseburg Forest Products Co. in early 2003, LP provided a 5-year indemnity for unknown environmental claims, capped at the purchase price of \$17.7 million with a \$1,000,000 deductible. This indemnification expires in February of 2008. The fair value of this guarantee is not material.

- In connection with the sale of LP's particleboard mill in Arcata, CA to Hambro Forest Products in 2002, LP provided an uncapped 7-year indemnity for any claims arising out of the excess equipment yard and an uncapped 1-year indemnity for remediation at a specific site beginning upon receipt of a No Further Action Letter (NFA) from state regulators. The remediation work has been completed and the NFA is expected shortly. The 7-year excess equipment yard indemnity will expire in July of 2009.
- In connection with the sale by LP Canada Pulp Ltd's ("LPCP") of its pulp mill in Chetwynd, BC, Canada to Tembec, Ltd in October 2002, LP guaranteed a 2-year indemnity provided by LPCP for breach of warranties and representations and an indemnity of unspecified duration provided by LPCP for liabilities arising out of pre-closing operations. These indemnities, which do not extend to environmental liabilities, are capped at \$20 million Canadian in the aggregate.
- In connection with the sale of LP's pulp mill in Samoa, California in 2001, LP agreed to indemnify SPC for certain environmental issues and third party and personal injury claims arising out of pre-closing operations. This indemnification is without a dollar limit and is for an unspecified period. LP also agreed to indemnify SPC for nine years for potential government-imposed changes to the waste water treatment process capped at \$4.6 million. LP also agreed to indemnify SPC for various other matters for periods ranging from 3 to 5 years capped at the purchase price. Additionally, LP has guaranteed a contractual liability for lease payments and a potential restoration of certain California tidelands, should this be required by various state agencies. Under certain circumstances, LP may have the ability to offset the amount owed under these indemnities against amounts owed to it by SPC.

LP will record a liability related to specific indemnification when future payment is probable and the amount is reasonably estimable.

Additionally, LP provides warranties on product sales. These reserves for these warranties are determined by applying the provision of SFAS No. 5, Accounting for Contingencies. The liability was approximately \$20.2 million at September 30, 2003 and \$16.0 million at December 31, 2002.

#### NOTE 20 – HEADQUARTERS RELOCATION

On September 30, 2003, LP announced that it would relocate its corporate headquarters to Nashville, Tennessee. The transition associated with this relocation is expected to occur over the next 12 to 24 months, and will involve the consolidation of most of LP's management and leadership positions from several offices to its new headquarters. The move will also result in LP's corporate headquarters being closer to the company's production facilities, customers and shareholders. As of September 30, 2003, no liability had been recognized because the events triggering recognition of such liabilities had not yet occurred. Additionally, the total estimated liability is not known because LP does not currently know how many employees will accept relocation, thereby incurring relocation costs, and how many will not accept relocation and thereby incurring severance costs. LP is refining its estimate of other expenses as well. Based upon its most current information, LP believes that expenses will range from \$13 to \$15 million that will be recognized over the next 12 to 24 months. Additionally, LP expects approximately \$9 to \$11 million in capital expenditures related to the relocation of the headquarters and related facilities. The expense

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estimates do not reflect expected incentives provided by various agencies to help partially offset the expenses of the relocation nor the potential gains on the sale of current facilities.

#### NOTE 21 – PENSION CURTAILMENT

During the second quarter of 2003, LP recorded a \$2.5 million curtailment expense on its US defined benefit pension plans related to the expected divestitures of the lumber and interior hardboard operations. During the second quarter of 2002, LP recorded a similar charge of \$6.4 million (\$2.0 million of which was reversed in the third quarter of 2002) 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.

The discount rate used to calculate the curtailment charge at June 30, 2003 was 5.75%, compared to a discount rate used at the date of our last annual valuation on October 31, 2002 of 6.75%. The use of a lower discount rate caused an increase in the actuarial value of the obligations of the plans. Therefore, LP was required to record an adjustment to the minimum pension liability which is a component of accumulated comprehensive loss of \$18.3 million (\$11.2 million after taxes) and a corresponding increase of \$15.2 million in pension liabilities and a decrease of \$3.1 million in the intangible pension asset.

#### NOTE 22 – PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. This interpretation requires that an enterprise's consolidated financial statements include subsidiaries in which the enterprise has a controlling financial interest. Management is currently evaluating the impact of this statement.

#### NOTE 23 - EARLY DEBT EXTINGUISHMENT

During the third quarter ended September 30, 2003, LP repurchased \$15.7 million of its publicly traded debt obligations. These obligations were purchased at a premium of \$1.5 million, including commissions.

#### NOTE 24 – SUBSEQUENT EVENTS

On October 20, 2003, LP announced it had completed the sale of approximately 464,000 acres of timberland located in southeastern Texas. The sale price was approximately \$290 million; less transaction costs fees and expenses. LP received approximately \$23 million of cash upon the completion of the sale, together with a note receivable in the principal amount of \$267 million. LP expects to contribute the note receivable to the QSPE, and to receive approximately \$257 million of borrowing proceeds from the QSPE as a return of capital, in the fourth quarter of 2003 in the manner described in Note 3. LP expects to recognize a pre tax gain of approximately \$50 to \$55 million on the sale.

On November 1, 2003, LP's Board of Directors authorized, subject to contractual restrictions in any of LP's debt facilities, LP's management to purchase from time to time up to 20,000,000 shares of its outstanding common stock in the open market or in privately negotiated transactions.

## Item 2. Management's Discussion and Analysis

## CRITICAL ACCOUNTING POLICIES

Presented in Note 1 of Notes to financial statements included in item 8 in our Annual Report on Form 10-K for the year ended December 31, 2002 is a discussion of our significant accounting policies. While it is important to review and understand all of these policies 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 \$7.9 million higher if the LIFO inventories were valued at average cost.

*Timber and timberlands.* We use an accounting method for 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 costs of 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 allocations for both Le Groupe Forex (Forex) and the assets of Evans Forest Products (Evans). The allocations were based upon the present value of the difference between the cost of the timber under licenses and the timber purchased on the open market as of the date of acquisition.

*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 Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" which establishes a fair value approach to measuring compensation expense related to employee stock compensation plans. 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 estimates and judgments in the selection and application of accounting principles and methods. For 2003, 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. In making judgments and assumptions regarding legal contingencies for ongoing class action settlements, we consider, among other things, discernible trends in the rate of claims asserted and related damage estimates, 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. 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. These estimates typically reflect judgments and assumptions relating to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the

probable cost of these activities, and in some cases reflect judgments and assumptions relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities, including third parties who purchased assets from us subject to environmental liabilities. 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. Commencing January 1, 2003, liabilities associated with closing, capping and monitoring landfills are accounted for as asset retirement obligations in accordance with SFAS No. 143.

*Impairment of Long-Lived Assets.* We review the long-lived assets held and used by us (primarily property, plant and equipment and timber and timberlands) for impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Identifying these events and changes in circumstances, and assessing their impact on the appropriate valuation of the affected assets under accounting principles generally accepted in the US, requires us to make judgments, assumptions and estimates. In general, on assets held and used, impairments are recognized when the book values exceed our estimate of the undiscounted future net cash flows associated with the affected assets. The key assumptions in estimating these cash flows include 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 to be held and used are written down to their estimated fair value that 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 proceeds on the basis of that experience. In other situations, we may hire independent appraisers to estimate net sales proceeds. Due to the numerous variables associated with our judgments and assumptions relating to the valuation of assets in these circumstances, and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates of the related impairment charges are subject to substantial uncertainties and, as additional information becomes known, we may change our estimates significantly.

*Asset Retirement Obligations.* As required by SFAS No. 143, we changed our method of accounting for certain asset retirement obligations as of January 1, 2003. The net impact of this change was not material. We included the costs of closing, capping and monitoring landfills, the costs of reforestation associated with certain of our Canadian timber supply agreements and the costs of potential requirements to remove certain assets in our asset retirement obligations. In certain cases, we used a weighted-average probability of several alternative scenarios. We did not include costs to remediate unintentional environmental contamination, whether caused by third parties or us, as these liabilities are accounted for under SFAS No. 5 and SOP 96-1.

*Income Taxes.* The determination of the provision for income taxes, and the resulting deferred tax assets and liabilities, involves significant management judgment, and is based upon information available to management at the time of such determination. The final income tax liability to any taxing jurisdiction with respect to any calendar year will ultimately be determined long after our financial statements have been published for that year. We maintain reserves for estimated tax exposures in federal, state and international jurisdictions. Significant income tax exposures may include potential challenges to intercompany pricing, the treatment of financing, acquisition and disposition transactions, the use of hybrid entities, and the use of the installment sale method of accounting for tax purposes and other matters. These exposures are settled primarily through the closure of audits by these taxing

jurisdictions and, on occasion, through the judicial process, any of which may produce a result inconsistent with past estimates. We believe that we have appropriate liabilities established for estimated exposures; however, actual results may differ materially from our estimates.

Judgment is also applied in determining whether deferred tax assets will be realized in full or in part. When we consider it to be more likely than not that all or some portion of a deferred tax asset will not be realized, a valuation allowance is established for the amount of the deferred tax asset that is estimated not to be realizable. As of September 30, 2003, we had established valuation allowances against certain deferred tax assets, primarily related to state and foreign net operating loss carryovers. We have not established valuation allowances against other deferred tax assets based upon expected future taxable income, and/or tax strategies planned to mitigate the risk of impairment of these assets. Accordingly, changes in facts or circumstances affecting the likelihood of realizing a deferred tax asset could result in the need to record an additional valuation allowance.

*Goodwill.* As discussed in Note 1 of the Notes to the financial statements included in item 8 of LP's Annual Report on Form 10-K, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002. Under this standard, goodwill and other intangible assets that are deemed to have an indefinite-life are no longer amortized. However, these indefinite life assets are tested for impairment on an annual basis, and otherwise when indicators of impairment are determined to exist, by applying a fair value based test. The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgments at many points during the analysis. In testing for potential impairment, the estimated fair value of the reporting unit, as determined based upon cash flow forecasts, is compared to the book value of the reporting unit. The key assumptions in estimating these cash flows include 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.

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

*Pension Plans.* Most of our US employees and many of our Canadian employees participate in defined benefit pension plans sponsored by LP. We account for the consequences of our sponsorship of these plans in accordance with accounting principles generally accepted in the US, which require us to make actuarial assumptions that are used to calculate the related assets, liabilities and expenses recorded in our financial statements. While we believe we have a reasonable basis for these assumptions, which include assumptions regarding long-term rates of return on plan assets, life expectancies, rates of increase in salary and wage levels, rates at which future values should be discounted to determine present values and other matters, the amounts of our pension related assets, liabilities and expenses recorded in our financial statements would differ if we used other assumptions. The amount of the additional minimum pension liability, recorded in Accumulated Comprehensive Loss on our consolidated balance sheet, is based on a comparison of the accumulated benefit obligation to the market value of plan assets on our valuation date of October 31 or an interim valuation date, when applicable.

## **RESULTS OF OPERATIONS**

Our net income for the third quarter of 2003 was \$124.5 million, or \$1.17 per diluted share, on sales of \$674.8 million, compared to the third quarter 2002 net income of \$3.3 million, or \$0.03 per diluted share, on sales of \$415.3 million. For the third quarter of 2003, income from continuing operations was \$109.9 million, or \$1.03 per diluted share compared to income from continuing operations of \$17.8 million, or \$0.17 per diluted share for the third quarter of 2002. For the nine months ended September 30, 2003, our net income was \$108.8 million, or \$1.03 per diluted share, on sales of \$1.6 billion, compared a net loss of \$19.4 million, or \$0.19 per diluted share, for the nine month period ended September 30, 2002 on sales of \$1.2 billion. For the first nine months ended September 30, 2003, income from continuing operations before cumulative effect of change in accounting principle was \$120.8 million, or \$1.14 per diluted share compared to income from continuing operations before cumulative effect of

change in accounting principle of \$25.4 million, or \$0.24 per share for the first nine months of 2002. All sales figures reflect sales from continuing operations only.

We operate in four segments: Oriented Strand Board (OSB), Composite Wood Products, Plastic Building Products and Engineered Wood Products. In prior periods, we also operated a Pulp segment. OSB is the most significant segment, accounting for more than 45% of sales during the first nine months of 2003 and 2002. 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.

OSB is a commodity product for which sales prices fluctuate daily based on market factors over which we have little or no control. We cannot predict whether the prices of OSB products will remain at current levels which were at historic highs at September 30, 2003, 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. In addition, 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 and repair and remodel activities, which are 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.

## OSB

Our OSB segment manufactures and distributes commodity OSB structural panels.

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2003	2002	Change	2003	2002	Change
Sales	\$ 403.2	\$ 173.0	133%	\$ 826.7	\$ 556.6	49%
Operating profits	\$ 197.8	\$ 8.0	2373%	\$ 248.7	\$ 56.1	343%

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2003 compared to the quarter and nine months ended September 30, 2002 are as follows:

	Quarter Ended September 30 2003 versus 2002		Nine Months Ended September 30 2003 versus 2002	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
Commodity OSB	114%	19%	50%	(1)%

OSB prices increased significantly for the third quarter and nine months ended September 30, 2003 as compared to the corresponding periods of 2002 due to strong market demand which resulted from poor weather conditions that had delayed the start of the 2003 building season. This delay resulted in an increased demand in a shortened time span, which industry producers and existing product inventories could not satisfy demand. Additionally, poor weather in several areas resulted in log outages for several producers of structural panels. These circumstances caused OSB market prices to rise steadily from early June 2003. Additionally, limited additional industry capacity has been put into service over the last year. During the third quarter of 2003, all of our mills were running, including our Chambord, Quebec mill, which was on strike during the third quarter of 2002 and our Woodland, Maine mill, which we acquired through an exchange with Georgia Pacific in September of 2002.

Compared to the third quarter and the nine months ended September 30, 2002, the primary factors for increased operating profits was the significant increase in sales prices, which was partially offset by an increase in operating

costs of 5% for the quarter and 14% for comparable nine month period of 2003. The increase in operating costs was primarily due to increased wood, resin and energy costs. Additionally, because of the strengthening Canadian dollar, operating results at our Canadian OSB mills were negatively affected due to increased Canadian dollar denominated costs when translated into US dollars.

## COMPOSITE WOOD PRODUCTS

Our composite wood products segment produces and markets wood siding and related accessories, specialty hardboard products and specialty OSB.

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2003	2002	Change	2003	2002	Change
Sales	\$ 121.7	\$ 90.0	35%	\$ 311.2	\$ 278.1	12%
Operating profits	\$ 23.3	\$ 9.6	143%	\$ 43.5	\$ 38.0	14%

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2003 compared to the quarter and nine months ended September 30, 2002 are as follows:

	Quarter Ended September 30 2003 versus 2002		Nine Months Ended September 30 2003 versus 2002	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
OSB-based exterior products	2%	12%	0%	15%
Commodity OSB	114%	75%	50%	26%
Hardboard	(23)%	(15)%	6%	—

For both the third quarter and the nine month period ended September 30, 2003, sales volume continued to increase over the comparable periods in the prior year in our OSB-based exterior products due to increased market penetration and brand awareness. Volumes and sales prices in our hardboard siding and doorskin business declined due to reduced demand in one of our key markets and slackening demand elsewhere. Sales prices in the OSB-based exterior products remained relatively flat over the comparable period.

During the third quarter and nine month period ended September 30 of both 2003 and 2002, two of our specialty OSB facilities also produced commodity OSB. The commodity OSB volume increase over both the third quarter and the nine month period ended September 30, 2002 primarily due to increased commodity OSB production from our Silsbee Texas specialty OSB facility which in prior quarters had produced OSB-based exterior products. See the discussion in OSB above for a discussion of changes in commodity OSB pricing.

Overall, the improvement in operating results for our composite wood products segment for the third quarter and nine month period ended September 30, 2003 compared to the same periods in the prior year was primarily due to significantly increased commodity OSB pricing, which was slightly offset by increases in operating costs including higher wood, resin and energy costs.

#### PLASTIC BUILDING PRODUCTS

Our plastic building products segment produces and markets vinyl siding and related accessories, plastic mouldings and composite decking.

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2003	2002	Change	2003	2002	Change
Sales	\$ 56.3	\$ 47.0	20%	\$ 156.5	\$ 120.8	30%
Operating profits	\$ 4.0	\$ 3.4	18%	\$ 13.2	\$ 5.4	144%

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Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2003 compared to the quarter and nine months ended September 30, 2002 are as follows:

	Quarter Ended September 30 2003 versus 2002		Nine Months Ended September 30 2003 versus 2002	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
Vinyl	5%	9%	6%	9%
Moulding	0%	9%	(1)%	(1)%
Decking	13%	8%	20%	92%

In our vinyl siding business, sales prices increased for the quarter and nine month period ended September 30, 2003 as compared to the same periods in the prior year due partially to an increase in sales for our premium siding product (30% increase in the quarter and 52% increase for the nine month period). Additionally, we implemented a general price increase to offset a portion of the increased cost of the primary raw material. Sales volume increased for the periods due to increased market share.

In our mouldings product line, we saw a slight decline in unit shipments for the quarter and nine month period ended September 30, 2003 as compared to the same periods in the prior year due to slower retail activity in the home centers. Sales prices remained flat for the quarter and declined slightly for the nine month period ended September 30, 2003 due to competitive pricing pressure.

Operating results for our composite decking business improved significantly for the quarter and nine month period ended September 30, 2003 over comparable periods in the prior year. Sales prices increased as a result of a general price increase instituted as of January 1, 2003 for all our decking products. Our sales and production volumes also increased significantly as a result of continued marketing efforts to gain new customers that allowed us to run both of our decking facilities in 2003, while our Meridian plant was shutdown for a portion of 2002.

The results of operations in this segment improved significantly for the quarter and the nine month period ended September 30, 2003 as compared to the same periods of the prior year due to improved selling prices and volumes in our composite decking products, while the increased production volumes reduced our per unit costs. The resulting improvements were partially offset by increased resin costs, the primary raw material for many of the products in this segment, increased energy costs and the impact of the strengthening Canadian dollar.

#### ENGINEERED WOOD PRODUCTS

Our engineered wood products segment manufactures and distributes engineered wood products (EWP), including laminated veneer lumber (LVL), I-Joists and other related products.

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2003	2002	Change	2003	2002	Change
Sales	\$ 82.2	\$ 81.6	1%	\$ 219.6	\$ 202.9	8%
Operating profits (losses)	\$ (1.6)	\$ 2.6	-162%	\$ (3.7)	\$ 6.9	-154%

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2003 compared to the quarter and nine months ended September 30, 2002 are as follows:

	Quarter Ended September 30 2003 versus 2002		Nine Months Ended September 30 2003 versus 2002	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
LVL	3%	6%	(2)%	28%
I-joists	3%	17%	0%	16%

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For the quarter ended September 30, 2003, both LVL and I-Joists experienced slight increases in sales prices after several quarters of declines. For the nine month period ended September 30, 2003, LVL sales prices experienced a slight decline and I-Joist prices remained flat. Sales volumes for both product lines showed an increase for all periods due to the addition of several new distributors and an expanded presence with large builders. Additionally, included in this segment are related products which all showed significant declines in volumes due to the continued focus on LVL and I-Joist products.

The results of operations of our EWP segment declined primarily due to increases in raw material costs (primarily veneer, OSB and lumber) and operating costs as well as the impact of the strengthening Canadian dollar on the Canadian dollar denominated operating costs of our EWP facilities in British Columbia.

#### PULP

During 2002, we completed our exit of the pulp market with the sale of our remaining pulp mill in October of 2002.

#### OTHER PRODUCTS

Our other products category includes sales associated with lumber and plywood sales offices, wood chips, our OSB operation in Ireland (which we sold in April 2002), timber and timberlands not associated with other segments or businesses to be divested and other minor products and services. Sales were significantly lower, with lower operating profits for the third quarter and nine months ended September 30, 2003 as compared to the same periods of 2002. The reduction in sales was primarily attributable to the sale of the Ireland operation in first quarter of 2002 and the elimination of our plywood sales operations. Sales and profits of logs from our timberlands increased significantly as we sold our logs to external customers that previously were transferred to our plywood operations that we divested in the third quarter of 2002.

#### GENERAL CORPORATE AND OTHER EXPENSE, NET

For the third quarter of 2003 as compared to 2002, general corporate expenses increased 30%. For the nine month period ended September 30, 2003 as compared to the comparable period in 2002, general corporate expenses increased 12%. General corporate and other expenses primarily consist of corporate overhead such as wages and benefits for corporate personnel, professional fees, insurance and other expenses. The increases in both the quarter and nine month period ended September 30, 2003 was primarily related to higher professional fees, higher management bonuses and stock compensation accruals due to improved operating and stock performance, higher insurance costs and increased marketing spending.

#### INTEREST, NET

Interest expense in the third quarter and nine month period ended September 30, 2003 was lower than the comparable periods in 2002 due to lower interest rates on variable debt and a lower average amount of debt outstanding.

#### DISCONTINUED OPERATIONS

Included in discontinued operations for the third quarter and nine months ended September 30, 2003 and 2002 are the results of the operations of mills that have been or are to be divested under our divestiture plan. For the third quarter of 2003, these operations include lumber mills, an interior hardboard operation and a veneer mill. For the nine month period ended September 30, 2003, these operations also include one industrial panels facility that was

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sold in the first quarter of 2003. For the first three quarters of 2002, these operations included our US plywood, lumber and industrial panels mills, interior hardboard operations, wholesale operations and distribution facilities.

Overall, these operations improved for the third quarter and nine month period ended September 30, 2003 as compared to the same periods in 2002. This improvement is primarily related to the recognition of \$20.9 million in the third quarter of 2003 and \$27.1 for the first nine months of 2003 associated with the liquidation of certain LIFO inventories due to reduced log and lumber inventories at sites sold or closed. A similar gain of \$2 million was recognized in the third quarter of 2002. Additionally, results improved due to timing of the sale, transfer or permanent closure of facilities that were unprofitable.

Included in the operating losses of discontinued operations for the third quarter of 2002, are a loss of \$9.6 million associated with assets held for sale; a loss of \$4.2 million on severance accrued as part of the announced divestiture plan; a gain of \$0.5 million to reflect the changes in the estimated fair value of several energy contracts since June 30, 2002; a gain of \$1.4 million from business interruption insurance recoveries related to incidents at facilities that occurred in past years; a loss of \$4.5 million related to a retained timber contract associated with a sold mill as we expect to sell the timber at a loss; and a gain of \$2.0 million related to the reversal of curtailment expense recorded in the second quarter of 2002 on a defined benefit pension plan associated with the expected divestitures.

In addition to the above, during the nine month period ended September 30, 2002, we recorded a loss of \$25.6 million associated with impairment charges on assets held for sale and a net gain of \$2.6 million from business interruption insurance recoveries related to incidents at facilities that occurred in past years; a loss of \$3.9 million on severance accrued as part of the divestiture plan; a loss of \$6.4 million related to curtailment expense with respect to a defined benefit pension plan associated with the expected divestitures. Additionally, we recorded a gain of \$3.3 million to reflect the changes in the estimated fair value of several energy contracts since December 31, 2001.

Included in the operating losses of discontinued operations for the third quarter of 2003, are a loss of \$1.7 million related to timber contracts associated with closed or sold mills; a loss of \$0.9 million related to severance charges and a gain of \$0.5 million on the sale of various assets previously held for sale.

In addition to the above, during the nine month period ended September 30, 2003, we recorded a gain of \$7.5 million on the sale of various assets previously held for sale (primarily our Missoula particleboard facility) and a loss of \$0.5 million related to severance charges; a loss of \$2.5 million related to curtailment expense on defined benefit pension plans associated with the expected divestitures; a loss of \$15.0 million related to an operating lease of a mill that has been permanently closed; a loss of \$1.4 million related to a timber contract associated with a closed mill; and impairment charges of \$24.4 million on assets held for sale.

#### INCOME TAXES

Income (loss) before taxes for the quarter and nine month period ended September 30, 2003 and 2002 were as follows:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Continuing operations	\$ 197.7	\$ 27.6	\$ 219.7	\$ 43.6
Discontinued operations	23.6	(23.5)	(19.6)	(66.3)
Cumulative effect of change in accounting principle	—	—	0.2	(6.3)
	221.3	4.1	200.3	(29.0)
Total tax provision (benefit)	96.8	0.8	91.5	(9.6)
Net income (loss)	\$ 124.5	\$ 3.3	\$ 108.8	\$ (19.4)

Accounting standards require that the estimated effective income tax rate (based upon estimated annual amounts of taxable income and expense) by income component for the year be applied to year-to-date income or loss at the end of each quarter. The primary difference between the combined statutory federal, state and provincial rate (38%) on

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continuing operations and the calculated rate relates to a difference associated with certain non deductible foreign currency exchange gains and losses on inter-company debt which is denominated in Canadian dollars.

The components and associated estimated effective income tax rates applied to the third quarter and nine month periods ended September 30, 2003 and 2002 are as follows:

	Quarter Ended September 30,			
	2003		2002	
	Tax Provision	Tax Rate	Tax Provision	Tax Rate
Continuing operations	\$ 87.8	44%	\$ 9.8	36%
Discontinued operations	9.0	38%	(9.0)	38%
	\$ 96.8	44%	\$ 0.8	20%

  

	Nine Months Ended September 30,			
	2003		2002	
	Tax Provision	Tax Rate	Tax Provision	Tax Rate
Continuing operations	\$ 98.9	45%	\$ 18.2	42%
Discontinued operations	(7.5)	38%	(25.3)	38%
Cumulative effect of accounting change	0.1	38%	(2.5)	40%
	\$ 91.5	46%	\$ (9.6)	33%

#### CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES

LP adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," as of January 1, 2003. This statement addresses the financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. This statement requires us to record both an initial asset and a liability for the fair value of estimated costs of legal obligations associated with the retirement of long-lived assets. The initial assets are depreciated over the expected useful life of the asset. Upon adoption of this statement, we changed our accounting for landfill closure and monitoring costs, reforestation obligations associated with certain timber licenses in Canada and other assets. Implementation of this standard resulted in income of \$0.2 million (or \$0.1 million after taxes of \$0.1 million) as the fair value of the liabilities as calculated under SFAS No. 143 was lower than previously recorded liabilities. This impact was recorded as a "cumulative effect of change in accounting principle" as of January 1, 2003.

LP adopted Statement of Financial Accounting Standards No. 142, "Goodwill and other Intangible Assets," as of January 1, 2002. As of January 1, 2002, we discontinued amortization of goodwill. We determined that \$6.3 million (or \$3.8 million after taxes of \$2.5 million) of goodwill recorded in the Engineered Wood Products business was impaired as of January 1, 2002 and this amount was recorded net of income tax effects as a "cumulative effect of change in accounting principle" as of January 1, 2002.

#### DEFINED BENEFIT PENSION PLANS

We maintain several qualified and non-qualified defined benefit pension plans in the US and Canada that cover a substantial portion of our employees. We account for all of these plans and provide aggregated disclosures about these plans in the Notes to our financial statements as required by SFAS No. 87 "Employers' Accounting for Pensions", SFAS No. 88 "Employers' Accounting and Settlement and Curtailments of Defined Benefit Plans and for Termination Benefits" and SFAS No. 132 "Employers' Disclosures about Pensions and Other Post Retirement Benefits". Our total defined benefit pension expense for 2002 was approximately \$18.9 million, including a \$4.4 million curtailment expense due to divestiture activity, compared to pension expense in 2001 of \$14.6 million. We estimate that our defined benefit pension expense for 2003 will be approximately \$17 million, including a \$2.5 million curtailment charge. We contributed \$27.1 million to our defined benefit pension plans in 2002. We have contributed approximately \$30 million to these plans in 2003. A significant actuarial loss existed at the end of 2002. The amortization of this unrecognized loss is expected to account for approximately 30% of our 2003 pension expense.

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#### LEGAL AND ENVIRONMENTAL MATTERS

For a discussion of legal and environmental matters involving us and the potential impact thereof on our financial position, results of operations and cash flows, see Items 3 and 7 in our Annual Report on Form 10-K for the year ended December 31, 2002, Note 12 to the financial statements contained therein and Item 1, Legal Proceedings, in Part II of this report.

## OSB SIDING LITIGATION UPDATE

The following discussion should be read in conjunction with the discussion of our OSB siding litigation set forth in Note 12 of Notes to the financial statements included in item 8 of LP's Annual Report on Form 10-K for the year ended December 31, 2002.

Cumulative statistics as of the dates stated below under the nationwide and Florida Settlements are as follows:

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
Requests for claims forms	331,000	331,000
Completed claims received	213,000	213,000
Completed claims pending	4,000	16,000
Claims dismissed	39,000	39,000
Claims settled	170,000	158,000

The average payment amount for settled claims as of September 30, 2003 and December 31, 2002 was approximately \$3,500. Excluding claims satisfied on a discounted basis under various alternative payment programs, the average payment amount for settled claims as of September 30, 2003 and December 31, 2002 was \$5,100. 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. Claimants had through December 31, 2002 to submit claims and consequently no claims were submitted in the first nine months of 2003.

On April 3, 2003, we announced a program under which we invited each holder of a valid claim to submit, on a voluntary basis, an offer stating the amount (expressed as a percentage of the face amount of the claim) the claimant would be willing to accept, on a current basis, in satisfaction of his or her claim. We committed to accept all valid offers up to 35.87%, and reserved the right to accept or reject offers in excess of 35.87%. The deadline for offers to be submitted under the program (based upon postmark dates) was April 30, 2003. On June 27, 2003, we made the decision to accept all offers made to us for 80% or less of the face amount of the claim. In accordance with this decision, we sent acceptance letters and a check to those who responded under this program. For those who responded with an offer greater than 80%, we rejected their offer but nonetheless enclosed a check equal to 80% of the face value of the claim. Should a claimant choose to cash the check, this action will discharge all future liability to LP for such claim. Additionally, we made the decision to send a letter and a check equal to 80% of the face value of the claim to all claimants who failed to respond to our April offer.

From the inception of the settlement through September 30, 2003, we have paid a total of \$510 million in satisfaction of \$823 million in claims. The breakdown of the payments is as follows (in millions):

<u>Dollar amounts in millions</u>	<u>Paid</u>	<u>Satisfaction of Claim Amount</u>
Original settlement	\$ 265	\$ 275
Optional contributions	71	100
Second fund program	115	319
Alternative payment program	32	91
Claimant offer program	27	38
	<u>\$ 510</u>	<u>\$ 823</u>

Additionally, as of October 6, 2003, we announced that we will fund the remaining claims under the nationwide OSB siding class-action settlement in the fall of 2004 as provided under the settlement agreement.

## HARDBOARD SIDING LITIGATION UPDATE

The following discussion updates should be read in conjunction with the discussion of our hardboard siding litigation set forth in Note 12 of Item 8 of the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2002.

Cumulative statistics under hardboard settlements are as follows:

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
Requests for claims	30,800	25,600
Completed claims received	17,600	13,200
Completed claims pending	2,500	2,000
Claims dismissed	5,100	3,900
Claims settled	10,000	7,300

The average payment amount for settled claims as of September 30, 2003 and December 31, 2002 was approximately \$1,400 and \$1,500. Dismissal of claims is typically the result of claims for product not produced by LP or predecessor companies or claims that lack sufficient information or documentation after repeated efforts to correct those deficiencies.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations was \$227.3 million in the first nine months of 2003 compared to \$81.7 million in the same period of 2002. The increase in cash provided by operations resulted primarily from improvements in operating results during 2003 as compared to the same period of 2002.

Net cash provided by investing activities was \$190.3 million in the first nine months of 2003 compared to \$39.1 million in the first nine months of 2002. Capital expenditures for property, plant and equipment increased for the first nine months of 2003 compared to the same period in 2002 primarily for capital projects to reduce production costs in certain OSB facilities and capital required by our joint venture established for an I-Joist facility in Eastern Canada. We estimate that capital expenditures for the full year ending December 31, 2003 will be approximately \$85 million and will focus primarily on projects to reduce our energy, raw material and resin costs. In addition, we received, in the first nine months of 2003, proceeds of approximately \$67.7 million from the sale of

timberlands, \$31.9 million on the sales of other assets and \$102.8 million as a return of capital from an unconsolidated subsidiary (see Note 3 to the financial statements included in this report and "Off Balance Sheet Arrangement" below). As a result of the conversion of our secured revolving credit facility into a secured letter of credit facility (see Note 10 to the financial statements included in this report), we are required to maintain pledges of cash collateral in an amount equal to 100% of the face amount of the letters of credit outstanding under the facility, but are no longer required to deposit or retain net after-tax proceeds of asset sales in restricted cash account.

Net cash used by financing activities was \$174.3 million for the first nine months of 2003 compared to \$82.2 million in the comparable period of 2002. For the nine months ended September 30, 2003, we repaid \$84.9 million of debt (revolving credit facilities, publicly traded debt obligations and other long term borrowings) and for the comparable period in 2002, we repaid \$89.5 million. We paid no cash dividends in the first nine months of 2003 or 2002. Additionally, in connection with the conversion of our revolving credit agreement into a letter of credit facility, we were required to cash collateralize all outstanding letters of credit. At September 30, 2003, this required a restricted cash account of \$99.4 million.

We expect to meet the future cash requirements of our operations through cash generated from operations, existing cash balances, existing credit facilities and other capital resources. Cash and cash equivalents totaled \$381.8 million at September 30, 2003 compared to \$137.3 million at December 31, 2002. Additionally, at September 30, 2003, we had \$108.1 million in a restricted cash account as compared to \$46.8 million at December 31, 2002.

Our secured US letter of credit facility, which expires in February 2005, provides for up to \$125 million of letters of credit outstanding at any time and requires us to pledge cash as security for our reimbursement obligations under the facility in an amount equal to 110% of the face amount of the letters of credit outstanding from time to time. At September 30, 2003, \$87 million of letters of credit were outstanding under this facility.

We also have a \$25 million (Canadian) secured revolving credit facility under which no borrowings and \$3 million in letters of credit were outstanding at September 30, 2003. This facility is available until February 2004, 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.

As of October 10, 2003, we converted our secured Canadian facility into a letter of credit facility, which expires in February 2006. This amended facility provides for up to \$10 million Canadian of letters of credit outstanding at any time and requires us to pledge cash as security for our reimbursement obligations under the facility in an amount equal to 110% of the face amount of the letters of credit outstanding from time to time.

The accounts receivable securitization facility, which expires in November 2004, provides for maximum borrowings of up to of \$100 million. 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. At September 30, 2003, we had no borrowings outstanding under this facility

As of September 30, 2003, 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."

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. 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, 2002 to September 30, 2003, include an increase of \$80.7 million in accounts receivable primarily due to seasonal increases (including record high OSB prices) in sales volume and prices. Timber and timberlands declined due to the sale of certain timberlands associated with our divestiture program. Long-term assets of discontinued operations decreased significantly due to the sale of several facilities. Additionally, other assets increased by \$45.0 million primarily related to notes receivable associated with the sale of timber and timberlands that occurred during the later portion of the third quarter of 2003. These notes were contributed to an unconsolidated subsidiary in September 2003. In October 2003, the notes were pledged to secure \$24.9 million of borrowings of the unconsolidated subsidiary which distributed most of the cash to LP as a return of capital.

Contingency reserves, which represent an estimate of future cash needs for various contingencies (primarily payments for siding litigation settlements), totaled \$93.2 million at September 30, 2003, of which \$30.0 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 \$43.7 million for the first nine months of 2003.

#### **OFF-BALANCE SHEET ARRANGEMENT**

In connection with the sale of certain timber and timberlands, LP received notes receivable from the purchasers of such timber and timberlands. In order to borrow funds in a cost-effective manner: (i) the notes receivable were

contributed by LP to a Qualified Special Purpose Entity (QSPE) as defined under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," (ii) the QSPE issued to unrelated third parties bonds supported by a bank letter of credit and the QSPE's reimbursement obligations which are secured by the notes receivable, and (iii) the QSPE distributed to LP, as a return of capital, substantially all of the proceeds realized by the QSPE from the issuance of its bonds. Because the QSPE has no sources of liquidity other than the notes receivable, generally the cash flow generated by the notes receivable will be dedicated to the payment of the bonds issued by the QSPE, and the QSPE's creditors generally will have no recourse to LP for the

QSPE's obligations (subject to the limited exception described below), LP believes that reporting the foregoing arrangement on a non-consolidated basis provides a more realistic view of LP's rights and obligations under the arrangement.

During the second and third quarters of 2003, LP sold timber and timberland in various transactions for a total of \$9.3 million of cash and \$143.4 million in notes receivable. Pursuant to the arrangement described above, during the second and third quarters of 2003, LP contributed \$143.4 million of the notes receivable to the QSPE, the QSPE issued \$103.9 million of its bonds to unrelated third parties and distributed \$102.8 million to LP as a return of capital, and between the end of the third quarter of 2003 and the date of this report, the QSPE, issued an additional \$24.9 million of bonds to unrelated third parties and distributed \$24.7 million to LP as a return of capital. LP expects to receive a portion of the purchase price for the sales of the remaining timber and timberlands subject to its divestiture plan in the form of notes receivable and to obtain liquidity from such notes receivable in the manner described above.

The principal amount of the QSPE's borrowings is approximately 90% of the principal amount of the notes receivable contributed by LP to the QSPE. LP's retained interest in the excess of the notes receivable contributed to the unconsolidated subsidiary over the amount of capital distributed by the unconsolidated subsidiary, in the form of an investment in the QSPE, represented \$13.0 million of the "Other assets" reflected on LP's condensed consolidated balance sheet as of September 30, 2003. Additionally, included in LP's condensed consolidated balance sheet as of September 30, 2003 was \$27.7 million of investment in the QSPE with respect to notes receivable which had not yet been pledged by the QSPE to secure additional borrowings.

In accordance with SFAS NO. 140, the QSPE is not included in LP's consolidated financial statements and the assets and liabilities of the QSPE are not reflected on LP's condensed consolidated balance sheet. The QSPE's assets have been removed from LP's control and are not available to satisfy claims of LP's creditors (except to the extent of LP's retained interest, if any, remaining after the claims of QSPE's creditors are satisfied). In general, the creditors of the QSPE have no recourse to LP's assets, other than LP's retained interest. However, under certain circumstances, LP may be liable for certain liabilities of the QSPE (including liabilities associated with the marketing or remarketing of its bonds and reimbursement obligations associated with the letter of credit supporting the bonds) in an amount not to exceed 10% of the aggregate principal amount of the notes receivable pledged by the QSPE. LP's maximum exposure in this regard was approximately \$13.0 million as of the end of the third quarter of 2003 and approximately \$15.9 million as of the date of this report. The estimated fair value of this guarantee is not material.

### **POTENTIAL IMPAIRMENTS**

We continue to review several mills and projects for potential impairments. Management currently believes we have adequate support for the carrying value of each of these assets based upon the anticipated cash flows that result from our estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. However, should the markets for our products deteriorate from September 30, 2003 levels or should we decide to invest capital in alternative projects, it is possible that we will be required to record further impairment charges.

We also review from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, our strategic plan and other relevant circumstances. Because a determination to dispose of particular assets can require management to make assumptions regarding the transaction structure of the disposition and to estimate the net sales proceeds 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.

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As part of the sale of our Samoa, California pulp mill to Samoa Pacific Cellulose LLC (SPC), there are several contingent liabilities (primarily concerning environmental remediation) associated with these operations that, under certain circumstances, could become our liabilities. We have not fully recorded an accrual for these liabilities, as we do not believe it is probable that these liabilities will be incurred. However it is possible that we may be required to record such an accrual in the future.

Our Canadian subsidiaries have arrangements with the Canadian provincial governments which give its subsidiaries the right to harvest a volume of wood off public land from defined forest areas under supply and management agreements, long-term pulpwood agreements and various other timber licenses. Total timber under license in British Columbia (BC) is located on 7,900,000 acres. In March of 2003, the BC government announced major changes to the provincial timber license structure. These included a 20% reduction in the harvesting rights for holders of long-term licenses and the introduction of an auction based timber system. This will not affect our softwood timber licenses associated with our OSB facilities in BC. Although this legislation has been enacted, the regulations that will establish the new timber pricing system and basis for the 20% timber license reduction have not yet been published. As a result, we are unable to predict what effects these changes will have on future operations. The BC government has acknowledged that licensees will be fairly compensated for the reduction in harvesting rights and the costs associated with the related improvements (including roads and bridges).

As part of the acquisition of the assets of Evans Forest Products in 1999, we allocated a portion of the purchase price to these timber licenses based upon the present value of the difference between the cost of the timber under licenses and the timber purchased on the open market as of the date of acquisition. As a result of the change in the enacted timber license structure and integral relationship between these licenses and the acquired operations, we will be required to complete an impairment test, once the compensation has been determined, on these operations to determine what, if any, impairment is required.

### **OUTLOOK: ISSUES AND UNCERTAINTIES**

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

*Cyclical industry conditions and commodity pricing have and may continue to adversely affect our financial conditions and results of operations.* Our operating results reflect the general cyclical pattern of the building products industry. OSB is globally traded as a commodity product. In addition, our products are subject to competition from manufacturers worldwide. Historical prices for OSB 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 product. Product pricing is significantly affected by the relationship between supply and demand in the building products industry. Product supply is influenced primarily by fluctuations in available manufacturing capacity. Demand is affected by the state of the economy in general and a variety of other factors. The demand for our building products is primarily affected by the level of new residential construction activity and home repair and remodeling activity. Demand is also subject to fluctuations due to

changes in economic conditions, interest rates, population growth, weather conditions and other factors. We are not able to predict with certainty market conditions and selling prices for our products. We cannot assure you that prices for our products will not decline from current levels. A prolonged and severe weakness in the markets for one or more of our principle products could seriously harm our financial condition and results of operations and our ability to satisfy our cash requirements, including the payment of interest and principal on our debt.

*We have a high degree of product concentration.* OSB accounted for over 50% of our revenues during the first nine months of 2003, and we expect OSB sales to continue to account for a substantial portion of our revenues and profits in the future. Concentration of our business in the OSB market further increases our sensitivity to commodity pricing and price volatility. We cannot assure you that pricing for OSB or our other products will not decline from current levels.

*Increased industry production capacity for OSB and Engineered Wood products could constrain our operating margins for the foreseeable future.* According to the Resource Information Systems, Inc. (RISI), an industry trade association, total North American OSB annual production capacity increased by about 1 billion square feet in 2002 on a 3/8-inch equivalent basis and is projected to increase by approximately 5.8 billion square feet in the 2003 to 2007 period. RISI has projected that total North American demand for OSB will increase by about 6.5 billion square feet during the same 2003 to 2007 period. If increases in OSB production capacity exceed increases in OSB demand, OSB could have constrained operating margins for the foreseeable future. For LVL, reported capacity was 81 million cubic feet with demand of 68 million cubic feet. For I-Joists, reported capacity was 1.4 billion lineal feet with demand of 1 billion lineal feet. If future demand for LVL and I-Joist do not increase to meet capacity, engineered wood products 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 65% of our wood fiber requirements in the open market. Wood fiber is subject to commodity pricing, which fluctuates on the basis of market factors over which we have no control. In addition, the cost of various types of wood fiber that we purchase in the market has at times fluctuated greatly because of governmental, economic or industry conditions. In addition to wood fiber, we also use a significant quantity of various resins in our manufacturing processes. Resin product costs are influenced by changes in the prices of raw materials used to produce resins, primarily petroleum products, as well as demand for resin products. We also use energy (primarily natural gas) in our manufacturing processes, the cost of which can fluctuate significantly. 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.

*We are subject to taxation by federal, state and international jurisdictions. The quarterly and annual provisions for income taxes and determination of the resulting deferred tax assets and liabilities involve a significant amount of management judgment.* We currently are, and in the future will be, involved in a number of audits by various taxing authorities. Audits, changes in the interpretations and application of tax laws by taxing authorities and the courts, changes in our business activities within a taxing jurisdiction or other factors, may necessitate substantial revision of past estimates. We have established appropriate liabilities in our consolidated financial statements with respect to the estimated costs of potential tax exposures to the extent that we have determined that such costs will occur and are reasonably estimable. However, the amounts ultimately paid to settle these liabilities will be dependent upon the completion of audits by taxing authorities, the interpretation of the tax laws and other factors, all of which are subject to inherent uncertainties. We regularly monitor our exposure to these events and, as additional information becomes known, may change our estimates significantly.

*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 be substantial. Although we maintain our production equipment with regular periodic and scheduled maintenance, we cannot assure you that key pieces of equipment in our various production processes will not need to be repaired or replaced or that we will not incur significant additional costs associated with environmental compliance. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could have a material adverse effect on our financial condition, results of operations and cash flow. 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 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, including proceedings relating to our products. 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. 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.

*Our substantial debt could have important consequences.* As of September 30, 2003, we had consolidated debt of approximately \$1.0 billion, of which \$354 million is secured by notes receivable. This level of indebtedness which could increase in the future, could (1) require us to dedicate a substantial portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures and other cash requirements; (2) limit our flexibility in planning for, or reacting to, changes and opportunities in, the building products industry, which may place us at a competitive disadvantage compared to our competitors; (3) limit our ability to incur additional debt on commercially reasonable terms, if at all; and (4) increase our vulnerability to adverse economic and industry conditions.

*The instruments governing our debt contain restrictive covenants, events of default and consequences of downgrades in our credit ratings.* Among other things, the covenants require us to comply with or maintain certain financial tests and ratios and restrict our ability to: (1) incur debt; (2) incur liens; (3) redeem and/or prepay debt; (4) make investments, including loans and advances; (5) engage in mergers, consolidations or sales of assets; (6) engage in transactions with affiliates; and (7) 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 that 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

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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 two-level downgrade by either rating agency could result in an amortization event and trigger cross-defaults which could result in the acceleration of the maturity of a substantial portion of our debt.

### **Item 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 September 30, 2003, a 100 basis point interest rate change would impact the pre-tax net income and cash flow by \$0.5 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.

As of September 30, 2003, we had \$888 (Canadian) million in intercompany debt between our US and Canadian subsidiaries. This debt is denominated in Canadian dollars and therefore is subject to translation gains and losses in terms of US dollars. While the gains and loss due to translation are eliminated in consolidation for financial reporting purposes, the tax effect is not because the translation of the Canadian balance into US dollars occurs outside of the tax reporting entities and therefore creates a tax difference. For each \$.01 change in the exchange rate, our annual tax expense (benefit) changes by \$3.4 million.

Our OSB products are sold as commodities and therefore sales prices fluctuate daily based on market factors over which we have little or no control. OSB accounted for over 50% of our sales in the first nine months of 2003. With an annual capacity of 5.8 billion square feet (3/8" basis) or 5.0 billion square feet (7/16" basis), a \$1 change in the annual average price on 7/16" basis would change annual pre-tax profits by approximately \$5.0 million.

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

### **Item 4. Controls and Procedures**

#### Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have carried out, as of September 30, 2003, with the participation of the company's management, an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15 (e) under the Securities Exchange Act (Act). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the company's disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Act is recorded, processed, summarized and reported by management of the company on a timely basis in order to comply with the company's disclosure obligations under the Act and the SEC rules thereunder.

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

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Oriented strand board, million square feet 3/8" basis	1,452	1,191	4,039	3,914
Wood-based siding, million square feet 3/8" basis	183	203	599	592
Engineered I-Joist, million lineal feet	24	24	66	65
Laminated veneer lumber (LVL), thousand cubic feet	2,593	2,116	7,349	6,409
Composite Decking, thousand lineal feet	6,943	6,660	23,387	15,109
Vinyl Siding, squares	759	708	2,061	1,913

(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.

	OSB	
	N. Central 7/16" Basis	
Annual Average		
1993	\$	236
1994		265
1995		245
1996		184
1997		142
1998		205
1999		260
2000		206
2001		132
2002 1 <sup>st</sup> Qtr. Avg.		165
2002 2 <sup>nd</sup> Qtr. Avg.		159
2002 3 <sup>rd</sup> Qtr. Avg.		160
2003 1 <sup>st</sup> Qtr. Avg.		176
2003 2 <sup>nd</sup> Qtr. Avg.		218
2003 3 <sup>rd</sup> Qtr. Avg.		386

Source: *Random Lengths*

## 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, 2002.

#### Environmental Matters

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.

#### Siding Matters

Settlement agreements relating to a nationwide class action suit involving OSB Siding manufactured by us and installed prior to January 1, 1996 and a nationwide class action suit involving hardboard siding manufactured or sold by corporations acquired by us in 1999 and installed prior to May 15, 2000, were approved by the applicable courts in 1996 and 2000. We continue to have payment and other obligations under the nationwide OSB and hardboard siding settlements. Additional information regarding these matters is set forth under the caption "Legal and Environmental Matters" in Item 2 of Part I of this report. Such additional information is incorporated herein by reference.



On October 15, 2002, a jury returned a verdict of \$29.6 million against us in a Minnesota State Court action entitled *Lester Building Systems, a division of Butler Manufacturing Company, and Lester's of Minnesota, Inc., v. Louisiana-Pacific Corporation and Canton Lumber Company*. On December 13, 2002, the District of Oregon, which maintains jurisdiction over the nationwide OSB class action referred to above permanently enjoined the Minnesota state court from entering judgment against LP with respect to \$11.2 million of the verdict that related to siding that was subject to the nationwide OSB siding settlement. Lester's has appealed this injunction to the Ninth Circuit Court of Appeals. Subsequently, on January 27, 2003, the Minnesota state court entered judgment against LP in the amount of \$20.1 million, representing the verdict amount plus costs and interest less the enjoined amount. We believe that the judgment is erroneous in significant respects and have filed a Notice of appeal in the Minnesota State Court of Appeals. Based upon the information currently available, we believe that any exposure related to this case is adequately covered under our reserves and will not have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

#### **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 Tegen were named as putative class representatives in the Master Complaint. As a result, the separate actions filed by those individuals have been dismissed. On November 5, 2002, the court granted plaintiffs' Motion for Class Certification. The plaintiffs now represent the class of persons owning structures on which Nature Guard Fiber Cement Shakes were installed as roofing. The Master Complaint asserts claims for breach of express and implied warranties, unfair

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business practices, and violation of the Consumer Legal Remedies Act and seeks general, compensatory, special and punitive damages, disgorgement of profits and the establishment of a fund to provide restitution to the purported class members. The Court dismissed plaintiffs claims for breach of implied warranty and violation of the Consumer Legal Remedies Act. . The Court dismissed plaintiffs' claims for breach of implied warranty and violation of the Consumer Legal Remedies Act. Plaintiffs subsequently filed an Amended Complaint attempting to reintroduce the Consumer Legal Remedies Act claim by naming an additional plaintiff, Stephen Redmond.

We no longer manufacture or sell fiber cement shakes. We believe that we have substantial defenses to the foregoing actions and intend to vigorously defend the matter. At the present time, we cannot predict the potential financial impact of this matter.

#### **Retirement Plan Matters**

We and certain of our officers, were named as defendants in a putative class action filed in United States District Court for the District of Oregon, captioned *In re: Louisiana-Pacific Corporation ERISA litigation*. The action was filed on behalf of a purported class of persons who are participants and beneficiaries of the Louisiana-Pacific Corporation Hourly and Salaried 401(k) and Profit Sharing Plans (the "Plans"). 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 acquired or held through the Plan. Plaintiffs seek compensatory damages, equitable and injunctive relief and a declaration that the defendants violated duties, obligations and responsibilities imposed upon them as fiduciaries and co-fiduciaries and the disclosure requirements under ERISA. As of April 25, 2003, we were dismissed from this action so only certain officers and former officers remain defendants in this putative class action. We are obligated to indemnify the officers and former officers. We believe that the allegations are without merit and we intend to defend the matter 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, if any, actual payments 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 18 to the financial statements included in this report and Note 12 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, 2002.

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

None

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

(a) *Exhibits*

- 2.1 Purchase and Sale Agreement between LP and ETT Acquisition Company, LLC, dated July 2, 2003. Incorporated by reference to Exhibit 10.21 to LP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003.
- 10.1(h) Eighth Amendment dated September 3, 2003, among LP, Bank of America, NA and other financial institutions that are party thereto
- 10.2 (e) Fifth Amendment to 2001 LP Canadian Credit Agreement dated September 15, 2003, among Louisiana Pacific Canada LTD., LP and Royal Bank of Canada.
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
- 32.1 Certifications pursuant to § 906 of the Sarbanes-Oxley Act of 2002.

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

(b) *Reports on Form 8-K*

We filed a Form 8-K on July 29, 2003 reporting certain matters under items 12 thereof.

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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: November 5, 2003

BY: /s/ MARK A. SUWYN

Mark A. Suwyn

Chairman and Chief Executive Officer

Date: November 5, 2003

BY: /s/ CURTIS M. STEVENS

Curtis M. Stevens

Executive Vice President Administration and Chief Financial Officer

(Principal Financial Officer)

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## EIGHTH AMENDMENT

THIS EIGHTH AMENDMENT (this "Eighth Amendment"), dated as of September 3, 2003, 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 reduce the Aggregate Commitments, release certain Collateral and to otherwise amend the Credit Agreement in certain respects, and subject to the terms and conditions of this Eighth 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 (as amended hereby).
2. Amendment to Credit Agreement.
  - (a) The Credit Agreement (exclusive of Schedules and Exhibits) is hereby amended to read as shown on the version of the Credit Agreement attached hereto as Attachment A.
  - (b) All Schedules and Exhibits to the Credit Agreement are hereby amended and restated as attached hereto and, if not so amended and restated, are hereby deleted. In connection with the amendment and restatement of Schedule 2.01 to the Credit Agreement, the Lenders hereby waive any notice of reduction in Commitment required by the Credit Agreement.
3. Release of Collateral. On the Effective Date, the Administrative Agent will execute and deliver to the Borrower such releases, reconveyances, termination statements or other documents ("Release Documents") as may be required to release the Lien of the Administrative Agent (for the benefit of the Lenders) on all Collateral (as such term is used in the Credit Agreement prior to its amendment hereby)

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except for such Restricted Cash Collateral as may be required to cause the Collateral Value of the Borrowing Base to be not less than the Total Outstandings as of the Effective Date (the "Retained Cash Collateral"). As of the Effective Date, all Collateral Documents relating to any Collateral other than the Retained Cash Collateral are hereby terminated and any security interests granted thereunder are hereby released (except for security interests in the Retained Cash Collateral). The Lenders hereby consent to such termination and release. On the first (1st ) Business Day following the Effective Date, the Administrative Agent will remit to the Borrower the amount of Restricted Cash Collateral in excess of the Retained Cash Collateral.

4. Waiver. Lenders hereby waive any Default or Event of Default occurring prior to the Effective Date which would not constitute a Default or Event of Default under the Credit Agreement as restated pursuant to this Eighth Amendment (the "Restated Credit Agreement") had it been in effect at the time of the occurrence of such Default or Event of Default. In addition, the Lenders hereby waive any Default or Event of Default arising under Section 8.01(d) of the Credit Agreement to the extent that the representation, warranty or certification which is the subject of such Default or Event of Default is made with respect to a covenant, term agreement or provision of the Credit Agreement which was applicable under the Credit Agreement prior to its restatement in the Restated Credit Agreement but which is not applicable under the Restated Credit Agreement. Except as set forth in the immediately preceding sentence, 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 under the Restated Credit Agreement, whether arising before or after the Effective Date.

5. Representations and Warranties. The Borrower hereby represents and warrants, as of the Effective Date (as defined in Section 7 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 Eighth 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 Eighth 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 Eighth Amendment, all representations and warranties made by it contained in the Credit Agreement are true and

(d) It is entering into this Eighth 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.

6. Amendment Fee. In consideration of the execution of this Eighth Amendment, the Borrower agrees to pay, as a condition to the effectiveness of this Eighth Amendment, to the Administrative Agent (i) for the benefit of each Lender, an amendment fee equal to 0.15 % 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.

7. 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 Counsel. Administrative Agent shall have received opinions satisfactory to it from counsel for the Borrower and Morrison & Foerster LLP 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 BofA'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 Eighth Amendment from all of the Lenders.

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(e) Payment of Fee. Administrative Agent shall have received payment in full in immediately available funds of the amendment fee referenced in Section 6 above.

(f) Borrowing Base Certificate. The Borrower shall have executed and delivered to the Administrative Agent a Borrowing Base Certificate substantially in the form attached hereto as Exhibit B showing that, after giving effect to the Eighth Amendment, the Total Outstandings will not exceed the Collateral Value of the Borrowing Base.

(g) Cash Collateral Agreements. The Borrower shall have executed and delivered to the Administrative Agent for the benefit of the Lenders such additional Cash Collateral Agreements or amendments thereto as the Administrative Agent may require in its sole discretion.

8. Miscellaneous.

(a) All terms, covenants and provisions of the Credit Agreement, after giving effect to this Eighth 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 Eighth Amendment. This Eighth Amendment shall be deemed incorporated into, and a part of, the Credit Agreement.

(b) This Eighth 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 Eighth Amendment.

(c) This Eighth 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 Eighth 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 Eighth 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 Eighth Amendment supersedes all prior drafts and communications with respect thereto. This Eighth 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 Eighth Amendment is deemed prohibited by or invalid under any applicable law, such provision shall be

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invalidated without affecting the remaining provisions of this Eighth 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 Eighth Amendment.

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## 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 Administrative Agent and an L/C Issuer.

The Borrower has requested that the Lenders provide a revolving letter of 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 the Borrower and the Lenders.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto. Without limiting the generality of the foregoing, a Person shall be deemed to be Controlled by another

Person if such other Person possesses, directly or indirectly, power to vote 10% or more of the securities having ordinary voting power for the election of directors, managing general partners or the equivalent.

“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” means the Commitments of all the Lenders.

“Agreement” means this Credit Agreement.

“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.

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

“Attorney Costs” means and includes all fees, expenses and disbursements of any law firm or other external counsel and, without duplication, the allocated cost of internal legal services and all expenses and disbursements of internal counsel.

“Audited Financial Statements” means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2002, and the related consolidated statements of income or operations, stockholders’ equity and cash flows for such fiscal year of the Borrower and its Subsidiaries, including the notes thereto.

“Auto-Renewal Letter of Credit” has the meaning specified in Section 2.01(b)(iii).

“Availability Period” means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to Section 2.03, and (c) the date of termination of the commitment of the L/C Issuer to make L/C Credit Extensions pursuant to Section 8.02.

“Bank of America” means Bank of America, N.A. and its successors.

“Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate.” The “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.

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

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Borrowing Base Certificate” means a certificate substantially in the form attached hereto 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.

“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

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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.

“Closing Date” means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 4.01 waived by the Person entitled to receive the applicable payment.

“Code” means the Internal Revenue Code of 1986.

“Collateral” means 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 agreements with respect to the Restricted Cash Collateral 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, if any, now or hereafter delivered 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. For avoidance of doubt, the term “Collateral Documents” shall exclude the Deeds of Trust, the Pledge Agreements and the Security Agreement (as defined in this Credit Agreement prior to its restatement pursuant to the Eighth Amendment).

“Collateral Value of the Borrowing Base” shall mean, at any date, ninety-one percent (91%) of the amount of the Restricted Cash Collateral.

“Commitment” means, as to each Lender, its obligation to 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 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

“Commitment Fee Percentage” means 0.20% per annum.

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

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“Contractual Obligation” means, as to any Person, any provision of any 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.

“Control” has the meaning specified in the definition of “Affiliate.”

“Credit Extension” means an L/C Credit Extension.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, 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 or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or 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) 2.0% per annum, to the fullest extent permitted by applicable Laws.

“Defaulting Lender” means any Lender that (a) has failed to fund any portion of the participations in L/C Obligations required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

“Dollar” and “\$” mean lawful money of the United States.

“Eighth Amendment” means the Eighth Amendment to Credit Agreement among the Borrower, the Agent and the Lenders dated as of September 3, 2003.

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

“Environmental Laws” means any and all Laws relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“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 of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

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“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 for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

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

“Excess Amount” has the meaning given such term in Section 2.02.

“Existing Letters of Credit” has the meaning specified in Section 2.01(k).

“Federal Funds Rate” means, for any day, the rate per annum 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 (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) 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(a)(i).

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

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute

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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 in the United States, 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.

“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.

“Honor Date” has the meaning specified in Section 2.01(c)(i).

“Indemnified Liabilities” has the meaning set forth in Section 10.05.

“Indemnitees” has the meaning set forth in Section 10.05.

“Indentures” means, collectively, the Senior Note Indentures and the Senior Subordinated Note Indenture.

“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 funding of its 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.

“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 Bank of America or Wachovia in its respective capacity as an issuer of Letters of Credit hereunder, or any successor issuer of such Letters of Credit hereunder.”

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“L/C Obligations” means, as at any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings.

“Lender” has the meaning specified in the introductory paragraph hereto and, as the context requires, shall include the L/C Issuers.

“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 each Existing Letter of Credit. Letters of Credit issued hereunder shall be standby 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 February 1, 2006.

“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 Documents” means this Agreement, each Collateral Document, the Agent/Arranger Fee Letter, each Request for Credit Extension, each Compliance Certificate, and all other documents executed by Borrower and delivered to the Administrative Agent or any Lender pursuant thereto.

“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 Borrower to perform its obligations under any Loan Document; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against Borrower of any Loan Document.

“Maturity Date” means (a) February 1, 2005, 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.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“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

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obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, Borrower arising under any Loan Document and all advances to, and debts, liabilities, obligations, covenants and duties of, Borrower otherwise owing to Administrative Agent, any L/C Issuer or any Lender with respect to any Letter of Credit, 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 and fees that accrue after the commencement by or against Borrower 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 (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization 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 or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

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

“Outstanding Amount” means on any date, the amount of 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 or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

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“Pro Rata Share” means, with respect to each Lender at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Commitment of such Lender at such time and the denominator of which is the amount of the Aggregate Commitments at such time; provided that if the obligation of the L/C Issuers to make L/C Credit Extensions has been terminated pursuant to Section 8.02, then the Pro Rata Share of each Lender shall be determined based on the Pro Rata Share of such Lender immediately prior to such termination and after giving effect to any subsequent assignments made pursuant to the terms hereof. The initial Pro Rata Share of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

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

“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 Letter of Credit Application.

“Required Lenders” means, as of any date of determination, Lenders having at least 66-2/3% of the Aggregate Commitments or, if the obligation of the L/C Issuers to make L/C Credit Extensions have been terminated pursuant to Section 8.02, Lenders holding in the aggregate at least 66-2/3% of the Total Outstandings (with the aggregate amount of each Lender’s risk participation and funded participation in L/C Obligations being deemed “held” by such Lender for purposes of this definition); provided that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

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

“Restricted Cash Collateral” means all cash or Cash Equivalents from time to time deposited in the Restricted Cash Collateral Account.

“Restricted Cash Collateral Account” means (x) a blocked deposit account at Bank of America (the “Restricted Cash Collateral Deposit Account”) and, at Borrower’s option prior to the occurrence and continuance of a Default or an Event of Default, (y) investment accounts at Bank of America and Banc of America Securities LLC invested in such other Cash Equivalents as directed by the Borrower, 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 only to customary and ordinary Liens in favor of the financial institution acting as the depository bank or as securities intermediary to secure payment of fees, costs of administration and payment of other amounts relating to such account payable by Borrower to such financial institution.

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“Restricted Cash Collateral Agreements” means a security agreement, account control agreements or other documents relating to any account which is a Restricted Cash Collateral Account (including, without limitation, the Amended and Restated Cash Collateral Agreement between the Company and the Administrative Agent, the Collateral Account Notification and Acknowledgement among Administrative Agent, the Borrower and Bank of America as securities intermediary, and the Collateral Account Notification and Acknowledgement among Administrative Agent, the Borrower and Banc of America Securities LLC as securities intermediary, all dated as of December 31, 2002, as amended or modified from time to time) 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.

“Restricted Cash Collateral Deposit Account” shall have the meaning set forth in the definition of Restricted Cash Collateral Account.

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

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“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.

“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.

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

“Threshold Amount” means \$25,000,000.00.

“Total Outstandings” means the aggregate of all L/C Obligations.

“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.

“United States” and “U.S.” mean the United States of America.

“Unreimbursed Amount” has the meaning set forth in Section 2.01(c)(i).

“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,” “hereto,” “hereof” and “hereunder” and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

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

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

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

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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, if any, 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 Organization Documents, 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.

**1.06 Times of Day.** Unless otherwise specified, all references herein to times of day shall be references to San Francisco time (daylight or standard, as applicable).

**1.07 Letter of Credit Amounts.** Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Letter of Credit Application therefor, whether or not such maximum face amount is in effect at such time and after reducing such maximum face amount by any amount by which the maximum face amount of such Letter of Credit has been permanently reduced..

## 2.01 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 2.01,

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(1) from time to time on any Business Day during the period from the Closing Date until the Maturity Date, to issue Letters of Credit for the account of the Borrower and 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 and its Subsidiaries; provided that no L/C Issuer shall 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 Total Outstandings would exceed the lesser of (i) Aggregate Commitments and (ii) the Collateral Value of the Borrowing Base, or (y) any Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations, would exceed such Lender's Commitment. 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 Section 2.01(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 or renew or permit renewal of 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 2.01(b)(iii), the expiry date of such requested Letter of Credit would occur more than thirteen 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

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(E) such Letter of Credit is in an initial amount less than \$50,000.00, 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) the 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; Auto-Renewal Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to an L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such Letter of Credit Application must be received by such L/C Issuer and the Administrative Agent not later than 8:00 a.m. San Francisco time at least two Business Days (or such later date and time as such L/C Issuer may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to such L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as such 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 such 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 such 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, such L/C Issuer will provide the Administrative Agent with a copy thereof. Upon receipt by such 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, such 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 such 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 such L/C Issuer a risk 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, an L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an “Auto-Renewal Letter of Credit”); provided that any such Auto-Renewal Letter of Credit must permit such L/C Issuer to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance or renewal 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 such L/C Issuer, the Borrower shall not be required to make a specific request to such L/C Issuer for any such renewal. Once an Auto-Renewal Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) such L/C Issuer to permit the renewal of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that such L/C Issuer shall not permit any such renewal if (A) such L/C Issuer has determined that it would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof (by reason of the provisions of Section 2.01(a)(i) or (ii) or otherwise), (B) it has received notice (which may be by telephone or in writing) on or before the day that is five Business Days before the Nonrenewal Notice Date 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, no L/C Issuer shall have any obligation to permit the renewal of any Auto-Renewal Letter of Credit at any time to the extent such non-renewal is permitted by the terms of such Auto-Renewal Letter of Credit.

(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 receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such 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 10:00 a.m. San Francisco time on the date of any payment by such L/C Issuer under a Letter of Credit (each such date, an “Honor Date”), the Borrower shall reimburse such L/C Issuer, with concurrent notice sent to the Administrative Agent, in an amount equal to the amount of such drawing. At Borrower’s option, it may in, lieu of remitting the amount necessary to reimburse such drawing, send written instruction to the Administrative Agent not later than 10:00 a.m. San Francisco time, directing Administrative Agent to debit the Restricted Cash Collateral Deposit Account in the amount necessary to reimburse such drawing. Such instruction shall be accompanied by a Borrowing Base Certificate showing that after giving effect to such reimbursement (and any permanent reduction in the amount of the Letter of Credit effected by such drawing), there will be no shortfall in the Collateral Value of the Borrowing Base. If the Borrower fails to so reimburse such L/C Issuer by such time (whether by remitting payment or causing reimbursement to be made from the Restricted Cash Collateral Deposit Account), the

Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the “Unreimbursed Amount”), and the amount of such Lender’s Pro Rata Share thereof.

(ii) Each Lender (including the Lender acting as L/C Issuer) shall upon any notice pursuant to Section 2.01(c)(i) make funds available to the Administrative Agent for the account of such 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 1:00 p.m. San Francisco time on the Business Day specified in such notice by the Administrative Agent. The Administrative Agent shall remit the funds so received to such L/C Issuer.

(iii) With respect to any Unreimbursed Amount, 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, 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 the relevant L/C Issuer pursuant to Section 2.01(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 2.01.

(iv) Until each Lender funds its L/C Advance pursuant to this Section 2.01(c) to reimburse the relevant L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender’s Pro Rata Share of such amount shall be solely for the account of such L/C Issuer.

(v) Each Lender’s obligation to make L/C Advances to reimburse any L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.01(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 such L/C Issuer, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing. No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse each L/C Issuer for the amount of any payment made by such L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of any L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.01(c) by the time specified in Section 2.01(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 such L/C Issuer at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of such 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 2.01(c), if the Administrative Agent receives for the account of such L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Restricted Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Pro Rata Share thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) 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 2.01(c)(i) is required to be returned under any of the circumstances described in Section 10.06 (including pursuant to any settlement entered into by such L/C Issuer in its discretion), 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.

(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 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), such 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

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the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

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

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

(f) Role of L/C Issuer. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, no L/C Issuer shall 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. None of the L/C Issuers, any Agent-Related Person nor any of the respective correspondents, participants or assignees of any L/C Issuers shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) 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. None of the L/C Issuers, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of the L/C Issuers, shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.01(e); provided, however, that anything in such clauses or this Section 2.01(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. In furtherance and not in limitation of the foregoing, each L/C Issuer 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 no L/C Issuer shall 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, which may prove to be invalid or ineffective for any reason.

(g) 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

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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 standby Letter of Credit.

(h) **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 .375% per annum times the daily maximum amount available to be drawn under such Letter of Credit (calculated with reference to the maximum amount in effect under such Letter of Credit at the time of calculation and not calculated with reference to the maximum face amount of such Letter of Credit after giving effect to any increases contemplated therein until such increases occur). Such letter of credit fees shall be computed on a quarterly basis in arrears. Such letter of credit fees shall be due and payable on the last Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand.

(i) **Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer.** 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) .075% per annum on the daily maximum amount available to be drawn thereunder (calculated with reference to the maximum amount in effect under such Letter of Credit at the time of calculation and not calculated with reference to the maximum face amount of such Letter of Credit after giving effect to any increases contemplated therein until such increases occur), 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.

(j) **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.

(k) **Existing Letters of Credit.** The outstanding standby letters of credit issued for the Borrower by Wachovia identified on Schedule 2.01(k), 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 with respect to the Existing 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.

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**2.02 Collateral Coverage; Restricted Cash Collateral.** On or prior to the tenth (10th) Business Day of each month, Borrower shall deliver to Administrative Agent and each Lender a Borrowing Base Certificate as of the last Business Day of the immediately preceding month (each such date a "Re-Margin Date"). If as of any Re-Margin Date the Total Outstandings at any time exceeds the lesser of (x) the Aggregate Commitments then in effect and (y) the Collateral Value of the Borrowing Base, the Borrower shall deposit into the Restricted Cash Collateral Deposit Account an amount equal to such excess on or prior to such tenth (10th) Business Day. If, as of any Re-Margin Date, the Collateral Value of the Borrowing Base exceeds the Total Outstandings, the Administrative Agent, provided no Default or Event of Default exists, shall, upon written request by Borrower made in the related Borrowing Base Certificate, remit the amount of such excess (the "Excess Amount") from the Restricted Cash Collateral Deposit Account to Borrower. Borrower shall comply with all of its obligations under this Section 2.02 so long as any Lender shall have any Commitment hereunder, any Obligation hereunder for the payment of money that has accrued and is payable shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding.

**2.03 Termination or Reduction of Commitments.** The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitments, or from time to time permanently reduce the Aggregate Commitments; provided that (i) any such notice shall be received by the Administrative Agent not later than 8:00 a.m. San Francisco time five Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$10,000,000 or any whole multiple of \$1,000,000 in excess thereof, (iii) the Borrower shall not terminate or reduce the Aggregate Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Aggregate Commitments. 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.

**2.04 Fees.** In addition to certain fees described in subsections (h) and (i) of Section 2.01:

(a) **Commitment Fee.** The Borrower shall pay 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 Outstanding Amount of L/C Obligations (calculated with reference to the maximum undrawn amount under such L/C Obligations at the time of calculation and not calculated with reference to the maximum undrawn amount of such L/C Obligations after giving effect to any increases contemplated in the related Letters of Credit until such increases occur). The commitment fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and 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 Closing Date, and on the Maturity Date. The commitment fee shall be calculated quarterly in arrears, and if there is any change in the Commitment Fee Percentage during any quarter, the actual daily amount shall be computed and multiplied by the Commitment Fee Percentage separately for each period during such quarter that such Commitment Fee Percentage was in effect.

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(b) **Arrangement, Administrative, and Upfront Fees.** The Borrower shall pay an arrangement fee to Bank of America for the Arrangers' accounts, and shall pay an administrative fee to the Administrative Agent for the Administrative Agent's own account, in the amounts and at the times specified in the letter agreement, dated June 29, 2001 (the "Agent/Arranger Fee Letter"), between the Borrower and Bank of America, as an Arranger and the Administrative Agent. On the Closing Date, the Borrower shall pay to the Administrative Agent, for the account of the Lenders in accordance with their



respective Pro Rata Shares, an upfront fee in the amount agreed to among each Lender, the Arrangers and the Borrower. Such upfront fees are for the credit facilities committed by the Lenders under this Agreement and are fully earned on the date paid. The upfront fee paid to each Lender is solely for its own account. All fees shall be fully earned when paid and are nonrefundable for any reason whatsoever.

(c) **Other Fees.** The Borrower shall pay to the Lenders such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

**2.05 Computation of Interest and Fees.** All computations of interest calculated with the Base Rate when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year).

**2.06 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 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 in the absence of manifest error.

**2.07 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 11:00 a.m. 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 11:00 a.m. San Francisco time shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) 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) The obligations of the Lenders hereunder to fund participations in Letters of Credit are several and not joint. The failure of any Lender 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 purchase its participation.

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

**2.08 Sharing of Payments.** If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of 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 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 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 under any of the circumstances described in Section 10.06 (including pursuant to any settlement entered into by the purchasing Lender in its discretion), such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered, without further interest thereon. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 10.09) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that

purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

**2.09 Security.** At all times after the Closing Date, the Obligations shall be secured in accordance with the Collateral Documents. 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. Without limiting any provision of the Collateral Documents, 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 the Restricted Cash Collateral to secure the Obligations. After the occurrence and during the continuation of a Default or Event of Default, upon request by the Administrative Agent, the Borrower shall transfer all amounts held in any Restricted Cash Collateral Account other than the Restricted Cash Collateral Deposit Account to the Restricted Cash Collateral Deposit Account.

### **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 overall 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 Section 10.15(a)(iii), 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) that 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 Section 10.15(a)(iv)), (ii) amounts payable under Section 3.01(c) and (iii) any liability (including additions to tax, 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 Increased Cost and Reduced Return; Capital Adequacy.**

(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 issue or participate 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, 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

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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.

#### **3.03 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 3.02, the Borrower may remove or replace such Lender in accordance with Section 10.16.

#### **3.04 Survival.**

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

### **ARTICLE IV. CONDITIONS PRECEDENT TO CREDIT EXTENSIONS**

**4.01 Conditions of Initial Credit Extension.** The conditions for the initial Credit Extension, as set forth in this Agreement as in effect prior to its amendment pursuant to the Eighth Amendment, were or have been satisfied or waived and are not restated here.

**4.02 Conditions to all Credit Extensions.** The obligation of each L/C Issuer to honor any Request for Credit Extension is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower contained in Article V or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.05 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.01.

(b) No Default or Event of Default shall exist, or would result from such proposed Credit Extension.

(c) The Administrative Agent and the relevant L/C Issuer shall have received a Request for Credit Extension in accordance with the requirements hereof.

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(d) The Administrative Agent shall have received a Borrowing Base Certificate showing that, after giving effect to such Credit Extension, there will be no shortfall in the Collateral Value of the Borrowing Base.

(e) 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 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.** The Borrower (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 requisite governmental licenses, authorizations, consents and approvals to (i) own its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (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; except in each case referred to in clause (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

**5.02 Authorization; No Contravention.** The execution, delivery and performance by the Borrower of each Loan Document to which it 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 its Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien (other than the Liens created under the Loan Documents) under, (i) any Contractual Obligation to which it is a party or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which it or its property is subject; or (c) violate any Law applicable to the Borrower.

**5.03 Governmental Authorization; Other Consents.** 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, the Borrower 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 5.15.

**5.04 Binding Effect.** This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by the Borrower. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal,

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valid and binding obligation of the Borrower, enforceable against the Borrower 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 periods ended March 31, 2003 and June 30, 2003 or in other public disclosures made by the Borrower, 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 in 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 Ownership of Property; Liens.** Each of 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, reasonably be expected to have a Material Adverse Effect.

**5.08 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.

**5.09 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 (after giving effect to any applicable cure or grace 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

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against the Borrower or any Subsidiary that could, if made, be reasonably expected to have a Material Adverse Effect.

#### 5.10 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 5.10, no ERISA Event has occurred within the past 12 years or is reasonably expected to occur; (ii) except as specifically disclosed in Schedule 5.10, 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.

#### 5.11 Margin Regulations; Investment Company Act; Public Utility Holding Company Act.

(a) The Borrower is not 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 FRB), 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.

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**5.12 Disclosure.** No statement, information, report, representation, or warranty made by Borrower in any Loan Document or furnished to the Administrative Agent or any Lender by or on behalf of the Borrower 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.

**5.13 Compliance with Laws.** Each of the Borrower and each Subsidiary is in compliance in all material respects with the requirements of all Laws applicable to it or to its properties, except in such instances in which (a) such requirement of Law is being contested in good faith or a bona fide dispute exists with respect thereto or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

**5.14 Tax Shelter Regulations.** The Borrower does not intend to treat the Letters of Credit and related transactions as being a “reportable transaction” (within the meaning of Treasury Regulation Section 1.6011-4). In the event the Borrower determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. If the Borrower so notifies the Administrative Agent, the Borrower acknowledges that one or more of the Lenders may treat its interest in Letters of Credit as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Lender or Lenders, as applicable, will maintain the lists and other records required by such Treasury Regulation.

**5.15 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 described therein; and, upon 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 Restricted Cash Collateral, subject only to customary and ordinary Liens in favor of the financial institution acting as the depository bank or as securities intermediary to secure payment of fees, costs of administration and payment of other amounts relating to such account payable by Borrower to such financial institution.

(b) 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).

**ARTICLE VI.  
AFFIRMATIVE COVENANTS**

So long as any Lender shall have any Commitment hereunder, any Obligation hereunder

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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, 6.10 and 6.12) cause each Subsidiary to:

**6.01 Financial Statements.** 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 and prepared in accordance with GAAP, 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 generally accepted auditing standards and shall not be subject to any “going concern” or like qualification or exception or any qualification or exception as to the scope of such audit; 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.

As to any information contained in materials furnished pursuant to Section 6.02(d), the Borrower shall not be separately required to furnish such information under clause (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Borrower to furnish the information and materials described in subsections (a) and (b) above at the times specified therein.

**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) Reserved;

(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 three (3) Business Days after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of

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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 files with the SEC 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;

(e) promptly after the Borrower has notified the Administrative Agent of any intention by the Borrower to treat the Letters of Credit and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), a duly completed copy of IRS Form 8886 or any successor form; and

(f) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01 and 6.02 may be delivered electronically as provided in Section 10.02; provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent and each Lender of the posting of any such documents (which notification shall be deemed to have occurred when the Administrative Agent sends email notices of such posting) and deliver to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Borrowing Base Certificates required by Section 2.02 and the Compliance Certificates required by Section 6.02(b) to the Administrative Agent. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents 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 documents.

**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

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proceeding affecting the Borrower or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of any litigation, investigation or proceeding affecting 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 material change in accounting policies or financial reporting practices by the Borrower or any Subsidiary.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement or other Loan Document that have been breached.

**6.04 Preservation of Existence, Etc.** (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 7.01; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, except, in each case, to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

**6.05 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; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities; except in each case to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

**6.06 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 (after giving effect to any self-insurance compatible with the following standards) as are customarily carried under similar circumstances by such other Persons.

**6.07 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 (a) such requirement of Law is being contested in good faith or a bona fide dispute exists with respect thereto; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

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**6.08 Books and Records.** Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP (or, in the case of books of record and account relating solely to LP Chile, generally accepted accounting principles in effect in Chile) consistently applied 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; and (b) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over the Borrower or such Subsidiary, as the case may be.

**6.09 Inspection Rights.** Permit representatives and independent contractors of the Administrative Agent and each Lender 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.

**6.10 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.

**6.11 Use of Proceeds.** Use the proceeds of the Credit Extensions for working capital, capital expenditures, to refinance indebtedness, and other general corporate purposes not in contravention of any applicable Law or of any Loan Document.

**6.12 Collateral Documents.** 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, 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.

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**ARTICLE VII.  
NEGATIVE COVENANTS**

So long as any Lender shall have any Commitment hereunder, any Obligation hereunder 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 directly or indirectly:

**7.01 Fundamental Changes.** (i) Dissolve or liquidate or (ii) merge, consolidate with or into another Person, or 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 unless, in the case of (ii) above, such Person assumes, pursuant to a written agreement in form and substance satisfactory to Administrative Agent, all of the Obligations and no Default or Event of Default will otherwise result from such transaction or transactions:

**7.02 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 FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

**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 L/C Obligation, or (ii) within three days after the same becomes due, any interest 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; or

(b) Specific Covenants. The Borrower fails to perform or observe any term, covenant or agreement contained in any of Section 2.02, 6.01, 6.02(b), 6.02(c), 6.04, 6.09, or 6.11 or Article VII; or

(c) Other Defaults. Borrower 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, warranty or certification made or deemed made by or on behalf of the Borrower herein, in any other Loan Document, or in any document, agreement, instrument, or certificate executed and delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. An Event of Default (as defined therein) resulting from the failure to make any payment of principal, interest or premium when due and payable under the

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Indentures (after giving effect to any cure or grace period provided therein) or to repurchase or redeem any note issued under the Indentures when required thereby occurs and is continuing or any other Event of Default occurs and is continuing under the Indentures and results in the Indebtedness under the Indentures being accelerated; or

(f) Insolvency Proceedings, Etc. Borrower 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, vacated or fully bonded within 60 days after its issue or levy; or

(h) 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

(i) 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 Borrower 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 Borrower purports unilaterally to revoke, terminate or rescind any Loan Document; or

**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, take any or all of the following actions:

(a) declare the obligation of the L/C Issuers to make L/C Credit Extensions to be terminated, whereupon such obligation shall be terminated;

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(b) declare all L/C Borrowings, 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; and

(c) 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, any obligation of the L/C Issuers to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all L/C Borrowings, interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender.

**8.03 Application of Funds.** After the exercise of remedies provided for in Section 8.02 (or after the L/C Borrowings have automatically become immediately due and payable as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities (excluding indemnities not then owed), expenses and other amounts (including Attorney Costs payable hereunder and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities (excluding indemnities not then owed) and other amounts (other than principal and interest) payable to the Lenders (including Attorney Costs payable hereunder and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on L/C Borrowings, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of L/C Borrowings, ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the Administrative Agent for the account of the L/C Issuers, as cash collateral that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full (excluding indemnities not then owed), to the Borrower or as otherwise required by Law.

Amounts used as cash collateral for the aggregate undrawn amount of Letters of Credit pursuant to clause Fifth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as cash collateral after all Letters of Credit have either



been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above.

**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 applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term “Administrative Agent” as used in this Article IX and in the definition of “Agent-Related Person” included the L/C Issuer with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the L/C Issuer.

**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 Borrower 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 Borrower 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 Borrower 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, electronic mail 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 Borrower), 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 of all Lenders if required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all 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 required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

**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 Borrower 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 the Borrower and its 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. 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 of the Borrower or any of its Affiliates which 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 Borrower and without limiting the obligation of Borrower to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that (a) 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 Agent-Related Person's own gross negligence or willful misconduct and (b) no Lender shall be liable for the payment of any portion of an Indemnified Liability pursuant to this Section unless such Indemnified Liability was incurred by the Administrative Agent in its capacity as such or by another Agent-Related Person acting for the Administrative Agent in such capacity; 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

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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 and the resignation of the Administrative Agent.

**9.08 Administrative Agent in its Individual Capacity.** Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Affiliates as though Bank of America were not the Administrative Agent or the 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 Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of Borrower or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Credit Extensions, 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, and the terms "Lender" and "Lenders" include Bank of America in its individual capacity.

**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 L/C Issuer. 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, with respect to Bank of America, such successor Letter of Credit issuer, (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 (subject to Section 10.07(h)), 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 or to make other arrangements satisfactory to the retiring L/C Issuer to effectively assume the obligations of the retiring L/C Issuer with respect to such Letters of Credit. 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

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successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

**9.10 Administrative Agent May File Proofs of Claim.** In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to Borrower, the Administrative Agent (irrespective of whether the principal of any L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.01(h) and (i), 2.04, and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.04 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

#### **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.

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(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 Obligations (excluding indemnities not then owed but including any L/C Obligations, whether or not then payable) payable under this Agreement and under any other Loan Document, (ii) as permitted under Section 2.02 or otherwise expressly permitted under this Agreement, or (iii) if approved, authorized or ratified in writing by the Lenders.

**9.12 Other Agents; Arrangers and Managers.** None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a “syndication agent,” “documentation agent,” “co-agent,” “book manager,” “lead manager,” “arranger,” “lead arranger” or “co-arranger” shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons 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 or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

### **ARTICLE X. MISCELLANEOUS**

**10.01 Amendments, Etc.** No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower, 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:

(a) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(b) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(c) reduce the principal of, or the rate of interest specified herein on, any L/C Borrowing, or (subject to clause (iii) of the proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; 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 Section 2.08 or Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender; or

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(d) release the Liens upon any material portion of the Collateral (other than the releases authorized under Section 2.02 or Section 9.11(b)); or

(e) change any provision of this Section or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders or Required Lenders required above, affect the rights or duties of the 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 Lenders or Required Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; (iii) 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, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

#### **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). All such written notices shall be mailed, faxed or delivered to the applicable address, facsimile number or (subject to subsection (c) below) electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent or the L/C Issuer, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 10.02 or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in Schedule 10.02 or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the Borrower, the Administrative Agent and the L/C Issuer.

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 relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by (x) telephone or (y) by email confirmation of receipt sent by the relevant party receiving the facsimile to the party sending the facsimile; and

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(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 and the L/C Issuer pursuant to Article II shall not be effective until actually received by such Person. In no event shall a voicemail message be effective as a notice, communication or confirmation hereunder.

(b) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on Borrower, 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. Electronic mail and Internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information as provided in Sections 2.02, 6.01 and 6.02, and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose, except as agreed in writing by the Borrower and the Administrative Agent.

(d) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any 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, 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 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 the Administrative Agent for all reasonable costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are

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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. All amounts due under this Section 10.04 shall be payable within ten Business Days after demand therefor. 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 which 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 or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the 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), or (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 Subsidiary or any Environmental Liability related in any way to the Borrower or any Subsidiary, 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 (all the foregoing, collectively, the “Indemnified Liabilities”), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; 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. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in

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connection with this Agreement except to the extent such damages 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. All amounts due under this Section 10.05 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

**10.06 Payments Set Aside.** To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

**10.07 Successors and Assigns.**

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto 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, Participants to the extent provided in subsection (d) of this Section 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 at any time 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 (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 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 (as defined in subsection (g) of this Section) with respect to a Lender, the aggregate amount of the Commitment subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if

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“Trade Date” is specified in the Assignment and Assumption, as of the Trade Date, 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 Commitment assigned; (iii) any assignment of a Commitment must be approved by the Administrative Agent and the L/C Issuer unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, 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, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption 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 3.01, 3.02, 10.04 and 10.05 with respect to facts and circumstances occurring prior to the effective date of such assignment). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the 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 at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, 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 (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

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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 described in the first proviso to Section 10.01 that directly affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Section 3.02 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 2.08 as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.02 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 such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) 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 and the L/C Issuers, and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"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.

(h) Notwithstanding anything to the contrary contained herein, if at any time, any L/C Issuer assigns all of its Commitment pursuant to subsection (b) above, such L/C Issuer 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 any 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 such L/C Issuer. Any L/C Issuer which

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resigns (whether in connection with assignment of all of its Commitments pursuant to subsection (b) above or pursuant to Section 9.09 above) shall retain all of its respective rights and obligations as 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 fund participations in Unreimbursed Amounts pursuant to Section 2.01(c)).

**10.08 Confidentiality.** Each of the Administrative Agent, the L/C Issuers and the Lenders 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 (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee

of or Participant in, any of its rights or obligations under this Agreement, (g) with the prior written consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, L/C Issuer, as applicable, or any Lender on a nonconfidential basis from a source other than the Borrower, 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 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. For purposes of this Section, "Information" means all information received from Borrower or any of its Subsidiaries relating to Borrower, its Subsidiaries or any of 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 Borrower, provided that, in the case of information received from Borrower after the Closing Date, such information is clearly identified 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 exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. Notwithstanding anything herein to the contrary, "Information" shall not include, and the Administrative Agent and each Lender may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Administrative Agent or such Lender relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information

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concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the Letters of Credit and transactions contemplated hereby.

**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, any such notice being waived by the Borrower 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 Borrower against any and all Obligations owing to such Lender hereunder or under any other Loan Document, 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 or denominated in a currency different from that of the applicable deposit or indebtedness. 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.** 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 any L/C Borrowings 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, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

**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.

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**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 at the time of any Credit Extension, and shall continue in full force and effect as long as any Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

**10.14 Severability.** If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**10.15 Tax Forms.** (a) (i) 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 Foreign Lender and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Foreign Lender 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 Foreign Lender by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower and the Administrative Agent that such Foreign Lender is entitled to an exemption from, or reduction of, U.S.

withholding tax, including any exemption pursuant to Section 881(c) of the Code. Thereafter and from time to time, each such Foreign Lender shall (A) 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 Foreign Lender by the Borrower pursuant to this Agreement, (B) promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (C) 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 Foreign Lender.

(ii) Each Foreign Lender, to the extent it does not act or ceases to act for its own account with respect to any portion of any sums paid or payable to such Lender under any of the Loan Documents (for example, in the case of a typical participation by such Lender), shall

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deliver to the Administrative Agent on the date when such Foreign Lender ceases to act for its own account with respect to any portion of any such sums paid or payable, and at such other times as may be necessary in the determination of the Administrative Agent (in the reasonable exercise of its discretion), (A) two duly signed completed copies of the forms or statements required to be provided by such Lender as set forth above, to establish the portion of any such sums paid or payable with respect to which such Lender acts for its own account that is not subject to U.S. withholding tax, and (B) two duly signed completed copies of IRS Form W-8IMY (or any successor thereto), together with any information such Lender chooses to transmit with such form, and any other certificate or statement of exemption required under the Code, to establish that such Lender is not acting for its own account with respect to a portion of any such sums payable to such Lender.

(iii) The Borrower shall not be required to pay any additional amount to any Foreign Lender under Section 3.01 (A) with respect to any Taxes required to be deducted or withheld on the basis of the information, certificates or statements of exemption such Lender transmits with an IRS Form W-8IMY pursuant to this Section 10.15(a) or (B) if such Lender shall have failed to satisfy the foregoing provisions of this Section 10.15(a); provided that if such Lender shall have satisfied the requirement of this Section 10.15(a) on the date such Lender became a Lender or ceased to act for its own account with respect to any payment under any of the Loan Documents, nothing in this Section 10.15(a) shall relieve the Borrower of its obligation to pay any amounts pursuant to Section 3.01 in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Lender or other Person for the account of which such Lender receives any sums payable under any of the Loan Documents is not subject to withholding or is subject to withholding at a reduced rate.

(iv) The Administrative Agent may, without reduction, withhold any Taxes required to be deducted and withheld from any payment under any of the Loan Documents with respect to which the Borrower is not required to pay additional amounts under this Section 10.15(a).

(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 other Obligations hereunder and the resignation of the Administrative Agent.

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**10.16 Replacement of Lenders.** Under any circumstances set forth herein providing that the Borrower shall have the right to replace a Lender as a party to this Agreement, the Borrower may, upon notice to such Lender and the Administrative Agent, replace such Lender by causing such Lender to assign its Commitment (with the assignment fee to be paid by the Borrower in such instance) 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 3.03(b), it shall be obligated to replace all Lenders that have made similar requests for compensation pursuant to Section 3.01 or 3.02 outstanding at such time. The Borrower shall pay in full all principal, interest, fees and other amounts owing to such Lender through the date of replacement and (y) release such Lender from its obligations under the Loan Documents. Any Lender being replaced shall execute and deliver an Assignment and Assumption with respect to such Lender's Commitment and participations in L/C Obligations.

#### **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 SITTING 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



**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.

## AMENDED AND RESTATED CREDIT AGREEMENT

AMONG:

LOUISIANA-PACIFIC CANADA LTD.

AND:

LOUISIANA-PACIFIC CORPORATION

AND:

ROYAL BANK OF CANADA

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**AMENDED AND RESTATED CREDIT AGREEMENT**

This Amended and Restated Credit Agreement is dated for reference September 15, 2003

**AMONG:**

**LOUISIANA-PACIFIC CANADA LTD.**, a British Columbia company having an office at 2100 - 1075 West Georgia Street, Vancouver, British Columbia, V6E 3G2

**AND:**

**LOUISIANA-PACIFIC CORPORATION**, a Delaware corporation having an office at Suite 1200, 805 S.W. Broadway, Portland, Oregon, U.S.A., 97205

**AND:**

**ROYAL BANK OF CANADA**, a Canadian chartered bank, having its head office in Montreal, Quebec, and a branch office at 1025 West Georgia Street, Vancouver, British Columbia, V6E 3N9

**WHEREAS:**

A. Royal and the Borrower are parties to a credit agreement dated for reference November 30, 2001, which credit agreement was amended by a waiver and first amendment dated as of July 23, 2002 and further amended by a second amendment dated for reference November 27, 2002, a third amendment dated for reference March 14, 2003 and a fourth amendment dated for reference June 27, 2003 (as so amended the "Prior Credit Agreement");

B. Royal and the Borrower desire to amend and restate the Prior Credit Agreement to reduce the commitment of the revolving credit facility, release certain security, grant new security and to otherwise amend the Prior Credit Agreement in certain respects, as set forth herein;

C. Pursuant to this amended and restated credit agreement, Royal has offered to make available to the Borrower:

(a) a committed, revolving credit facility in the principal amount of up to the lesser of:

(1) \$10,000,000, or the Equivalent Amount in U.S. Funds, or

(2) the amount of the Collateral Value of the Borrowing Base; and

(b) at Royal's discretion, on an uncommitted basis, lines of credit in the aggregate principal amount of up to \$50,000,000 to cover Swap Termination Values and liabilities of the Borrower or, with the consent of Royal, any of its Subsidiaries in

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respect of EFT Transfers and PDS Services, including overdrafts and cash management debts and liabilities.

D. The Borrower has accepted Royal's offer and the Guarantor has agreed to execute and deliver the Guarantee.

**1. INTERPRETATION**

**1.1 Definitions**

Where used in this Agreement, the following terms shall have the following meanings:

"**Additional Amount**" means the amount defined as such in §3.19;

"**Advances**" means Canadian Advances and U.S. Advances;

"**Affiliate**" means, in relation to a specified Person, any other Person which directly (or indirectly through one or more intermediaries) controls, or is controlled by, or is under common control with, the specified Person or any Subsidiary of the specified Person. The term "control" (including the phrases "controlled by" or "under common control with") means the possession, directly or indirectly, of the effective power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or by contract or otherwise;

"**Basis Point**" and "**BP**" each means one one-hundredth (1/100) of one percent or .01%;

“**Borrower**” means Louisiana-Pacific Canada Ltd., its successors and permitted assigns;

“**Borrower Guarantees**” means the limited liability guarantees each dated for reference September 15, 2003 guaranteeing the present and future, direct and indirect obligations of LP Engineered and LP Forest to Royal under the credit facility established pursuant to §3.1(b) in favour of the Borrower and, with the consent of Royal, to be available for utilization by Subsidiaries of the Borrower in respect of EFT Transfers and PDS Services including overdrafts and cash management debits and liabilities, as amended, modified, supplemented extended, renewed or replaced from time to time;

“**Borrower Subsidiaries**” means all Subsidiaries of the Borrower;

“**Borrower Subsidiaries’ Guarantees**” means the limited liability guarantees, each dated for reference September 15, 2003 executed by LP Engineered and LP Forest and to be provided by any future Material Canadian Subsidiary, guaranteeing the present and future, direct or indirect obligations of the Borrower to Royal under the Agreement, as such guarantees may be amended, modified, supplemented, extended, renewed or replaced from time to time;

“**Borrower Subsidiaries’ Security Agreements**” means the security agreements and hypothec (Province of Quebec) dated for reference November 30, 2001 to be provided by the Borrower Subsidiaries to support the Borrower Subsidiaries’ Guarantees, in form and content satisfactory to Royal wherein each Borrower Subsidiary grants to and in

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favour of Royal, subject to no prior financial charges except for permitted encumbrances a first mortgage charge and security interest in and upon the inventory of the Borrower Subsidiary and the Borrower Subsidiary’s trade accounts receivable, as amended, modified, supplemented, extended, renewed or replaced from time to time;

“**Borrowing**” means a utilization or deemed utilization, as the case may be, by the Borrower of the credit facility established pursuant to §3.1(a) by way of Documentary Credits or of the credit facility established pursuant to §3.1(b) by way of Canadian Advances or U.S. Advances; and

“**Borrowings**” means the aggregate of such utilizations;

“**Borrowing Base Certificate**” means a certificate in the form of Schedule C ;

“**Borrowing Options**” means any of the borrowing options available to the Borrower pursuant to §3.2;

“**Branch of Account**” means the branch of Royal located at 1025 West Georgia Street, Vancouver, British Columbia, V6E 3N9 or elsewhere as may be agreed between the Borrower and Royal in writing;

“**Business Day**” means a day, excluding Saturday and Sunday, on which institutions are open for business in Toronto, Ontario, Canada and Vancouver, British Columbia, Canada and, in respect of any payments hereunder in U.S. Funds, a day on which banking institutions are also open for business in New York, New York, U.S.A.;

“**Canadian Advance**” means any advance or conversion under the Credit Facility requested by the Borrower in Canadian Funds and advanced by Royal in Canadian Funds;

“**Canadian Funds**” and “**Cdn\$**” and “**\$**” means lawful currency of Canada;

“**Cash Equivalents**” means:

- (a) Canadian Funds;
- (b) U.S. Funds;
- (c) certificates of deposit and term deposits with maturities of six months or less from the date of acquisition;

“**CDOR Rate**” means the annual rate of interest equal to the average “BA 1 Month” interest rates for Cdn\$ bankers’ acceptances displayed and identified as such on the “Reuters Screen CDOR Page” (as defined in the International Swap Dealer Association Inc. definitions, as modified and amended from time to time) as of 10:00 a.m. local time at Toronto, Ontario on any particular day and, if such day is not a Business Day, then on the Business Day immediately preceding that Business Day (as adjusted by Royal after 10:00 a.m. local time at Toronto, Ontario to reflect any error in a posted rate of interest or in the posted average annual rate of interest). If such rates are not available on the

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Reuters Screen CDOR Page on any particular day, then the CDOR Rate on that day shall be the 30 day rates applicable to Cdn\$ bankers’ acceptances quoted by Royal as of 10:00 a.m. local time at Toronto, Ontario on such day, or if such day is not a Business Day, then on the immediately preceding Business Day;

“**Charter**” means the Memorandum and Articles of the Borrower and the Borrower Subsidiaries and the Certificate of Incorporation and Bylaws of the Guarantor, as the context requires, and includes in each case every amendment thereto;

“**Chief Financial Officer**” means that Person responsible for reporting to the board of directors of the Borrower or the Guarantor, as the case may be, on the financial condition and performance of the Borrower or the Guarantor, as the case may be, or any Person designated as such;

“**Closing Date**” means October 10, 2003 or such earlier or later date as agreed by Royal and the Borrower;

“**Code**” means the Internal Revenue Code of 1986, and regulations promulgated thereunder;

“**Collateral**” means all property covered by the Restricted Cash Collateral Agreements 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 favour of Royal to secure the Obligations;

“**Collateral Value of the Borrowing Base**” shall mean, at any date, 91% of the amount of the Restricted Cash Collateral;

“**Compliance Certificate**” means the certificate defined as such in the Guarantor Credit Agreement;

“**Composite 3:30 p.m. Quotations for U.S. Government Securities**” means the daily statistical release designated as such published by the Federal Reserve Bank of New York (U.S.A.) or in any successor publication;

“**Contaminant**” means, but is not limited to meaning, any pollutants, dangerous substances, liquid waste, industrial waste, hauled liquid waste, toxic substances, hazardous wastes, hazardous materials, hazardous substances or contaminants including any of the foregoing as defined in any Environmental Law;

“**Credit Facility**” means, collectively the credit facilities described in §3.1;

“**Currencies**” means Canadian Funds or U.S. Funds;

“**Debtor Relief Laws**” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor

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relief law of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally;

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

“**Documentary Credit Application**” means an application and agreement for the issuance or amendment of a Documentary Credit in the form from time to time used by Royal;

“**Documentary Credit Fee**” means the fee for Guarantee Letters and Letters of Credit charged by Royal pursuant to §3.9;

“**Documentary Credits**” means Guarantee Letters and Letters of Credit;

“**EFT Transfers**” means electronic funds transfers by the Borrower or its present and future Subsidiaries;

“**EFT Transfer Fees**” means the fees charged by Royal in respect of EFT Transfers;

“**Eighth Amendment**” means the eighth amendment agreement dated as of September 3, 2003 and effective September 3, 2003 among the parties to the Guarantor Credit Agreement;

“**Environmental Activity**” means any past, present or future activity, event or circumstance in respect of a Contaminant, including its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release, escape, leaching, dispersal or migration into the natural environment, including the movement through or in the air, soil, surface water or groundwater;

“**Environmental Law**” means any and all applicable federal, provincial, municipal or local laws, statutes, regulations, orders, judgements, decrees, ordinances, official directives and all authorizations, relating to the environment or any Environmental Activity;

“**Equivalent Amount**” means at any time on any date, the amount in Canadian Funds or U.S. Funds, as the case may be, which would result from the conversion of U.S. Funds to Canadian Funds or Canadian Funds to U.S. Funds, as the case may be, determined on the basis of the Spot Buying Rate for U.S. Funds against Canadian Funds or Canadian Funds against U.S. Funds, as the case may be. If the date for determination of an Equivalent Amount is not a Business Day, the applicable rate shall be the Spot Buying Rate quoted on the immediately preceding Business Day;

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

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

“**ERISA Event**” means:

- (a) a Reportable Event with respect to a Pension Plan;
- (b) a withdrawal by the Guarantor or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a) (2) of ERISA) or a cessation of operations that is treated as such

a withdrawal under Section 4062(e) of ERISA which could reasonably be expected to give rise to any liability with respect to such withdrawal;

- (c) a complete or partial withdrawal by the Guarantor or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization;
- (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan;
- (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 for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Guarantor or any ERISA Affiliate;

**“Event of Default”** means any event set forth in §7.1 of the Agreement;

**“Existing Letters of Credit”** means the letters of credit issued pursuant to the Prior Credit Agreement and listed in Schedule D;

**“Federal Funds Effective Rate”** means on any day, the rate of interest per annum set forth in the H.15(519) for that day opposite the caption “Federal Funds Effective”. If on any day such rate is not yet published in the H.15(519), the rate for such day will be the rate set forth in the Composite 3:30 p.m. Quotations for US Government Securities for such day under the caption “Federal Funds Effective Rate”. If on any day such rate is not yet published in either the H.15(519) or the Composite 3:30 p.m. Quotations for US

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Government Securities such rate shall be the average of the quotations for such day on overnight Federal Funds (such words to have the meaning generally given to them by money market brokers of recognised standing doing business in the United States of America) transactions received by Royal from three Federal Funds brokers of recognised standing selected by Royal;

**“GAAP”** means generally accepted accounting principles as generally applied by the Guarantor as at June 30, 2003 and thereafter as set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination, consistently applied;

**“Governmental Approval”** means any authorization, permit, approval, grant, licence, consent, right, privilege, registration, filing, order, commitment, judgement, direction, ordinance, decree or like instrument or affirmation issued or granted by any Governmental Body;

**“Governmental Body”** means, as the context requires, any government, parliament, legislature, regulatory authority, agency, tribunal, department, commission, board or court or other law, regulation or rule making entity (including a Minister of the Crown) having or purporting to have jurisdiction on behalf of any country or nation, any province, state, municipality, region, district, any subdivision thereof or any other lawful authority;

**“Guarantee”** means the limited liability guarantee of the Guarantor dated for reference September 15, 2003 guaranteeing the present and future, direct or indirect obligations of the Borrower to Royal under the Agreement, as such guarantee may be amended, modified, supplemented, extended, renewed or replaced from time to time;

**“Guarantee Letters”** means the letters of guarantee issued by Royal pursuant to §3.3;

**“Guarantor”** means Louisiana-Pacific Corporation, its successors and permitted assigns;

**“Guarantor Affiliates”** means any Affiliate of the Guarantor, their respective successors and permitted assigns;

**“Guarantor Credit Agreement”** means the credit agreement in respect of the Guarantor Credit Facility, unless otherwise provided, as amended, restated, modified, supplemented, extended, renewed or replaced from time to time;

**“Guarantor Credit Facility”** means the credit facility made available to the Guarantor pursuant to the terms of a Credit Agreement entered into as of November 15, 2001 among the Guarantor, as borrower, Bank of America, N.A., as the Administrative Agent, Wachovia Bank, N.A., as the Syndication Agent, Royal, as Documentation Agent and the other lenders party to the credit agreement as amended and restated by the Eighth Amendment;

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**“H.15(519)”** means the weekly statistical release designated as such published by the Board of Governors of the Federal Reserve System of the United States of America or in any successor publication;

**“Indentures”** means, collectively, the Senior Note Indentures and the Senior Subordinated Note Indenture;

**“Insurance Coverage”** means insurance provided by financially sound and reputable insurers or through a program of self-insurance with reserves in accordance with sound business practices or a combination of both, insuring the property, assets and business of the Borrower against such liabilities, casualties, risks and contingencies and in such types of insurance as is customary for companies engaged in the same or similar businesses including;

- (a) fire, earthquake and extended coverage insurance on a replacement cost basis,
- (b) boiler, furnace and machinery insurance,
- (c) course of construction insurance (to the extent necessary to insure any modifications under construction),
- (d) business interruption insurance,
- (e) public liability insurance, and
- (f) inventory insurance insuring the inventory of the Borrower not in transit to purchasers;

“**Judgment Currency**” shall have the meaning ascribed thereto in §8.6;

“**Letter of Credit Expiration Date**” means February 1, 2006;

“**Letters of Credit**” means letters of credit issued by Royal pursuant to §3.3 and Existing Letters of Credit;

“**Lien**” means any mortgage, lien, charge, pledge, hypothecation, security interest or other encumbrance or title retention agreement and any other agreement or arrangement having substantially the same economic effect;

“**LP Engineered**” means LP Engineered Wood Products Ltd., its successors and permitted assigns;

“**LP Forest**” means Louisiana-Pacific B.C. Forest Products Limited, its successors and permitted assigns;

“**Master Agreement**” has the meaning ascribed thereto in the definition “Swap Contract”;

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“**Material Adverse Effect**” has the meaning set forth in the Guarantor Credit Agreement as in effect as of September 3, 2003 (that is, for greater certainty, after the effective date of the Eighth Amendment but prior to any subsequent amendment, restatement, modification, supplement, extension, renewal or replacement thereof);

“**Material Canadian Subsidiary**” means a subsidiary of the Borrower which is 100% legally and beneficially owned by the Borrower which has all or substantially all of its property and assets located in Canada;

“**Maturity Date**” means February 1, 2005;

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

“**Obligations**” means all advances to, and debts, liabilities, obligations, covenants and duties of, the Borrower arising under this Agreement, Advances, Royal’s Security and all other documents executed by the Borrower and delivered to Royal in connection with the transactions contemplated by the Agreement, and all advances to, and debts, liabilities, obligations, covenants and duties of, the Borrower otherwise owing to Royal with respect to any Borrowings, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising;

“**PBGC**” means the Pension Plan Guaranty Corporation, or any governmental authority succeeding to any of its principal functions under ERISA;

“**PDS Services**” means payment distribution services as may be approved from time to time by Royal;

“**PDS Services Fees**” means the fees charged by Royal in respect of PDS Services;

“**Pension Plan**” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Guarantor or any ERISA Affiliate or to which the Guarantor or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years;

“**Person**” means and includes any individual, a partnership, a corporation, a joint stock company, a trust, business trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof;

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

“**Prime Rate**” means the rate of interest per annum in effect from time to time that is equal to the greater of:

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- (a) Royal’s Prime Rate; and
- (b) the CDOR Rate plus 100 basis points per annum;



“**Prior Credit Agreement**” has the meaning set forth in Recital A hereof;

“**Release**” includes discharge, spray, injection, inoculation, abandonment, deposit, spill, leak, seep, pour, emission, emptying, throwing, dumping, placement and exhaust, and when used as a verb has a similar meaning;

“**Reportable Event**” means any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC;

“**Responsible Officer**” means, with respect to the Borrower, the chief executive officer, president, chief financial officer, vice president or treasurer of the Borrower and, with respect to the Guarantor, the chief executive officer, president, chief financial officer or treasurer of the Guarantor. Any document delivered under the Agreement that is signed by a Responsible Officer shall be conclusively presumed to have been authorized by all necessary corporate, partnership or other action on the part of the Borrower or the Guarantor, as applicable, and such Responsible Officer shall conclusively be presumed to have acted on behalf of the Borrower or the Guarantor, as applicable;

“**Restricted Cash Collateral**” means Cash Equivalents from time to time deposited in the Restricted Cash Collateral Account but excludes all interest accrued on such Cash Equivalents, except interest so accrued during an Event of Default that has not been subsequently cured or waived;

“**Restricted Cash Collateral Account**” means:

- (a) a blocked deposit account or accounts, as more particularly identified from time to time in the Restricted Cash Collateral Agreements; and
- (b) at Borrower’s option prior to the occurrence and continuance of an Event of Default, investment accounts at Royal in which Royal shall have a perfected, first priority security interest, subject only to customary and ordinary Liens in favor of the financial institution acting as the depository bank or as securities intermediary to secure payment of fees, costs of administration and payment of other amounts relating to such account payable by Borrower to such financial institution;

“**Restricted Cash Collateral Agreements**” means a security agreement, account control agreements or other documents relating to any account which is a Restricted Cash Collateral Account which Royal may require in order to have a perfected first priority security interest therein, which shall be in form and substance satisfactory to Royal, in its sole discretion, and be accompanied by legal opinion(s) in form and substance satisfactory to Royal relating to the security interest granted therein, and such other matters as Royal may request;

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“**Royal**” means Royal Bank of Canada its successors and permitted assigns;

“**Royal’s Prime Rate**” means the floating annual rate of interest publicly announced from time to time by Royal as its reference rate then in effect for determining interest rates on Cdn\$ commercial loans made by Royal in Canada;

“**Royal’s Security**” means all of the security referred to in §4.2;

“**Royal’s U.S. Base Rate**” means the floating annual rate of interest publicly announced from time to time by Royal as its reference rate then in effect for determining interest rates on US\$ commercial loans made by Royal in Canada;

“**Section 427 Security**” means the assignment by the Borrower to Royal pursuant to Section 427 of the *Bank Act* (Canada) covering all of the Borrower’s Inventory;

“**Security Agreement**” means the security agreement and hypothec (Province of Quebec) dated for reference November 30, 2001 to be provided by the Borrower, in form and content satisfactory to Royal, wherein the Borrower grants to and in favour of Royal, subject to no prior financial charges except for Permitted Encumbrances and, subject only to the Section 427 Security, a first mortgage charge and security interest in and upon the Borrower’s Inventory and the Borrower’s trade accounts receivable, as amended, modified, supplemented, extended, renewed or replaced from time to time;

“**Senior Note Indentures**” means, collectively:

- (a) the First Supplemental Trust Indenture, dated as of August 18, 2000, between the Guarantor 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 Guarantor 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 Guarantor 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;

“**Spot Buying Rate**” means:

- (a) in respect of conversions from Canadian Funds to U.S. Funds or vice versa the Bank of Canada noon spot rate for Canadian Funds against U.S. Funds or U.S. Funds against Canadian Funds (as quoted or

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published from time to time by the Bank of Canada), as the case may be, on the relevant date of determination, and

- (b) in respect of conversions to Canadian Funds or U.S. Funds of currencies other than Canadian Funds or U.S. Funds, Royal's spot buying rate in Canadian Funds or U.S. Funds, as the case may be, for purchasing any such foreign currency on the relevant date of determination;

**"Standby Fees"** means the standby fees payable by the Borrower to Royal pursuant to §3.26;

**"Stock"** means all shares, options, warrants, general or limited partnership interests, units or other equivalents (regardless of how designated) of or in a corporation, general partnership, limited partnership, limited liability company, unlimited liability company, joint stock company, or equivalent entity whether voting or nonvoting, including common stock and preferred stock;

**"Subordination Agreement"** means the subordination agreement dated for reference November 30, 2001 among the Borrower, the Guarantor, certain Guarantor Affiliates and Royal wherein all indebtedness owing by the Borrower to such Guarantor Affiliates and to the Guarantor except for trade accounts payable (including payables for management services) incurred in the ordinary course of business prior to receipt from Royal of a notice of default, in the case of a default in respect of which Royal is required to give notice before it becomes an Event of Default or, an Event of Default, is expressly made subordinate and subject in right of payment as therein provided to the prior payment in full of all indebtedness of the Borrower to Royal under the Agreement, as amended by an amending agreement dated for reference September 15, 2003;

**"Subsidiary"** of a Person means any corporation, association, partnership, joint venture or other business entity of which more than 50% of the Voting Shares or other equity interests (in the case of Persons other than corporations) is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof;

**"Sufficient Copies"** means three copies or such other reasonable number of copies of reports, financial statements, certificates and other material required to be delivered by the Borrower or the Guarantor, as the case may be, to Royal pursuant to the Agreement as advised by Royal from time to time in writing;

**"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

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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 Royal);

**"Threshold Amount"** means US \$25,000,000;

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

**"U.S.A."** means United States of America;

**"U.S. Advance"** means any advance or conversion under the Credit Facility requested by the Borrower in U.S. Funds and advanced in U.S. Funds by Royal;

**"U.S. Base Rate"** means the rate of interest per annum in effect from time to time that is equal to the greater of:

- (a) Royal's U.S. Base Rate; and
- (b) the Federal Funds Effective Rate plus 50 basis points per annum;

“U.S. Funds” and “US\$” means lawful currency of the U.S.A. in same day immediately available funds, or, if such funds are not available, the form of money of the U.S.A. that is customarily used in the settlement of international banking transactions on the day payment is due;

“Voting Shares” means shares of any class entitled to vote in all circumstances.

## 1.2 Applicable Law

The Agreement shall be construed in accordance with and governed by the laws of the Province of British Columbia and the laws of Canada applicable in the Province of British Columbia.

## 1.3 Severability

If any one or more of the provisions contained in the Agreement is invalid, illegal or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of such provision shall not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained in the Agreement shall not in any way be affected or impaired thereby.

## 1.4 Successors and Assigns

The Agreement shall enure to the benefit of and be binding on each of the parties to the Agreement and their respective successors and permitted assigns.

## 1.5 Included Words

Where the singular or the masculine are used in the Agreement, the same shall be deemed to include the plural or the feminine or vice versa and a body politic or corporate where the context or the parties so require.

## 1.6 Headings and Marginal References

The division of the Agreement into paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of the Agreement.

## 1.7 Cross References

Unless otherwise stated, a reference in the Agreement to a numbered or lettered paragraph, subparagraph or schedule refers to the paragraph, subparagraph or schedule bearing that number or letter in the Agreement.

## 1.8 Use of Word “Including”

The word “including”, when following any general term or statement, is not to be construed as limiting the general term or statement to the specific terms or matters set forth immediately following such word or to similar items or matters, but such general term or statement shall be construed as referring to all items or matters that could reasonably fall within the broadest possible scope thereof.

## 1.9 Expiration of Summary of Terms and Conditions

On the Closing Date, all of the terms and conditions of the “Draft Summary of Terms and Conditions” dated September 9, 2003 agreed to by the Borrower, the Guarantor and Royal in connection with the development of the Credit Facility shall be deemed to be merged herein and to expire and shall thereafter have no force and effect.

## 1.10 Currency

Unless otherwise specified all statements of, or references to, dollar amounts in the Agreement without currency specification shall mean Canadian Funds.

## 1.11 Payment Dates and Interest Calculation

If the date for a payment to Royal of any sum owing hereunder or the date of advance, renewal or conversion of any sum by Royal hereunder is not a Business Day, such payment, advance, renewal or conversion, as the case may be, shall be due or made upon the next immediately succeeding Business Day.

## 1.12 Accounting Terms

- (a) Accounting terms which are not specifically defined herein shall have the meaning accorded thereto and shall be construed in accordance with GAAP.

## 1.13 Schedules

The Schedules to the Agreement shall form an integral part of the Agreement, and are as follows:

Schedule A	Officer’s Compliance Certificate
Schedule B	Unfunded Pension Liabilities
Schedule C	Borrowing Base Certificate

## **2. REPRESENTATIONS AND WARRANTIES**

### **2.1 Representations and Warranties**

Each of the Borrower and the Guarantor represents and warrants to Royal as set forth in this Section 2 of the Agreement. All representations and warranties shall survive all Borrowings and no investigation at any time made by or on behalf of Royal shall diminish in any respect whatsoever its right to rely thereon.

### **2.2 Status of the Borrower**

The Borrower is a corporation, duly incorporated, validly existing, in good standing with respect to the filing of annual returns under the laws of the Province of British Columbia and is duly qualified, in good standing and authorized to do business in all jurisdictions where the character of the properties owned by it or the nature of the business transacted by it makes such qualification necessary.

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### **2.3 Status of Guarantor**

The Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, one of the States of the United States of America.

### **2.4 Power and Authority**

Each of the Borrower and the Guarantor has all requisite corporate power and authority to own its respective properties, has obtained or will obtain, all material Governmental Approvals required at the date hereof to carry on its respective business as now conducted and proposed to be conducted and to enter into and perform its obligations under the Agreement and all instruments and agreements delivered pursuant hereto and thereto.

### **2.5 Due Authorization**

The Agreement, the Guarantee and every instrument or agreement delivered pursuant hereto has been duly and validly authorized by all requisite actions by the Borrower and the Guarantor and each of such documents has been duly executed by the Borrower and the Guarantor if it is a party thereto and when delivered will be a legal, valid and binding obligation of the Borrower and the Guarantor, as the case may be, enforceable in accordance with its respective terms save as enforcement may be limited by:

- (a) applicable bankruptcy, insolvency, moratorium, reorganization and similar laws at the time in effect affecting the rights of creditors generally;
- (b) equitable principles which may limit the availability of certain remedies, including the remedy of specific performance; and
- (c) the inability of the courts of Canada to give judgement for payment in foreign currencies.

### **2.6 No Contravention**

The execution, delivery and performance of the Agreement by the Borrower and the Guarantor and the Guarantee by the Guarantor will not contravene any material provision of any regulation, order or permit applicable to the Borrower or the Guarantor, as the case may be, or cause a conflict with or contravention of its respective Charter or cause a breach of or constitute a default under or require any consent under any agreement or instrument to which the Borrower or the Guarantor, as the case may be, is a party or by which it is bound except such as have been obtained.

### **2.7 No Breach**

Neither the Borrower nor the Guarantor is in default under any agreement or instrument to which it is a party in any way which materially adversely affects its ability to perform its respective obligations under the Agreement or the Guarantee, as the case may be, and there are no suits or judicial proceedings or proceedings before any governmental commission, board or other agency pending or to the knowledge of the Borrower or the Guarantor, as the case may

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be, threatened against it which could reasonably be expected to give rise to a judgement or liability which, if satisfied, would have a materially adverse effect on the ability of the Borrower to meet its obligations under the Agreement or the Guarantor to meet its obligations under the Guarantee.

### **2.8 Leases and Licences**

Each of the Borrower and the Guarantor has all leases, licences, permits and consents as are essential for the due carrying on of its respective business in the manner in which its business is carried on and all such leases, licences, permits and consents are in full force and effect and no proceedings relating thereto are pending or known to the Borrower or the Guarantor, as the case may be, to be threatened in any way which would have a material adverse effect on the ability of the Borrower or the Guarantor to meet its respective obligations under the Agreement or the Guarantor to meet its obligations under the Guarantee.

### **2.9 No Financial Default**

Neither the Borrower nor the Guarantor is in default in any way which materially adversely affects its ability to perform its obligations under the Agreement or the Guarantee, as the case may be, under any guarantee, bond, debenture, note or other instrument evidencing any indebtedness or under the terms of any instrument pursuant to which any of the foregoing has been issued or made and delivered and to the knowledge of the Borrower and the Guarantor there

exists no state of facts which, after notice or lapse of time or both or otherwise, would constitute such a default in any way which materially adversely affects its ability to perform its obligations under the Agreement or the Guarantee, as the case may be.

## **2.10 Disclosure of Material Facts**

Each of the Borrower and the Guarantor has disclosed to Royal in writing all facts (other than facts which are a matter of public knowledge or record) which materially adversely affect, or so far as it can now reasonably foresee, will materially adversely affect its ability to perform its obligations under the Agreement and, in the case of the Guarantor, under the Guarantee.

## **2.11 Consents and Approvals**

All consents, approvals, authorizations, declarations, registrations, filings, notices and other actions whatsoever required as at the date hereof by the Borrower and the Guarantor in order to execute and deliver the Agreement and the Guarantee, as the case may be, and all agreements or instruments delivered pursuant thereto, and the consummation of the transactions contemplated hereby, have been obtained, made or taken or will have been obtained, made or taken or waived by Royal on or prior to the Closing Date.

## **2.12 Title**

The Borrower has good and marketable title to or the right to use all of the assets necessary for the operation of its business except for such defects in title and rights as could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the financial condition or operations of the Borrower.

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## **2.13 Borrower's Financial Statements Furnished**

The Borrower has furnished Royal with its most recent unaudited financial statements for the fiscal year ended December 31, 2002 and the fiscal quarter ended June 30, 2003, all such financial statements have been prepared in accordance with GAAP applied on a consistent basis, except as stated therein or in the notes thereto, the balance sheets as therein contained present fairly in all material respects the consolidated financial position of the Borrower and its Subsidiaries as at the dates thereof and the consolidated statements of income present fairly in all material respects the results of the operations of the Borrower and its Subsidiaries for the period indicated.

## **2.14 No Change in Borrower's Financial Condition**

Since June 30, 2003 there has been no material adverse change in the financial condition of the Borrower from that shown on the consolidated financial statements of the Borrower as at that date, except as disclosed to Royal, and any such change will not materially adversely affect the ability of the Borrower to perform its obligations under the Agreement.

## **2.15 Guarantor's Financial Status**

The Guarantor has furnished Royal with its most recent annual and quarterly consolidated financial statements, all such financial statements have been prepared in all material respects in accordance with United States Securities and Exchange Commission requirements except as stated therein or in the notes thereto, each balance sheet as therein contained presents fairly, in all material respects, the financial position of the Guarantor and its subsidiaries as at the date thereof.

## **2.16 No Change in Guarantor's Financial Condition**

Since the date of the most recent quarterly financial statements of the Guarantor and its Subsidiaries referred to in the preceding paragraph:

- (a) there has been no change in the consolidated financial condition of the Guarantor and its Subsidiaries as shown on the Guarantor's balance sheet as at that date sufficient to impair the Guarantor's ability to perform its obligations under the Agreement or the Guarantee except as disclosed to Royal, and
- (b) the business, operations and assets of the Guarantor and its Subsidiaries on a consolidated basis have not been materially adversely affected as a result of any act or event including, without limitation, fire, explosion, casualty, flood, drought, riot, storm, condemnation, act of God, accident, labour trouble, expropriation or act of any government.

## **2.17 Financial Statements Not Misleading**

The consolidated financial statements referred to above or any other statement or report furnished to Royal by or on behalf of the Borrower or the Guarantor in connection with the negotiation or confirmation of the transactions contemplated herein do not contain, as at the

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time such statements or reports were furnished, any untrue statement of a material fact or any omission of a material fact necessary to make the statements contained therein not materially misleading, it being understood by Royal that such statements were prepared by the Guarantor and certain of them do not contain explanatory footnotes, and all such statements and reports, taken as a whole together with the Agreement do not contain any untrue statement of material fact or omit a material fact necessary to make the statements contained therein not materially misleading.

## **2.18 Taxes**

Each of the Borrower and the Guarantor has filed all material income tax returns which were required to be filed, paid or made provisions for payment of all material taxes (including interest and penalties) which are due and payable, and provided adequate reserves established in accordance with GAAP for the payment of any tax, the payment of which is being disputed.

## **2.19 Environmental Law Compliance**

The Borrower is in compliance with all Environmental Law in respect of which non-compliance would have a material adverse effect on the ability of the Borrower to perform its obligations under the Agreement.

## **2.20 Insurance**

Each of the Borrower and the Guarantor:

- (a) has insured by financially sound and reputable insurers all assets and property of a character customarily insured by Persons engaged in the same or a similar business, similarly situated, including inventory and business interruption insurance, in such amounts as are customarily insured for by such Persons, or
- (b) maintains a program of self-insurance, with reserves, in accordance with sound business practices.

## **2.21 ERISA Compliance by Guarantor**

- (a) each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state laws. Each Plan that is intended to qualify under the Section 401(a) of the Code has received a favourable determination letter from the IRS or an application for such a letter is currently being or will be processed by the IRS with respect thereto and such application is or will be within a remedial amendment period and, to the Guarantor's knowledge, nothing has occurred which would prevent, or cause the loss of, such qualification which is not correctable without cost or at a cost that is immaterial. The Guarantor and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

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- (b) there are no pending or, to the Guarantor's knowledge, threatened claims, actions or lawsuits, or action by any Governmental Body, with respect to any Plan that could be reasonably expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could be reasonably expected to result in a Material Adverse Effect.
- (c)
  - (1) except as specifically disclosed in Annexure I to Schedule B no ERISA Event has occurred within the past 12 years or is reasonably expected to occur;
  - (2) except as specifically disclosed in Schedule B, no Pension Plan has any Unfunded Pension Liability;
  - (3) neither the Guarantor nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA, with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA);
  - (4) neither the Guarantor nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, could be reasonably expected to result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and
  - (5) neither the Guarantor nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

## **3. THE CREDIT FACILITY**

### **3.1 Establishment of the Credit Facility**

Relying on each of the representations and warranties set out in Section 2 and subject to the terms and conditions set forth herein, Royal agrees to make available to the Borrower:

- (a) a committed, revolving credit facility in the principal amount of up to the lesser of:
  - (1) \$10,000,000, or the Equivalent Amount in U.S. Funds; or
  - (2) the amount of the Collateral Value of the Borrowing Base; and
- (b) at Royal's discretion, on an uncommitted basis, lines of credit in the aggregate principal amount of up to \$50,000,000 to cover Swap Termination Values and liabilities of the Borrower or, with the consent of Royal, any of its Subsidiaries in respect of EFT Transfers and PDS Services including overdrafts and cash management debts and liabilities,

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to be used by the Borrower (and, in the case of §3.1(b), with the consent of Royal, any Subsidiaries of the Borrower in respect of EFT Transfers and PDS Services) for its general corporate purposes which shall include the refinancing by the Borrower of its existing credit facility with Royal.

### 3.2 Currencies and Other Options Available Under the Credit Facility

Subject to the provisions of the Agreement:

- (a) the Borrower may, at its option utilize the credit facility established pursuant to §3.1(a) by way of Documentary Credits, and
- (b) the Borrower and, with the consent of Royal, any of its Subsidiaries may, at the discretion of Royal, avail themselves of Royal's facilities in respect of EFT Transfers and PDS Services and Royal may, at its discretion, make Canadian Advances or U.S. Advances available to the Borrower, to provide for Swap Termination Values, and cover for liabilities in respect of EFT Transfers and PDS Services. Any liabilities in respect of EFT Transfers and PDS Services including overdrafts and cash management debts and liabilities, shall be obligations under the credit facility established pursuant to §3.1(b) and shall be secured by the Guarantee, the Borrower Guarantees and the Borrower Subsidiaries' Guarantees and otherwise be subject to the applicable provisions of the Agreement.

### 3.3 Issuance of Documentary Credits

Subject to the provisions of the Agreement, from time to time on any Business Day during the period from the Closing Date until the Maturity Date, Royal will issue Documentary Credits in Canadian Funds or U.S. Funds for the account of the Borrower and its Subsidiaries, and will amend or renew Documentary Credits previously issued by it, in accordance with §3.5, and will honour drafts under the Documentary Credits; provided that Royal will not be obligated issue, renew, increase or extend any Documentary Credits, if as of the date of such Borrowing, the Borrowings under the facility established under §3.1(a) of the Agreement would exceed the lesser of \$10,000,000 and the Collateral Value of the Borrowing Base. Within the foregoing limits, and subject to the terms and conditions of the Agreement, the Borrower's ability to obtain Documentary Credits shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Documentary Credits to replace Documentary Credits that have expired or that have been drawn upon and reimbursed. The undrawn face amount of each Existing Letter of Credit shall constitute Borrowings under the credit facility provided for in §3.1(a), and the reimbursement obligations with respect thereto shall be governed by the terms and conditions of the Agreement.

### 3.4 Obligation of Royal

Royal shall not be under any obligation to issue or renew or permit renewal of any Documentary Credit if:

- (a) any order, judgment or decree of any Governmental Body or arbitrator shall by its terms purport to enjoin or restrain Royal from issuing such Documentary Credit,

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or any law applicable to Royal or any request or directive (whether or not having the force of law) from any Governmental Body with jurisdiction over Royal shall prohibit, or request that Royal refrain from, the issuance of documentary credits generally or such Documentary Credit in particular or shall impose upon Royal with respect to such Documentary Credit any restriction, reserve or capital requirement (for which Royal is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such Royal any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which Royal in good faith deems material to it;

- (b) subject to §3.5(b), the expiry date of such requested Documentary Credit would occur more than twelve months after the date of issuance or last renewal, unless Royal has approved such expiry date;
- (c) the expiry date of such requested Documentary Credit would occur after the Letter of Credit Expiration Date, unless Royal has approved such expiry date;
- (d) the issuance of such Documentary Credit would violate the policies of Royal; or
- (e) such Letter of Credit is to be denominated in a currency other than Canadian Funds or U.S. Funds,

and Royal will be under no obligation to amend any Documentary Credit if Royal would have no obligation at such time to issue such Documentary Credit in its amended form under the terms of the Agreement or the beneficiary of such Documentary Credit does not accept the proposed amendment to such Documentary Credit.

### 3.5 Procedures for Issuance and Amendment of Documentary Credit; Auto-Renewal of Documentary Credit

- (a) Each Documentary Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered Royal in the form of a Documentary Credit Application, appropriately completed and signed by an authorized signatory of the Borrower. Such Documentary Credit Application must be received by Royal not later than 8:00 a.m. Toronto time at least three Business Days (or such later date and time as Royal 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 Documentary Credit, such Documentary Credit Application shall specify in form and detail satisfactory to Royal:
  - (1) the proposed issuance date of the requested Documentary Credit (which shall be a Business Day);
  - (2) the amount thereof;
  - (3) the expiry date thereof;

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- (4) the name and address of the beneficiary thereof;
- (5) the documents to be presented by such beneficiary in case of any drawing thereunder;
- (6) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and
- (7) such other matters as Royal may require,

and the Borrower will, at the time of delivery of the Documentary Credit Application, deliver to Royal a Borrowing Base Certificate and deposit or direct Royal in writing to deposit in the Restricted Cash Collateral Account the amount required to collateralize the Documentary Credit applied for.

In the case of a request for an amendment of any outstanding Documentary Credit, such Documentary Credit Application shall specify in form and detail satisfactory to Royal:

- (A) the Documentary 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 Royal may require.
- (b) If the Borrower so requests in any applicable Documentary Credit Application, Royal may, in its sole and absolute discretion, agree to issue a Documentary Credit that has automatic renewal provisions (each, an “Auto-Renewal Documentary Credit”); provided that any such Auto-Renewal Documentary Credit must permit Royal to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance or renewal of such Documentary 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 Documentary Credit is issued. Unless otherwise directed by Royal, the Borrower shall not be required to make a specific request to Royal for any such renewal. Royal shall not permit any such renewal if:
- (1) Royal has determined that it would have no obligation at such time to issue such Documentary Credit in its renewed form under the terms of the Agreement (by reason of the provisions of §3.3, §3.4 or otherwise),
  - (2) one or more of the applicable conditions specified in §3.5 is not then satisfied. Notwithstanding anything to the contrary contained herein, Royal shall have no obligation to permit the renewal of any Auto-Renewal

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Documentary Credit at any time to the extent such non-renewal is permitted by the terms of such Auto-Renewal Documentary Credit.

- (c) Promptly after its delivery of any Documentary Credit or any amendment to a Documentary Credit to an advising bank with respect thereto or to the beneficiary thereof, Royal will also deliver to the Borrower a true and complete copy of such Documentary Credit or amendment.

### 3.6 Drawings and Reimbursements

- (a) Upon receipt from the beneficiary of any Documentary Credit of any notice of a drawing under such Documentary Credit, Royal shall notify the Borrower thereof. Not later than 12:00 noon Toronto time on the date of any payment by Royal under a Documentary Credit (each such date, an “Honour Date”), the Borrower shall reimburse Royal, in an amount equal to the amount of such drawing. At the Borrower’s option, it may in, lieu of remitting the amount necessary to reimburse such drawing, send written instruction to Royal not later than 12:00 noon Toronto time, directing Royal to debit the Restricted Cash Collateral Account in the amount necessary to reimburse such drawing. Such instruction shall be accompanied by a Borrowing Base Certificate showing that after giving effect to such reimbursement (and any permanent reduction in the amount of the Documentary Credit effected by such drawing), there will be no shortfall in the Collateral Value of the Borrowing Base.
- (b) With respect to any amount not reimbursed to Royal pursuant to (a), the Borrower shall be deemed to have obtained from Royal an Advance in that amount, which Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Prime Rate.

### 3.7 Obligations Absolute

The obligation of the Borrower to reimburse Royal for each drawing under each Documentary Credit and to repay each 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:

- (a) any lack of validity or enforceability of such Documentary Credit, this Agreement, or any other agreement or instrument relating thereto;
- (b) 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 Documentary Credit (or any Person for whom any such beneficiary or any such transferee may be acting), Royal or any other Person, whether in connection with the Agreement, the transactions contemplated hereby or by such Documentary Credit or any agreement or instrument relating thereto, or any unrelated transaction;



- (c) any draft, demand, certificate or other document presented under such Documentary 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 Documentary Credit;
- (d) any payment by Royal under such Documentary Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Documentary Credit; or any payment made by Royal under such Documentary Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of Documentary Credit, or
- (e) 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 Documentary 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 Royal. The Borrower shall be conclusively deemed to have waived any such claim against Royal and its correspondents unless such notice is given.

### **3.8 Role of Royal**

In paying any drawing under a Documentary Credit, Royal shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Documentary 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. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Documentary Credit; provided 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. Neither Royal nor any of its correspondents, participants or assignees, shall be liable or responsible for any of the matters described in §3.7(a) through (e); provided that anything in §3.7(a) through (e) or this §3.8 notwithstanding, the Borrower may have a claim against Royal, and Royal 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 Royal's willful misconduct or gross negligence or Royal's willful failure to pay under any Documentary 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 Documentary Credit. In furtherance and not in limitation of the foregoing, Royal 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 Royal shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Documentary

Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

### **3.9 Letter of Credit Fees**

The Borrower shall pay to Royal documentary credit fee for each Documentary Credit equal to the greater of \$250 and .375% (37.5 Basis Points) per annum times the daily maximum amount available to be drawn under such Letter of Credit (calculated with reference to the maximum amount in effect under such Documentary Credit at the time of calculation and not calculated with reference to the maximum face amount of such Documentary Credit after giving effect to any increases contemplated therein until such increases occur). Such documentary credit fees shall be computed on a quarterly basis in arrears. Such documentary credit fees shall be due and payable on the last Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Documentary Credit, on the expiry date of that Document Credit and thereafter on demand.

### **3.10 Conflict with Letter of Credit Application**

In the event of any conflict between the terms hereof and the terms of any Documentary Credit Application, the terms hereof shall control.

### **3.11 Existing Letters of Credit**

The provisions of the Agreement will apply to the Existing Letters of Credit in the same manner as if the Existing Letters of Credit had been issued pursuant to the Agreement.

### **3.12 Collateral Coverage; Restricted Cash Collateral**

On or prior to the tenth (10th) Business Day of each month, the Borrower shall deliver to Royal a Borrowing Base Certificate as of the last Business Day of the immediately preceding month (each such date a "Re-Margin Date"). If as of any Re-Margin Date total Borrowings under the credit facility provided for in §3.1(a) exceed the lesser of \$10,000,000 and the Collateral Value of the Borrowing Base, the Borrower shall deposit or direct Royal in writing to deposit into the Restricted Cash Collateral Account an amount equal to such excess on or prior to such tenth (10th) Business Day. If, as of any Re-Margin Date, the Collateral Value of the Borrowing Base exceeds the then outstanding Borrowings under the credit facility provided for in §3.1(a), Royal provided no Event of Default exists as of such Re-Margin Date, shall, upon written request by the Borrower made in the related Borrowing Base Certificate, remit the amount of such excess (the "Excess Amount") from the Restricted Cash Collateral Account to the Borrower promptly if the Excess Amount consists of Canadian Funds or U.S. Funds and promptly on maturity of each Cash Equivalent if the Excess Amount consists of certificates of deposit or term deposits. The Excess Amount will be free and clear of the Lien granted in the Restricted Cash Collateral Agreement as of such Re-Margin Date. The Borrower shall comply with all of its obligations under this §3.12 so long as Royal shall have any commitment under the Agreement, any Obligation hereunder for the payment of money that has accrued and is payable shall remain unpaid or unsatisfied, or any Documentary Credit shall remain outstanding.

### 3.13 Security

At all times after the Closing Date, the Obligations shall be secured in accordance with Royal's Security. 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 Royal may reasonably request and any such documents will be part of Royal's Security. Without limiting any provision of the Restricted Cash Collateral Agreement, the Borrower hereby grants to Royal, a Lien upon the Restricted Cash Collateral to secure the Obligations.

### 3.14 Swap Contracts, PDS Services and EFT Transfers

Under the credit facility established pursuant to §3.1(b):

- (a) the Borrower may request that Royal enter into Swap Contracts with the Borrower from time to time. Royal may decline such request or may agree to enter into Swap Contracts, provided:
  - (1) the Borrower agrees to the terms and conditions of the current applicable Master Agreement or such other similar or standard form of agreement appropriate to the type of Swap Contract, requested by the Borrower as may be required by Royal and enters into and delivers such agreement to Royal;
  - (2) the Borrower pays all required fees in connection with a Swap Contract and indemnifies Royal against any loss, cost or expense incurred by Royal including any Swap Termination Values;
  - (3) the Borrower indemnifies Royal against any loss, cost or expense suffered or incurred by Royal as a result of acting upon instructions given or agreements made over the telephone or by electronic transmission of any type with persons reasonably believed by Royal to have been acting on the Borrower's behalf;
  - (4) the Borrower agrees that if there is any inconsistency at any time between the terms of the Agreement and any Master Agreement, the terms of such Master Agreement shall prevail; and
- (b) the Borrower may request that Royal provide PDS Services and EFT Transfers from time to time. Royal may decline such request or may agree to provide PDS Services and EFT Transfers, subject to the execution and delivery of Royal's standard form of agreement appropriate to the type of PDS Services or EFT Transfers requested.

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### 3.15 Interest Act of Canada

For the purpose of the *Interest Act of Canada*, the yearly rate of interest to which interest calculated on the basis of a year of 360 or 365 days is equivalent, is the rate of interest determined as herein provided multiplied by the number of days in such year divided by 360 or 365, as the case may be.

### 3.16 Default Interest

Default interest payable in the currency of the amount which is overdue shall be paid on all interest, fees and other amounts payable hereunder which are overdue. Default interest with respect to interest, fees and other amounts payable in Canadian Funds shall be at the Prime Rate and with respect to interest, fees and other amounts payable in U.S. Funds shall be at the U.S. Base Rate, as the case may be. Default interest on overdue interest, fees and other amounts shall be compounded monthly and shall be paid on demand both before and after maturity, default and judgement. Default interest shall be computed from and including the date interest, fees or any other amounts payable pursuant to the Agreement become due and shall be paid for so long as such amount or amounts remains unpaid.

### 3.17 Indemnity for Out-of-Pocket Expenses

The Borrower agrees to indemnify Royal against any out-of-pocket loss or expense which it may sustain or incur as a consequence of the Borrower's failure to effect, repay or prepay a Borrowing as specified in any notice of Borrowing delivered by the Borrower pursuant to the Agreement.

### 3.18 Effective Time for Section 3 Notices

For the purposes of Section 3 of the Agreement, and unless otherwise specified in Section 3, notices from the Borrower to Royal must be received by Royal prior to 10:00 a.m. local time at Vancouver, British Columbia to be effective on the date on which they are given. Notices received after that local time will take effect from the next Banking Day or Business Day, as the case may be.

### 3.19 Increased Costs

Subject to §3.21, if, after the Closing Date, the implementation or introduction of or any change in any applicable law, regulation, treaty, or official directive or regulatory requirement now or hereafter in effect (whether or not having the force of law), or any change in the interpretation or application thereof by any court or by any judicial or governmental authority charged with the interpretation or administration thereof, or if compliance by Royal with any request from any central bank or other fiscal, monetary, or other authority (whether or not having the force of law):

- (a) subjects Royal to any tax, changes the basis of taxation of payments due to Royal or increases any existing tax, on payments of principal, interest, or other amounts payable by the Borrower to Royal under the Agreement (except for taxes on the overall net income of Royal imposed by the jurisdiction in which it is

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incorporated or resident or from which it is acting for the purposes of the Agreement, and except for taxes on Royal's capital or other similar taxes); or

- (b) imposes on Royal any other condition with respect to the Agreement,

and the result of (a) or (b) is, in the reasonable determination of Royal acting in good faith, to increase the cost to Royal or to reduce the income receivable by Royal in respect of a Borrowing or Standby Fees payable, or to reduce the rate of return on the overall capital of Royal, the Borrower shall, upon receipt of a certificate from Royal as described below ("Certificate"), pay to Royal that amount which compensates Royal for such additional cost, reduction in income or rate of return ("Additional Amount") from the date of the Certificate. The Borrower will pay the Additional Amount on the next following 20th day of the month and on the 20th day of each month thereafter until the earlier of (a) the date on which the Additional Amount has been paid in full, and (b) the date on which the Borrower has repaid and/or converted all Borrowings with respect to which a Certificate has been delivered. Royal shall deliver a Certificate to the Borrower which shall set forth the amount of the Additional Amount and the basis for its calculation which will, in the absence of manifest or demonstrable error, be conclusive evidence of the amount of the Additional Amount. Royal will use its reasonable efforts to reduce the amount of the Additional Amount payable hereunder provided that Royal will have no obligation to expend its own funds, to suffer any economic hardship or to take any action detrimental to its interest in connection therewith.

### **3.20 Borrower's Option on Receipt of an Increased Costs Certificate**

If Royal delivers the Certificate and the Borrower has paid the Additional Amount required to be paid by the Certificate in accordance with the Certificate, then with two Business Days' prior written irrevocable notice to Royal, the Borrower may within 60 days, prepay in full without bonus or penalty all Borrowings, with respect to which a Certificate has been delivered, interest, fees and other amounts payable hereunder in connection with such Borrowings.

### **3.21 Increased Costs Limitation**

Royal agrees that:

- (a) the increased costs payable by the Borrower pursuant to §3.19 shall not include:
- (1) those resulting from any law, regulation, treaty, or official directive or regulatory requirement or amendments thereto of which Royal had knowledge prior to the Closing Date, or
  - (2) any tax, penalty or other charges payable by Royal due to its failure to pay or delay in paying any amount required to be paid by it referred to in §3.19(a);
- (b) it will not charge the Borrower for any increased costs payable by it referred to in §3.19 if it is not at the same time passing similar costs on to substantially all of its customers to whom Royal is, by agreement, entitled to pass on such costs; and

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- (c) it will use all reasonable efforts to minimize amounts payable by the Borrower hereunder including all reasonable efforts to obtain refunds or credits.

### **3.22 Repayment of Credit Facility**

On the Maturity Date the Borrower shall repay to Royal the whole of the outstanding amount of Borrowings under the Credit Facility provided for under §3.1(b) together with interest, fees and other amounts due hereunder to such date. Royal may retain sufficient Restricted Cash Collateral after the Maturity Date to secure its obligations under any Documentary Credits which have not at that time expired or been cancelled or returned and related interest, fees or other amounts by maintaining the Collateral Value of the Borrowing Base.

### **3.23 Extension of Maturity Date**

Royal in its sole discretion may, at the request of the Borrower, extend the Maturity Date and the Letter of Credit Expiration Date for successive periods of 364 days. If the Borrower wishes to extend the Maturity Date and the Letter of Credit Expiration Date it shall so notify Royal not more than 90 days and not less than 60 days prior to the then current Maturity Date and Royal shall, within 30 days of receipt of such extension notice, advise the Borrower of its determination in response to any such request. If Royal determines that it will extend the Maturity Date and the Letter of Credit Expiration Date for 364 days the current Maturity Date, and the current Letter of Credit Expiration Date shall be extended to that date which is 364 days past the current Maturity Date or Letter of Credit Expiration Date, as the case may be. The Borrower and the Guarantor acknowledge that the rates of interest, Standby Fees, acceptance fees, Documentary Credit Fees and any other fees payable by the Borrower under the Agreement are subject to confirmation by Royal at the time of each request for an extension of the Maturity Date and Letter of Credit Expiration Date.

### **3.24 Currency of All Payments**

All repayments made by the Borrower pursuant to the Agreement shall be made in the currency of the Borrowing being repaid.

### **3.25 Borrower's Right to Cancel Available Amount of Credit Facility**

If the Borrower delivers to Royal three Business Days' prior irrevocable notice, the Borrower may, without penalty, cancel the available amount of the Credit Facility or a portion thereof in minimum increments of \$5,000,000 or any greater amount in whole multiples of \$100,000. Such cancellation shall be effective on the later of the effective Business Day set out in such notice and the third Business Day after such notice. No cancellation under this §3.25 shall be effective in respect of any portion of the Credit Facility which has been advanced or utilized until such advance or utilization has been repaid or reduced and all interest and fees accruing thereon have been paid. Any such amount so cancelled shall permanently reduce the available amount of the Credit Facility thereafter available for Borrowings by a like amount.

### 3.26 Standby Fees

Subject to §3.27, the Borrower shall pay to Royal a Standby Fee on the amount of the Credit Facility established pursuant to §3.1(a) not utilized by the Borrower from and including the Closing Date to and including the Maturity Date. In determining the amount of the Credit Facility established pursuant to §3.1(a) not utilized by the Borrower, the face amounts of Documentary Credits denominated in U.S. Funds shall be deemed to be the Equivalent Amount thereof in Canadian Funds. The Standby Fee shall be paid in Canadian Funds calculated on a daily basis and shall be equal to .20% (20 Basis Points) per annum times the amount not utilized under the Credit Facility established pursuant to §3.1(a) (computed on the basis of a year of 365 days), accruing from and including the Closing Date. The Borrower will pay Standby Fees quarterly, in arrears, commencing on November 1, 2003 and thereafter on the first Business Day of each ensuing third month until the Maturity Date on which the Credit Facility is repaid by the Borrower at which time the Borrower will pay to Royal all accrued and unpaid Standby Fees.

### 3.27 Standby Fees Waived

If Royal terminates its obligations to make the Credit Facility available to the Borrower pursuant to §7.2(a) the Borrower shall cease to be obligated to pay Standby Fees from the Business Day next following the effective date of such termination.

### 3.28 Arrangement Fee

The Borrower shall pay to Royal an arrangement fee of \$15,000 on the Closing Date.

### 3.29 Evidence of Indebtedness

Royal shall open and maintain on its books at its Branch of Account, accounts and records evidencing Borrowings and other amounts owing by the Borrower to Royal under the Agreement. Royal shall record Documentary Credits issued and cancelled by it and all other amounts becoming due to it under the Agreement including interest, Documentary Credit Fees, Standby Fees and other fees and amounts and all payments on account thereof. Such accounts and records maintained by Royal shall constitute, in the absence of manifest or demonstrable error, *prima facie* evidence of the indebtedness of the Borrower to Royal pursuant to the Agreement, the date Royal made each Borrowing available to the Borrower and the amounts the Borrower has paid from time to time on account of principal and interest on the Borrowings, Documentary Credit Fees, Standby Fees and other fees and amounts payable pursuant to the Agreement and all other amounts owing hereunder.

### 3.30 Determination of Available Amount of the Credit Facility

The available amount of the Credit Facility shall always be determined in Canadian Funds, with Borrowings by way of Documentary Credits in U.S. Funds converted to Canadian Funds by determining the Equivalent Amount of any such Documentary Credit in U.S. Funds.

## 4. SECURITY FOR BORROWINGS

### 4.1 Release of Certain Security

As of the Closing Date, the Security Agreement, the Section 427 Security and Borrower Subsidiaries' Security Agreements are hereby terminated and any security interests granted thereunder are hereby released. On the Closing Date, Royal will execute and deliver to the Borrower such releases, reconveyances, termination statements or other documents ("Release Documents") as may be required to release the security interests granted thereunder.

### 4.2 Security for Borrowings

As general and continuing security for the performance of all obligations of the Borrower hereunder and the prompt payment when due by the Borrower of Borrowings under the Credit Facility and interest thereon and all other money for the time being and from time to time owing by the Borrower hereunder, including Standby Fees, Documentary Credit Fees and other fees, default interest, fees for Swap Contracts, Swap Termination Values, fees and liabilities in respect of EFT Transfers and PDS Services, the Borrower shall, subject to the provisions of this Agreement, execute and deliver, or cause to be executed and delivered to Royal the following:

- (a) the Restricted Cash Collateral Agreements;
- (b) the Subordination Agreement;
- (c) the Guarantee;
- (d) the Borrower Subsidiaries' Guarantees; and
- (e) Borrower Guarantees.

### 4.3 Conflict Between the Agreement and Royal's Security

Except for the choice of law provisions in the Guarantee and those provisions in Royal's Security describing the collateral over which security is taken or which allow for dispositions of such collateral free from such security, which shall prevail, if there is any discrepancy or inconsistency between the terms of the Agreement and the terms of Royal's Security the terms of the Agreement shall prevail.

#### 4.4 Payment

Notwithstanding that the Guarantee, the Borrower Guarantees and the Borrower Subsidiaries' Guarantees are expressed to be payable on demand, Royal will not demand payment thereof except when an Event of Default has occurred and is continuing.

#### 4.5 Guarantees

Notwithstanding the aggregate dollar limitations on liability under the Guarantee, the Borrower Guarantees and the Borrower Subsidiaries' Guarantees, Royal acknowledges that the respective dollar limitations set out in those guarantees are not intended to be cumulative.

### 5. CREDIT FACILITY CONDITIONS PRECEDENT

#### 5.1 Conditions Precedent to Initial Borrowings

Royal shall not be obliged to make an initial advance of the Credit Facility unless, on the Closing Date, all representations and warranties contained in Section 2 are true and correct, no Event of Default has occurred and is continuing and upon each of the following conditions being satisfied:

- (a) delivery by the Borrower to Royal of the following:
  - (1) duly executed copies of the Agreement together with all documents which the Borrower has covenanted to deliver under the Agreement and any other documents or instruments as in the opinion of counsel for Royal are reasonably necessary or appropriate to render effective the Agreement;
  - (2) a certificate of good standing for the Borrower and each of the Borrower Subsidiaries from the Office of the British Columbia Registrar of Companies;
  - (3) a certified copy of a resolution or resolutions of the board of directors of the Borrower or a duly constituted and authorized committee of its directors and each of the Borrower Subsidiaries authorizing it to execute, deliver and perform its obligations under the Agreement and Royal's Security and the instruments, agreements, certificates, papers and other documents contemplated herein and therein and the manner in which and by whom the foregoing documents are to be executed and delivered;
  - (4) an incumbency certificate of the Borrower and each of the Borrower Subsidiaries setting forth the names of its directors and officers and specimen signatures of the individuals who sign the Agreement and Royal's Security and the instruments, agreements, certificates, papers and other documents provided for or contemplated therein;
  - (5) a certificate signed by the Chief Financial Officer or other responsible person certifying:
    - (A) that the Guarantor is not in default under the Guarantor Credit Agreement;
    - (B) there is no material litigation pending or threatened against the Borrower other than as disclosed in the June 30, 2003 quarterly report;
    - (C) there has been no material adverse change in the financial conditions and operations of Guarantor or any of its Subsidiaries since the date of the Guarantor's most recent financial statements referred to in §2.15 of the Agreement;
- (6) a favourable opinion of counsel for the Borrower (in form and content satisfactory to the solicitors for Royal) to the effect that:
  - (A) the Borrower and each of the Borrower Subsidiaries validly exists as a company under the *British Columbia Company Act* and is, according to the records of the office of the Registrar of Companies for the Province of British Columbia, in good standing with respect to the filing of its annual reports;
  - (B) the Borrower and each of the Borrower Subsidiaries have the corporate power and capacity to borrow money and grant security therefore in the manner contemplated by the Agreement and Royal's Security and to enter into, observe and perform the terms and obligations on its part to be observed and performed under the Agreement and Royal's Security;
  - (C) the Borrower has duly authorized, executed and delivered the Agreement and that Royal's Security to which it is a party and each of the Borrower Subsidiaries have duly authorized, executed and delivered that Royal's Security to which it is a party, the Agreement and such Royal's Security constitute valid, binding and enforceable obligations of the Borrower and the Borrower Subsidiaries (as applicable) in accordance with its terms, save as enforcement may be limited by:
    - (i) applicable bankruptcy, insolvency, moratorium or reorganization or other laws affecting creditors' rights generally;
    - (ii) the unavailability of equitable remedies such as the remedy of specific performance and injunction in any particular instance;
    - (iii) the inability of the Courts of Canada to give judgement for payment in foreign currencies; and

- (iv) such other qualifications and limitations as counsel for Royal may accept acting reasonably;
- (D) so far as they are aware in their capacity as counsel for the Borrower in respect of this transaction, there are no actions, proceedings or investigations pending or threatened against the Borrower which question the validity of the Agreement or Royal's Security or the validity of any act to be taken pursuant thereto,
- and, in addition, dealing with such other matters incidental to the transactions contemplated by the Agreement as Royal may reasonably and properly require;

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- (7) an opinion of Messrs. Bull, Housser & Tupper, counsel for Royal (in form and content satisfactory to Royal but subject to the usual assumptions and qualifications) to the effect that the Agreement and Royal's Security have been executed by all parties thereto and delivered to Royal and that such items of Royal's Security which require registration or filing have been registered or filed in all places and offices in British Columbia and elsewhere (as may be determined by counsel for Royal) where such registration or filing is necessary;
- (b) delivery by the Guarantor to Royal of the following:
- (1) the duly executed Guarantee and Subordination Agreement;
  - (2) a certificate of good standing for the Guarantor;
  - (3) a certified copy of a resolution or resolutions of the Guarantor's board of directors or a duly constituted and authorized committee of the Guarantor's board of directors authorizing the Guarantor to execute, deliver and perform its obligations under the Agreement and the instruments, agreements, certificates, papers and other documents contemplated herein, including the Guarantee and the Subordination Agreement and the manner in which and by whom the foregoing documents are to be executed and delivered;
  - (4) an incumbency certificate of the Guarantor setting forth the names of its directors and officers and specimen signatures of the individuals who sign the Agreement, the Guarantee, the Subordination Agreement and the other instruments, agreements, certificates, papers and other documents provided for or contemplated therein;
  - (5) a favourable opinion of counsel for the Guarantor (in form and content satisfactory to the solicitors for Royal) substantially to the effect that:
    - (A) the Guarantor is a corporation duly organized and existing under the laws of the State of Delaware, U.S.A., and is in good standing in that jurisdiction;
    - (B) the Guarantor has all requisite corporate power and capacity to guarantee the obligations of the Borrower, to enter into, observe and perform its obligations under the Agreement, the Guarantee and the Subordination Agreement;
    - (C) the Guarantor has taken all necessary corporate action to authorize the execution, delivery and performance of its obligations under the Agreement, the Guarantee and the Subordination Agreement;

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- (D) each of the Agreement, the Guarantee and the Subordination Agreement has been duly authorized, executed and delivered by the Guarantor and constitutes legal, valid and binding obligations of the Guarantor, enforceable against the Guarantor in accordance with its respective terms, save as enforceability may be limited by:
- (i) applicable bankruptcy, insolvency, fraudulent transfer, moratorium or reorganization or other similar laws affecting creditors' rights generally, and
  - (ii) general principles of equity and the unavailability of the remedies of specific performance and injunction in any particular instance;
- (E) so far as they are aware in their capacity as counsel to the Guarantor, there is no action, suit, proceeding or investigation pending or threatened against the Guarantor which questions the validity of the Agreement, the Guarantee or the Subordination Agreement or the validity of any act to be taken pursuant thereto;
- (F) so far as they are aware in their capacity as counsel to the Guarantor, neither the execution and delivery of the Agreement, the Guarantee or the Subordination Agreement by the Guarantor nor the fulfilment or compliance with the terms thereof:
- (i) contravenes or results in a breach of any of the terms, conditions or provisions of the Charter of the Guarantor, or
  - (ii) contravenes or results in any breach of or constitutes a default under any material agreement to which the Guarantor is a party or by which it is bound;
- (c) the Borrower shall have paid all fees and expenses then due to Royal including the arrangement fee due under §3.28 and any reasonable legal fees invoiced prior to the Closing Date.

## 5.2 Conditions Precedent to Subsequent Borrowings

It shall be a condition of each advance, renewal or conversion that the representations and warranties contained in Section 2 hereof shall be true on and as of the date of each advance, renewal or conversion and that Royal is satisfied that there has been no material adverse change in the financial condition or operation of the Borrower or the Guarantor. The Borrower will, upon request of Royal, deliver to Royal a certificate or certificates of an officer on behalf of the Borrower or the Guarantor to that effect.

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## 6. COVENANTS OF THE BORROWER AND THE GUARANTOR

### 6.1 Borrower's Covenants

The Borrower covenants and agrees with Royal as follows:

#### Positive Covenants of Borrower

- (a) that it will duly and punctually pay or cause to be paid all amounts required to be paid by it to Royal pursuant to the Agreement, including principal, interest, default interest, Documentary Credit Fees, Swap Termination Values, Standby Fees, fees for Swap Contracts and any other fees and amounts, on the day, at the place, in the Currencies and in the manner set forth herein;
- (b) that it will duly observe and perform or cause to be observed and performed each and all of the covenants and agreements required by it to be observed and performed as set forth in the Agreement and Royal's Security;
- (c) that it will maintain Insurance Coverage at all times and will forthwith notify Royal upon the happening of any loss which could reasonably be expected to have a material adverse effect on the financial condition or operations of the Borrower and if Insurance Coverage is provided by third party insurers, it shall duly and punctually pay all premiums and other sums of money for maintaining such insurance;
- (d) that it will and it will cause each of its Subsidiaries to file all material tax returns including income tax returns, corporation capital tax returns and other tax filings in all required jurisdictions;
- (e) that it will and it will cause each of its Subsidiaries to pay all material taxes (except taxes in dispute which are being contested in good faith) including interest and penalties and will pay or make adequate reserves for the ultimate payment of any tax payment which is being contested;
- (f) that it will and it will cause each of its Subsidiaries to actively and diligently contest or cause to be contested in good faith, by appropriate and timely proceedings, or effect a timely and provident settlement of any action, suit, litigation or other proceeding the result of which could reasonably be expected to have a material adverse effect on the financial condition or operations of the Borrower;
- (g) that it will and it will cause each of its Subsidiaries to effect a timely and provident settlement of or bring an application to stay any writ of execution, attachment or similar process issued or levied against all, or a substantial portion of, its property or the property of any of its Subsidiaries in connection with any judgement against it or any of its Subsidiaries in an amount which materially adversely affects the financial condition or operations of the Borrower;

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- (h) that it will and it will cause each of its Subsidiaries to observe and comply with the provisions of all applicable laws, regulations, bylaws, ordinances and orders of any Governmental Body dealing in relation to its business or the business of any of its Subsidiaries with pollution of the environment, toxic and hazardous materials and waste and other environmental hazards, unless the failure to so observe and comply would not, in the judgement of the Borrower, reasonably exercised, materially adversely affect the ability of the Borrower to meet its obligations under the Agreement;
- (i) that it will, as soon as practical after it becomes aware thereof, provide Royal with prompt notice of:
  - (1) any spills of Contaminants which are required to be reported to any Governmental Body, and
  - (2) of any investigations, control orders, stop orders, injunctions, prosecutions or lawsuits under any federal, provincial, municipal or other laws relating to pollution of the environment, the handling of toxic or hazardous materials and waste or any other environmental or public health and safety laws,

and which, in either such case, would, in the judgement of the Borrower, reasonably exercised, have a material adverse effect on the business or financial condition of the Borrower or any of its Subsidiaries and which would materially adversely affect the ability of the Borrower to meet its obligations under the Agreement;

- (j) that it will cause its Chief Financial Officer, such other senior officer as may be appropriate or its auditor, to meet with Royal to discuss and explain, as the case may be, any of its affairs, finances and accounts and to provide such other information pertaining to its business and operations together with such reports and documents as Royal may reasonably require;
- (k) that it will permit representatives and independent contractors of Royal to visit and inspect any of its or its Subsidiaries' properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their corporate affairs, finances and accounts with directors, officers, and independent chartered accountants, all at the expense of the Borrower

and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower except that, when an Event of Default exists, Royal may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice;

- (l) that it will maintain and it will cause each of its Subsidiaries to maintain in full force and effect all material leases, licences, permits, consents and regulatory approvals necessary for the due carrying on of their respective businesses;

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- (m) that it will maintain and it will cause each of its Subsidiaries to maintain their respective corporate existences as validly subsisting corporations;
- (n) that it will give to Royal prompt notice of any Event of Default or any event that with notice or lapse of time would be an Event of Default;
- (o) that it will use Borrowings solely for the purposes set forth in §3.1 and for no other purpose;

#### **Negative Covenants of the Borrower**

- (p) that, without the prior written consent of Royal, and except for mergers, amalgamations and corporate reorganizations between or among any of the Borrower, LP Forest and LP Engineered, with respect to LP Forest and with respect to LP Engineered, it will not, nor will it permit any Subsidiary to merge, amalgamate, enter into any corporate reorganization or otherwise modify its corporate structure in any way which would materially adversely affect its asset base or consolidated cash flow or impair the ability of the Borrower to observe and perform its obligations under the Agreement;
- (q) that, except for Dispositions among or between any of the Borrower, LP Forest and LP Engineered, by LP Forest and by LP Engineered, it will not and it will cause each of its Subsidiaries not to make any Disposition of any of its property or assets except for:
  - (1) Dispositions of inventory or current assets in the ordinary course of business and on commercially reasonable terms it being acknowledged that sales and transfers of inventory and related property and assets to the Guarantor are in the ordinary course of business;
  - (2) Dispositions of individual items of property or assets in any fiscal year having an aggregate value of \$5,000,000 or less based on the greater of net book value or the value determined by the value of the sale or disposition, or
  - (3) Dispositions of assets as approved in writing by Royal;
- (r) that it will not allow the aggregate of the principal amount of Borrowings under the credit facility established pursuant to §3.1(a) to exceed at any time the Collateral Value of the Borrowing Base set out in the then current Borrowing Base Certificate;
- (s) that, without the prior written consent, of Royal, it will not grant, create, assume, suffer or permit any Lien on the Restricted Cash Collateral except for Royal's Security;

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#### **Reporting Covenants of the Borrower**

- (t) that it will and it will cause each of its Subsidiaries to at all times keep or cause to be kept proper books of account and that it will furnish to Royal within 90 days after the close of each fiscal year Sufficient Copies of its unaudited consolidated financial statements, signed by a Responsible Officer;
- (u) except for the year end fiscal quarter, it will deliver to Royal within 45 days of the close of each fiscal quarter Sufficient Copies of its quarterly unaudited consolidated financial statements signed by a Responsible Officer;
- (v) that it will deliver to Royal on or prior to the date reasonably stipulated by Royal Sufficient Copies of the Borrower's (or any of its Subsidiaries), financial and operating statements, budgets, business and capex plans together with such other information, reports and documents as Royal may reasonably request;
- (w) that it will provide prompt notice to Royal of any change to the financial position or business of the Borrower or any of its Subsidiaries which could have a material adverse effect on its financial position, business or ability to perform its obligations under the Agreement;
- (x) that it will deliver to Royal the Borrowing Base Certificate as required by §3.5 and §3.12.

#### **6.2 Guarantor's Covenants**

The Guarantor covenants with Royal as follows:

##### **Positive Covenants of the Guarantor**

- (a) that it will duly observe and perform or cause to be observed and performed each and all of the covenants and agreements required by it to be performed and observed as set forth in the Agreement and the Guarantee;



- (b) that it will at all times maintain such insurance as is usually maintained by others in the business of the same nature as the business of the Guarantor and each of its Subsidiaries, as the case may be, or maintain a program of self-insurance, with reserves, in accordance with sound business practices;
- (c) that it will, maintain its web site and post in a timely manner copies of all public documents filed with the U.S. Securities and Exchange Commission (with the exception of Forms S-8);
- (d) that it will give Royal at least 15 days' notice of its intention to transfer, mortgage, pledge, charge or otherwise encumber or grant a security interest in any shares of the Borrower in which it has a legal or beneficial interest;

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- (e) it will provide Royal with copies of all certificates, notices and other information it is required to deliver to the administrative agent pursuant to sections 6.02 and 6.03 of the Guarantor Credit Agreement;

#### **Negative Covenants of the Guarantor**

- (f) that it will not, without the consent in writing of Royal, merge or consolidate with any other Person or liquidate or dissolve except for mergers or consolidations with any other Person if the Guarantor (or the resulting corporation in a consolidation) will be the surviving corporation and the Guarantor (or such resulting corporation) will not be in default under any of the terms of the Guarantor Credit Agreement immediately after the merger or consolidation;

#### **Reporting Covenants of the Guarantor**

- (g) that it will at all times maintain its corporate existence and will carry on and conduct its business in a proper and efficient manner and it will and will cause each of its Subsidiaries to at all times keep or cause to be kept proper books of account and that it will furnish to Royal at the Branch of Account within 90 days after the close of each fiscal year Sufficient Copies of its annual consolidated audited financial statements, all in reasonable detail and prepared in accordance with GAAP, reported on by its auditor and accompanied by their signed report which shall contain no material qualifications as to the scope of their examination except as to the furnishing of information to them, and, except for the year end fiscal quarter, within 45 days of the close of each fiscal quarter Sufficient Copies of its quarterly consolidated unaudited financial statements prepared in accordance with GAAP subject only to normal year-end audited adjustments and the absence of footnotes including a consolidated summary balance sheet, a consolidated summary statement of income and a consolidated statement of cash flows, signed by a Responsible Officer;
- (h) that it will, contemporaneously with delivery to the administrative agent pursuant to the Guarantor Credit Agreement, deliver Sufficient Copies of the Compliance Certificate to Royal;
- (i) that, except for the year-end fiscal quarter, within 45 days of the close of each fiscal quarter and within 90 days of the close of each fiscal year, it will deliver to Royal a certificate signed by a Responsible Officer in substantially the form attached as Schedule A;
- (j) that it will, contemporaneously with delivery to Bank of America, N.A., the administrative agent under the Guarantor Credit Agreement, deliver to Royal a copy of the US\$ Borrowing Base Certificate;

#### **6.3 Environmental Law**

Nothing in the Agreement shall abridge or affect the rights of Royal in respect of the Borrower pursuant to any Environmental Law.

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### **7. EVENTS OF DEFAULT**

#### **7.1 Definition of Event of Default**

The occurrence of any one or more of the following events constitutes an Event of Default hereunder:

- (a) if the Borrower makes default in any payment of principal, interest, acceptance fees, Documentary Credit Fees, default interest, Standby Fees, Swap Termination Values, fees for Swap Contracts, any other fees or other like amounts when the same becomes due under the Agreement or with respect to an Obligation and such default shall have continued for a period of five Business Days after notice has been given by Royal to the Borrower;
- (b) if the Borrower or Guarantor makes, suffers or permits a material default in observing or performing any other covenant or condition of the Agreement, or, in the case of the Borrower, any Swap Contract or any other material agreement with Royal and such default shall have continued for a period of five Business Days after notice in writing has been given by Royal to the Borrower specifying such default;
- (c) if the Borrower makes default in any payment of an Additional Amount or like payment when the same becomes due under the Agreement and such default shall have continued for a period of ten Business Days after notice has been given by Royal to the Borrower;
- (d) if an "Event of Default" (as defined therein) resulting from the failure to make any payment of principal, interest or premium when due and payable under the Indentures (after giving effect to any cure or grace period provided therein) or to repurchase or redeem any note issued under the Indentures when required thereby occurs and is continuing or any other "Event of Default" occurs and is continuing under the Indentures and results in the "Indebtedness" (as defined in the Indentures) under the Indentures being accelerated;

- (e) if there is a default by the Borrower (other than a default under the Agreement) which results in the acceleration of payment by the Borrower or any of its Material Canadian Subsidiaries of obligations for borrowed money in excess of \$5,000,000;
- (f) if any representation, warranty or statement made by the Borrower, the Borrower Subsidiaries in the Borrower Subsidiaries' Guarantees or the Guarantor herein or in the Guarantee or in any certificate pursuant to the Agreement or the Guarantee shall, in Royal's opinion, prove to have been materially incorrect on the date as of which it was made in any respect materially adverse to Royal and Royal shall have so notified the Borrower;
- (g) if:

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- (1) an order be made or an effective resolution be passed for the winding-up of the Borrower or, without the prior written consent of Royal, any of its Material Canadian Subsidiaries or if the Borrower or any of its Subsidiaries on its own behalf shall make an assignment for the benefit of its creditors or if the Borrower or any of its Subsidiaries shall be declared bankrupt or make an authorized assignment or if a custodian or receiver be appointed under the *Bankruptcy and Insolvency Act* or if a compromise or arrangement (including a compromise, arrangement, reorganization or other like restructuring commenced by the Borrower which adversely affects its creditors under any Federal or Provincial statute including the *Companies' Creditors Arrangement Act* or the *British Columbia Company Act*) is proposed by the Borrower or any of its Subsidiaries to creditors generally or any significant class of creditors, or if a receiver, receiver-manager or other officer with like powers shall be appointed, or if an encumbrancer shall take possession of the property of the Borrower or any of its Subsidiaries or any part thereof, which is, in the reasonable opinion of Royal, material to the business of the Borrower and its ability to perform its obligations under the Agreement or if a distress or execution or any similar process be levied or enforced against a substantial or essential part of such property and remain unsatisfied for a period of thirty days, unless such distress, execution or similar process is in good faith disputed by the Borrower or any such Subsidiary and, if so required by Royal, the Borrower or any such Subsidiary provides adequate security to pay in full the amount claimed; or
  - (2) the Guarantor 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;
- (h) if the Agreement or any of Royal's Security shall at any time cease to be in full force and effect (other than by expiration or termination in accordance with its terms for reasons other than the default of the Borrower) or if a Court of competent jurisdiction shall declare the Agreement to be null and void or if the Borrower shall contest the validity or enforceability thereof or if the Borrower shall deny that it has any further liability or obligation hereunder or if any of Royal's Security for any reason ceases, other than in accordance with its terms, to

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constitute valid and subsisting security upon any material part of the property and assets of the Borrower or its Subsidiaries as described therein;

- (i) if a writ of execution, attachment or similar process has been issued or levied against all, or a substantial portion of, the property of the Borrower or any of its Subsidiaries in connection with any judgement against the Borrower or any of its Subsidiaries in any amount in excess of \$1,000,000 which materially affects the property of the Borrower or any of its Subsidiaries, and no application has been brought to stay such writ of execution, attachment or similar process which application has, in the reasonable opinion of Royal, a reasonable chance of success;
- (j) if it shall become illegal or unlawful for the Borrower or any of its Subsidiaries or the Guarantor to carry on its business or to perform its obligations under the Agreement;
- (k) if the Borrower or any of its Subsidiaries suspends or ceases or threatens to suspend or cease business, unless otherwise permitted under §6.1(p) hereof;
- (l) if the Borrower or any of its Subsidiaries makes or threatens to make a Disposition of all or a substantial part of its undertaking, property and assets, whether in one transaction or in a series of related transactions, unless otherwise permitted under §6.1(q) hereof;
- (m) 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 Guarantor 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 Guarantor or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any instalment 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.

## 7.2 Remedies

If an Event of Default occurs and is continuing, provided the Event of Default has not been waived by Royal or the Borrower has not theretofore remedied all outstanding Events of Default within the prescribed time period or such longer period of time as Royal may permit, Royal may, by notice to the Borrower:

- (a) terminate its obligations hereunder to make the Credit Facility available to the Borrower, issue Documentary Credits, enter into Swap Contracts or provide EFT Transfers or PDS Services;
- (b) declare Borrowings under the Credit Facility, interest, Standby Fees, Documentary Credit, Fees, costs including Swap Termination Values and any other moneys owing to Royal by the Borrower under the Agreement, including amounts owing or liabilities in respect of Documentary Credits, EFT Transfers

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and PDS Services which have not yet matured, to be immediately due and payable on the date which is fifteen Business Days after Royal delivers such notice to the Borrower, or that earlier date on or after delivery of such notice when Royal determines in its reasonable discretion that the business or operations of the Borrower may be materially prejudiced, endangered or adversely affected (“Acceleration Date”) and such moneys and liabilities shall forthwith become due and payable on the Acceleration Date without presentment, demand, protest or other notice of any kind to the Borrower, all of which are hereby expressly waived;

- (c) enforce all rights and remedies granted under Royal’s Security provided that any enforcement shall not be commenced until after the Acceleration Date;
- (d) convert U.S. Advances to Canadian Funds;
- (e) terminate any Swap Contract in accordance with its terms;
- (f) terminate any agreement relating to EFT Transfer or PDS Services in accordance with its terms.

The Borrower expressly acknowledges and agrees that the date which is fifteen Business Days after Royal delivers such notice to the Borrower affords and will afford a reasonable period of time to make payment of the outstanding balance advanced under the Credit Facility, interest, Standby Fees, Documentary Credits, Swap Termination Values, outstandings in respect of EFT Transfers and PDS Services, fees, costs and other moneys owing by the Borrower under the Agreement. Royal acknowledges and agrees that interest, if any, earned or received by it as a result of the redeployment or other application of moneys paid by the Borrower pursuant to a demand made under §7.2(b) in respect of Documentary Credits which have not yet matured shall be credited or otherwise applied for the benefit of the Borrower.

If there are Documentary Credits outstanding on the Acceleration Date, amounts held in Restricted Cash Collateral Accounts may be applied by Royal to Royal’s payment obligations, if any, pursuant to Documentary Credits, and any balances in such accounts shall be retained by Royal as security for Royal’s obligations under Documentary Credits which have not yet matured.

### **7.3 Remedies Cumulative**

No remedy conferred on Royal under the Agreement is intended to be exclusive. Each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or equity or by statute or otherwise. The exercise or commencement of exercise by Royal of any one or more of such remedies shall not preclude the simultaneous or later exercise by Royal of any or all other such remedies.

### **7.4 Waivers**

Royal may, by written instrument at any time and from time to time waive any breach by either the Borrower or the Guarantor of any of the covenants or Events of Default herein. No course

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of dealing between either the Borrower or the Guarantor and Royal nor any delay in exercising any rights hereunder shall operate as a waiver of any rights of Royal.

### **7.5 Application of Payments Following Acceleration**

After the Acceleration Date, Royal may apply any moneys received by it towards repayment of Borrowings under the Credit Facility as it deems appropriate. Royal agrees to use reasonable efforts to apply moneys received by it to first repay Borrowings under the Borrowing Options which do not have redeployment costs associated with payment prior to the maturity dates of such Borrowings.

### **7.6 Royal May Perform Covenants**

If the Borrower shall fail to perform any of its obligations under any covenant contained in the Agreement Royal may, after an Event of Default, upon five Business Days’ prior notice to the Borrower, perform any such covenant capable of being performed by it and, if any such covenant requires the payment or expenditure of money, it may make such payment or expenditure with its own funds. All amounts so paid by Royal hereunder shall be repaid by the Borrower and shall bear interest at the Prime Rate from and including the date paid by Royal hereunder to but excluding the date such amounts are repaid in full by the Borrower.

### **7.7 Waiver of Certain Defaults under Prior Credit Agreement**

Royal hereby waives any default or Event of Default occurring prior to the Closing Date which would not constitute a default or Event of Default under the Agreement as amended and restated herein had it been in effect at the time of the occurrence of such default or Event of Default. In addition, Royal hereby waives any default or Event of Default arising under Section 7.1(f) of the Agreement to the extent that the representation, warranty or statement which is the subject of such default or Event of Default is made with respect to a covenant, term, agreement or provision of the Prior Credit Agreement which was applicable under the Prior Credit Agreement but which is not applicable under the Agreement. Except as set forth in the immediately preceding sentence,

nothing contained herein shall be deemed a waiver of (or otherwise affect Royal's ability to enforce) any default or Event of Default under the Agreement, whether arising before or after the Closing Date.

## **8. GENERAL**

### **8.1 Waiver**

No failure or delay on the part of Royal in exercising any right, power or privilege hereunder shall impair such right, power or privilege or operate as a waiver thereof nor shall any single or partial exercise of such right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege hereunder.

### **8.2 Effect of Amendment, Modification or Waiver**

No amendment, modification or waiver of any condition of the Agreement or consent to any departure by the Borrower therefrom shall, in any event, be effective unless the same shall be in

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writing signed by Royal. No notice to or demand on the Borrower shall by reason thereof entitle the Borrower to any other or further notice or demand in similar or other circumstances unless specifically provided for in the Agreement.

### **8.3 Time of the Essence**

Time shall be of the essence hereof.

### **8.4 Further Assurances**

Each of the Borrower, the Guarantor and Royal will do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including certificates, declarations, affidavits, reports and opinions) and things as Royal, the Borrower or the Guarantor may reasonably require for the purpose of giving effect to the Agreement.

### **8.5 Set-Off**

In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, Royal is authorized at any time or from time to time after the Acceleration Date, without notice to the Borrower or to any other Person, any such notice being expressly waived by the Borrower, to set-off, compensate and to appropriate and to apply any and all deposits, matured or unmatured, general or special, held for or in the name of the Borrower and any other indebtedness or liability at any time owing or payable by Royal to or for the credit of or the account of the Borrower against and on account of the obligations and liabilities of the Borrower due and payable to Royal under the Agreement including all claims of any nature or description arising out of or connected with the Agreement, irrespective of currency and whether or not Royal has made any demand under the Agreement and although these obligations, liabilities or claims of the Borrower are contingent or unmatured. Royal and the Borrower acknowledge and agree that this paragraph is not intended to create and shall not be construed as creating and does not create a security interest in any property of the Borrower.

### **8.6 Judgement Currency**

If for the purposes of obtaining judgement in any court in any jurisdiction or for any other purpose hereunder it becomes necessary to convert into the currency of such jurisdiction ("Judgement Currency") any amount due hereunder in any currency other than the Judgement Currency, then such conversion shall be made at the Spot Buying Rate prevailing on the Business Day before the day on which judgement is given. In the event that there is a change in the Spot Buying Rate prevailing between the Business Day before the day on which the judgement is given and the date of payment of the amount due, the Borrower shall, on the date of payment, pay such additional amounts (if any) as may be necessary to ensure that the amount paid on such date is the amount in the Judgement Currency which, when converted at the Spot Buying Rate prevailing on the date of payment, is the amount then due under the Agreement in such other currency. Any additional amount due from the Borrower under this §8.6 shall be due as a separate debt and shall not be affected by judgement being obtained for any other sums due under or in respect of the Agreement.

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### **8.7 Account Debit Authorization**

The Borrower authorizes and directs Royal to automatically debit, by mechanical, electronic or manual means, the bank accounts of the Borrower maintained with Royal for all amounts payable under the Agreement, including but not limited to the repayment of principal and the payment of interest, fees and all charges for the keeping of such bank accounts.

### **8.8 Expenses**

Except as otherwise provided in the Agreement all statements, certificates, opinions and other documents or information required to be furnished to Royal by the Borrower under the Agreement shall be supplied by the Borrower without cost to Royal. In addition, the Borrower agrees to pay promptly to Royal on demand, all reasonable legal fees and other reasonable expenses which are incurred from time to time by Royal in respect of the documentation, preparation, registration, execution and enforcement of the Agreement (including any value added, goods and services, Provincial Sales Tax, business transfer tax or other similar taxes payable in connection with the execution, delivery or enforcement of the Agreement).

### **8.9 Survival of Representations and Warranties**

The representations and warranties made in Section 2 of the Agreement shall survive the execution and delivery of the Agreement and the Closing Date and continue in full force and effect until the full payment and satisfaction of all monies due hereunder.

#### **8.10 Notice**

Unless otherwise specified, any notice, demand, request, consent or other communication required or permitted to be given to a party under this Agreement or to a party under any of Royal's Security shall be in writing and may be delivered personally or sent by facsimile, to the address or facsimile number of the party set out beside its name at the foot of this Agreement to the attention of the Person there indicated or to such other address, facsimile number or other Person's attention as the party may have specified by notice in writing given under this Section. Any notice, demand, consent, request or other communication shall be deemed to have been given:

- (a) if delivered personally, when received;
- (b) if sent by facsimile, on the Business Day when the appropriate confirmation of receipt has been received if the confirmation of receipt has been received before 3:00 p.m. on that Business Day or, if the confirmation of receipt has been received after 3:00 p.m. on that Business Day, on the next succeeding Business Day; and
- (c) if sent by facsimile on a day which is not a Business Day, on the next succeeding Business Day on which confirmation of receipt has been received.

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#### **8.11 General Indemnity**

The Borrower hereby indemnifies and holds harmless Royal and its directors, officers, employees and agents from and against all losses, damages, expenses (including reasonable fees, charges and disbursements of counsel) and liabilities (including those arising from any litigation or other proceedings) related to or arising out of any default hereunder by the Borrower or any misrepresentation in connection with this Agreement provided that no Person shall be indemnified in respect of matters arising from such person's gross negligence or wilful misconduct.

#### **8.12 Counterparts**

The Agreement and all documents contemplated by or delivered under or in connection with the Agreement may be executed and delivered in any number of counterparts or facsimile counterparts with the same effect as if all parties had all signed and delivered the same document and all counterparts when executed and delivered (by facsimile or otherwise) will be construed together to be an original and will constitute one and the same agreement.

#### **8.13 Reasonable Consent or Approval of the Parties**

The parties hereto acknowledge and confirm that:

- (a) where either of them is required to exercise its discretion or grant its approval or consent pursuant to a provision in the Agreement, it shall act reasonably in the exercise of its discretion and will not unreasonably withhold or delay the granting of its approval or consent, and
- (b) the Borrower may rely on any consent, approval, calculation or determination provided to it by Royal pursuant to the Agreement.

#### **8.14 Entire Agreement**

Save as provided herein and in the instruments and documents contemplated or provided for hereunder, the Agreement contains the whole agreement between the parties with respect to the Credit Facility and there are no other terms, conditions, representations or warranties with respect thereto except as contained herein.

#### **8.15 No Deduction for Taxes**

Provided Royal has not assigned its obligations under the Agreement or its rights to receive payments in respect thereof or changed the booking location of Borrowings, all payments required to be made by the Borrower pursuant to the Agreement whether for principal, interest, acceptance fees, Standby Fees, Documentary Credit Fees, Swap Termination Values, fees for Swap Contracts or any other fees or otherwise shall be made free and clear of and without deduction, withholding or reserve for or on account of taxes, imposts, levies or other charges of any nature or kind whatsoever, unless otherwise agreed by Royal.

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#### **8.16 Participations and Assignments**

Subject to §8.17, Royal may, with the consent of the Borrower, which consent shall not be unreasonably withheld, subject to the provisions of this §8.16 at any time grant participations in, sell, assign, transfer or otherwise dispose of all or any portion of the Credit Facility or Borrowings ("Facility Disposition") to any financial institution carrying on business in, and for the purpose of the *Income Tax Act* (Canada) residing in, Canada; provided no Facility Disposition may be made which would result in an increase in the cost of the Credit Facility to the Borrower. In all cases an assignment shall be of at least \$5,000,000 with increments of \$1,000,000 and a participation shall be of at least \$2,500,000 with increments of \$500,000. No Facility Disposition shall be effective until Royal shall have received an instrument (in form and substance satisfactory to Royal) in which the transferee or assignee, as the case may be, shall agree to be bound by all of the terms of the Agreement as fully as though it were an original party hereto except that any participant shall not be entitled to grant subparticipations. The Borrower hereby agrees that, upon compliance with the foregoing, any purchaser, assignee or transferee of all or any portion of any amount owed by the Borrower under the Agreement:

- (a) shall be entitled to the benefits of the provisions of the Agreement as fully as though it were an original party to the Agreement; and
- (b) may, subject to the terms of the Agreement, exercise any and all rights of banker's lien, set-off or counterclaim with respect to any and all amounts owed by the Borrower to such purchaser, assignee or transferee as fully as if such purchaser, assignee or transferee had made advances in the amount of the obligation which is sold, assigned or transferred to it.

### 8.17 Assignment After Default

Notwithstanding anything to the contrary herein contained, where an Event of Default has occurred and is continuing and has not been waived, nothing in the Agreement shall limit or otherwise restrict the right of Royal to assign all or any part of its rights and obligations under or with respect to the Agreement. Without limiting the generality of the foregoing, any such assignment shall not require the consent of the Borrower nor be restricted to financial institutions resident in Canada.

### 8.18 Obligations of Borrower Re Facility Disposition

The Borrower shall, at the request and at the expense of Royal, execute and deliver to such party or parties as Royal may designate any and all further instruments, use its reasonable efforts to obtain any and all further authorizations or approvals and make any and all further registrations, filings or notifications, as may be necessary or desirable to give full force and effect to such Facility Disposition. The term "Royal" as used in the Agreement shall include all purchasers, assignees and transferees permitted hereunder of all or any portion of any amount owed to Royal under the Agreement. Except as specifically set forth in this §8.18 nothing in the Agreement expressed or implied, is intended to or shall confer on any Person other than the

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respective parties hereto and thereto and their permitted successors and assignees any benefit or any legal or equitable right, remedy or other claim under the Agreement.

### 8.19 Confidentiality

Royal 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) in connection with the exercise of any remedies hereunder or under any documents governing Royal's Security or the enforcement of rights hereunder or thereunder, (e) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement, (f) with the prior written consent of the Borrower or (g) to the extent such Information (x) is or become publicly available other than as a result of a breach of this Section or (y) becomes available to Royal on a non-confidential basis from a source other than the Borrower, provided that such source is not bound by a confidentiality agreement with the Guarantor or any of its Subsidiaries known to Royal. For purposes of this Section, "Information" means all information received from Borrower, Guarantor or any of Borrower or Guarantor's Subsidiaries relating to Borrower, Guarantor, their respective Subsidiaries or any of their respective businesses, other than any such information that is available to Royal on a non-confidential basis prior to disclosure by Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligations to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord its own confidential information.

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IN WITNESS WHEREOF the parties hereto have caused the Agreement to be duly executed on October \_\_\_\_\_, 2003.

LOUISIANA-PACIFIC CANADA LTD.

Per: \_\_\_\_\_ ) Address for Notice  
 Authorized Signatory ) c/o Louisiana-Pacific Corporation  
 ) Suite 1200, 805 S.W. Broadway  
 ) Portland, Oregon  
 ) U.S.A. 97205  
 )  
 ) Phone: (503) 821-5100  
 ) Fax: (503) 821-5322  
 ) Attention: Vice-President and C.F.O.  
 Per: \_\_\_\_\_ )  
 Authorized Signatory )  
 ) With a copy to  
 ) Louisiana-Pacific Canada Ltd.  
 ) 2100 - 1075 West Georgia Street  
 ) Vancouver, British Columbia  
 ) V6E 3G2  
 )  
 ) Phone: (604) 631-3131  
 ) Fax: (604) 631-3232

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LOUISIANA-PACIFIC CORPORATION

) Address for Notice  
 ) Suite 1200, 805 S.W. Broadway

Per: \_\_\_\_\_ ) Portland, Oregon  
Authorized Signatory ) U.S.A. 97205  
) Phone: (503) 821-5100  
) Fax: (503) 821-5322  
)  
)  
Per: \_\_\_\_\_ )  
Authorized Signatory )  
)  
)

**ROYAL BANK OF CANADA** ) RBC Capital Markets  
) Suite 2100, Park Place  
) 666 Burrard Street  
) Vancouver, British Columbia  
By: \_\_\_\_\_ ) V6C 3B1  
Baljit Mann ) Attention: Corporate Credit  
Authorized Signatory ) Phone: (604) 257-7100  
) Fax: (604) 665-6465  
)  
)

## CERTIFICATIONS

I, Mark A. Suwyn, Chief Executive Officer of Louisiana-Pacific Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisiana-Pacific Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosures controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrants most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2003

/S/ MARK A. SUWYN

Mark A. Suwyn

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## CERTIFICATIONS

I, Curtis M. Stevens, Chief Financial Officer of Louisiana-Pacific Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisiana-Pacific Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosures controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrants most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2003

/S/ CURTIS M. STEVENS

Curtis M. Stevens

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LOUISIANA-PACIFIC CORPORATION  
805 SW Broadway, Suite 1200  
Portland, Oregon 97205-3303  
(503) 821-5100

November 5, 2003

Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of Louisiana-Pacific Corporation (the "Company") for the quarterly period ended September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/S/ MARK A. SUWYN

\_\_\_\_\_  
Name: Mark A. Suwyn

Title: Chief Executive Officer

/S/ CURTIS M. STEVENS

\_\_\_\_\_  
Name: Curtis M. Stevens

Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Louisiana-Pacific Corporation and will be retained by Louisiana-Pacific Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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