

LOUISIANA-PACIFIC CORP
Form 10-Q
November 08, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)

of the Securities Exchange Act of 1934

For Quarterly Period Ended September 30, 2010

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.)

414 Union Street, Nashville, TN 37219

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (615) 986-5600

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

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

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

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Smaller reporting company ☐ Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 131,953,897 shares of Common Stock, \$1 par value, outstanding as of November 8, 2010.

Except as otherwise specified and unless the context otherwise requires, references to "LP", the "Company", "we",

us", and "our" refer to Louisiana-Pacific Corporation and its subsidiaries.

ABOUT FORWARD-LOOKING STATEMENTS

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

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

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

changes in general economic conditions;

changes in the cost and availability of capital;

changes in the level of home construction activity;

changes in competitive conditions and prices for our products;

changes in the relationship between supply of and demand for building products;

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

changes in the cost of and availability of energy, primarily natural gas, electricity and diesel fuel;

changes in other significant operating expenses;

changes in exchange rates between the U.S. dollar and other currencies, particularly the Canadian dollar, Brazilian *real* and the Chilean *peso*;

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

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changes in tax laws, and interpretations thereof;

changes in circumstances giving rise to environmental liabilities or expenditures;

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

acts of God or public authorities, war, civil unrest, fire, floods, earthquakes and other matters beyond our control.

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

ABOUT THIRD PARTY INFORMATION

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

Item 1. Financial Statements.**CONSOLIDATED STATEMENTS OF INCOME****LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES****(AMOUNTS IN MILLIONS EXCEPT PER SHARE AMOUNTS) (UNAUDITED)**

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net sales	\$ 322.5	\$ 310.5	\$ 1,066.2	\$ 783.4
Operating costs and expenses:				
Cost of sales	291.1	273.1	905.4	732.9
Depreciation, amortization and cost of timber harvested	18.7	22.2	61.5	60.2
Selling and administrative	25.4	26.1	84.1	82.5
(Gain) loss on sale or impairment of long-lived assets, net	0.9	(1.2)	2.1	(2.1)
Other operating credits and charges, net	2.3	(1.6)	2.8	(7.3)
Total operating costs and expenses	338.4	318.6	1,055.9	866.2
Income (loss) from operations	(15.9)	(8.1)	10.3	(82.8)
Other than temporary investment impairment	(16.9)	(0.1)	(16.9)	(1.8)
Interest expense, net of capitalized interest	(15.3)	(21.0)	(49.8)	(55.8)
Investment income	4.9	8.0	15.1	22.4
Foreign currency gains (losses)	(0.4)	1.0	1.0	10.3
Early debt extinguishment		(0.2)		0.4
Non-operating income (expense)	(27.7)	(12.3)	(50.6)	(24.5)
Income (loss) from continuing operations before taxes and equity in losses of unconsolidated affiliates	(43.6)	(20.4)	(40.3)	(107.3)
Provision (benefit) for income taxes	(16.4)	(10.5)	(14.0)	(45.8)
Equity in (income) loss of unconsolidated affiliates	3.7	2.6	3.5	8.5
Income (loss) from continuing operations	(30.9)	(12.5)	(29.8)	(70.0)
Loss from discontinued operations before taxes	(1.3)	(0.4)	(3.6)	(4.8)
Benefit for income taxes	(0.5)	(0.2)	(1.4)	(1.9)
Loss from discontinued operations	(0.8)	(0.2)	(2.2)	(2.9)
Net income (loss)	(31.7)	(12.7)	(32.0)	(72.9)
Less: Net income (loss) attributed to non-controlling interest	0.3	(0.4)	0.2	(0.8)
Net income (loss) attributed to Louisiana-Pacific Corporation	\$ (32.0)	\$ (12.3)	\$ (32.2)	\$ (72.1)
Net income (loss) per share of common stock (basic and diluted):				
Income (loss) from continuing operations	\$ (0.23)	\$ (0.12)	\$ (0.23)	\$ (0.67)
Loss from discontinued operations	(0.01)	(0.00)	(0.02)	(0.03)

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Net income (loss) per share	\$ (0.24)	\$ (0.12)	\$ (0.25)	\$ (0.70)
Average shares of stock outstanding - basic and diluted	131.1	103.4	128.5	103.2
Amounts attributed to LP Corporation common shareholders				
Income (loss) from continuing operations, net of tax	\$ (31.2)	\$ (12.1)	\$ (30.0)	\$ (69.2)
Income (loss) from discontinued operations, net of tax	(0.8)	(0.2)	(2.2)	(2.9)
	\$ (32.0)	\$ (12.3)	\$ (32.2)	\$ (72.1)

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

CONDENSED CONSOLIDATED BALANCE SHEETS

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(AMOUNTS IN MILLIONS) (UNAUDITED)

	September 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 382.1	\$ 394.1
Receivables, net of allowance for doubtful accounts of \$1.2 at September 30, 2010 and December 31, 2009	81.7	59.9
Income tax receivable	18.0	52.7
Inventories	147.7	140.4
Prepaid expenses and other current assets	7.8	6.2
Deferred income taxes		1.4
Current portion of notes receivable from asset sales		115.1
Assets held for sale	65.8	69.1
Total current assets	703.1	838.9
Timber and timberlands	47.7	50.6
Property, plant and equipment, at cost	2,097.6	2,081.1
Accumulated depreciation	(1,175.2)	(1,116.6)
Net property, plant and equipment	922.4	964.5
Notes receivable from asset sales	533.5	533.5
Long-term investments	36.6	26.3
Restricted cash	15.7	20.8
Investments in and advances to affiliates	112.1	138.5
Deferred debt costs	10.8	13.2
Other assets	28.2	26.6
Long-term deferred tax asset	4.6	7.4
Total assets	\$ 2,414.7	\$ 2,620.3
LIABILITIES AND EQUITY		
Current portion of long-term debt	\$ 0.1	\$ 60.3
Current portion of limited recourse notes payable		113.4
Short-term notes payable		0.4
Accounts payable and accrued liabilities	122.5	123.0
Current portion deferred taxes	1.7	
Current portion of contingency reserves	7.0	10.0
Total current liabilities	131.3	307.1
Long-term debt, excluding current portion	712.7	706.3
Contingency reserves, excluding current portion	29.0	30.8
Other long-term liabilities	117.5	137.2
Deferred income taxes	161.3	164.3
Redeemable non-controlling interest	21.9	21.1
Stockholders' equity:		
Common stock	144.8	139.7
Additional paid-in capital	558.1	562.4
Retained earnings	869.9	902.1
Treasury stock	(279.9)	(286.1)

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Accumulated comprehensive loss	(51.9)	(64.6)
Total stockholders' equity	1,241.0	1,253.5
Total liabilities and stockholders' equity	\$ 2,414.7	\$ 2,620.3

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(AMOUNTS IN MILLIONS) (UNAUDITED)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	\$ (31.7)	\$ (12.7)	\$ (32.0)	\$ (72.9)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation, amortization and cost of timber harvested	18.7	22.2	61.5	60.2
(Gain) loss of unconsolidated affiliates	3.7	2.6	3.5	8.5
Other operating charges and credits, net	(0.8)	1.1	1.9	3.9
(Gain) loss on sale or impairment of long-lived assets	0.9	(1.2)	2.1	(2.1)
Other than temporary investment impairment	16.9	0.1	16.9	1.8
Stock based compensation expense related to stock plans	1.7	1.5	7.0	5.5
Exchange (gain) loss on remeasurement	0.2	2.3	0.4	(4.7)
Cash settlement of contingencies	(5.0)	(1.7)	(8.4)	(10.7)
Other adjustments	(2.3)	(3.8)	1.3	(1.1)
Pension expense (in excess of payments)	(8.7)	2.9	(5.3)	6.7
Decrease (increase) in receivables	31.2	(1.6)	(19.5)	(32.9)
Decrease (increase) in income tax receivables	(2.7)	0.8	34.7	75.4
Decrease (increase) in inventories	17.5	4.5	(6.7)	43.0
Decrease (increase) in prepaid expenses	0.7	(2.1)	(0.9)	2.5
Increase (decrease) in accounts payable and accrued liabilities	(12.6)	(10.9)	(4.0)	0.8
Increase (decrease) in deferred income taxes	(18.3)	(13.8)	(7.5)	(50.8)
Net cash provided by (used in) operating activities	9.4	(9.8)	45.0	33.1
CASH FLOWS FROM INVESTING ACTIVITIES:				
Property, plant, and equipment additions	(6.1)	(2.0)	(11.5)	(6.7)
Reimbursements from (investments in and advances) to joint ventures		2.7	6.1	1.3
Proceeds from sale of assets	0.3	2.0	1.5	7.2
Receipt of proceeds from notes receivable			115.1	
Proceeds from sales of investments		1.4		22.9
Decrease in restricted cash under letters of credit	(0.1)	(0.4)	5.1	37.2
Other investing activities, net		0.2		0.2
Net cash provided by (used in) investing activities	(5.9)	3.9	116.3	62.1
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowing of long term debt				281.3
Repayment of limited recourse notes payable			(113.4)	
Repayment of long term debt	(60.3)	(13.3)	(60.7)	(149.6)
Payment of debt issuance fees				(15.5)
Net borrowings under revolving credit lines and short term notes payable		0.2		0.2
Sales of common stock		132.3		132.3
Net cash provided by (used in) financing activities	(60.3)	119.2	(174.1)	248.7
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1.8	1.8	0.8	(1.8)

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Net increase (decrease) in cash and cash equivalents	(55.0)	115.1	(12.0)	342.1
Cash and cash equivalents at beginning of period	437.1	324.7	394.1	97.7
Cash and cash equivalents at end of period	\$ 382.1	\$ 439.8	\$ 382.1	\$ 439.8

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(AMOUNTS IN MILLIONS) (UNAUDITED)

	Common Stock		Treasury Stock		Additional	Retained	Accumulated	Total	Redeemable
	Shares	Amount	Shares	Amount	Paid-in Capital	Earnings	Comprehensive Loss	Stockholders Equity	Non Controlling Interest
Balance, December 31, 2009	139.7	\$ 139.7	13.1	\$ (286.1)	\$ 562.4	\$ 897.3	\$ (64.6)	\$ 1,248.7	\$ 21.1
Correction of beginning balance (see Note 20)						4.8		4.8	
Adjusted balance, December 31, 2009						902.1		1,253.5	
Net loss						(32.2)		(32.2)	0.2
Issuance of shares for employee stock plans and other purposes and other transactions			(0.2)	6.2	(6.2)				
Warrants exercised	5.1	5.1			(5.1)				
Compensation expense associated with stock awards					7.0			7.0	
Other comprehensive income (loss)							12.7	12.7	0.6
Balance, September 30, 2010	144.8	\$ 144.8	12.9	\$ (279.9)	\$ 558.1	\$ 869.9	\$ (51.9)	\$ 1,241.0	\$ 21.9

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

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income (loss)	\$ (31.7)	\$ (12.7)	\$ (32.0)	\$ (72.9)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	9.3	5.5	4.6	21.9
Unrealized gain on derivative instruments		0.7	0.1	0.8
Unrealized gain on marketable securities	1.5	10.6	6.3	19.8
Amortization of net loss on defined benefit pension plans	0.8	0.4	2.3	1.3
Other comprehensive income, net of tax	11.6	17.2	13.3	43.8
Net (income) loss attributable to noncontrolling interest	(0.3)	0.4	(0.2)	0.8
Foreign currency translation adjustments attributed to non-controlling interest	(1.0)	(1.6)	(0.6)	(3.0)
Comprehensive income (loss)	\$ (21.4)	\$ 3.3	\$ (19.5)	\$ (31.3)

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BASIS FOR PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments, except for other operating credits and charges, net referred to in Note 10) necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of LP and its subsidiaries for the interim periods presented. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. For those consolidated subsidiaries in which LP's ownership interest is less than 100%, the outside shareholders' interests are shown as non-controlling interest. These condensed 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, 2009.

NOTE 2 STOCK-BASED COMPENSATION

For the quarters ended September 30, 2010 and 2009, the total compensation expense related to LP's stock-based compensation plans was \$1.7 million and \$1.5 million. For the nine month periods ended September 30, 2010 and 2009, the total compensation expense related to LP's stock-based compensation plans was \$7.0 million and \$5.5 million. At September 30, 2010, 5,835,318 shares were available under the current stock award plans for stock-based awards. For the nine month period ended September 30, 2010, the fair value of the options granted was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions: a risk free interest rate of 2.43%; an expected volatility factor for the market price of the Company's common stock of 59.5% (based upon historical volatility over the expected life); a dividend yield of 0.0%; and an expected life of 5.1 years (based upon historical experience). For the nine month period ended September 30, 2009, the fair value of the options granted was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions: a risk free interest rate of 1.76%; an expected volatility factor for the market price of the Company's common stock of 49.8% (based upon historical volatility over the expected life); a dividend yield of 0.0%; and an expected life of 5 years (based upon historical experience). The weighted-average fair value of each option or stock settled stock appreciation right (SSARs) granted during the nine month period ended September 30, 2010 and September 30, 2009 was \$3.73 and \$1.00.

NOTE 3 FAIR VALUE MEASUREMENTS

LP's investments that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 includes fair values estimated using significant non-observable inputs.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dollar amounts in millions	September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	\$ 36.6	\$	\$	\$ 36.6
Trading securities	2.4	2.4		
Total	\$ 39.0	\$ 2.4	\$	\$ 36.6

Dollar amounts in millions	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	\$ 26.3	\$	\$	\$ 26.3
Trading securities	2.3	2.3		
Total	\$ 28.6	\$ 2.3	\$	\$ 26.3

Available for sale securities measured at fair value as of September 30, 2010 and December 31, 2009 are auction rate securities recorded in long-term investments on LP's condensed consolidated balance sheets. Due to the lack of observable market quotations on LP's auction rate securities (ARS) portfolio, LP evaluates the structure of its ARS holdings and current market estimates of fair value, including broker quotations and fair value estimates from issuing banks that rely on Level 3 inputs. These inputs include those that are based on expected cash flow streams and collateral values, including assessments of counterparty credit quality, default risk underlying the security, discount rates and overall capital market liquidity. The valuation of LP's ARS investment portfolio is subject to uncertainties that are difficult to predict. Factors that may impact LP's valuation include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity.

Trading securities consist of rabbi trust financial assets which are recorded in other assets in LP's consolidated balance sheets. The rabbi trust holds the assets of the Louisiana-Pacific Corporation 2004 Executive Deferred Compensation Plan (EDC), a non-qualified deferred compensation plan which allows certain management employees to defer receipt of a portion of their compensation and contribute such amounts to one or more investment funds. The assets of the rabbi trust are invested in mutual funds and are reported at fair value based on active market quotations, which represent Level 1 inputs.

The following table summarizes assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the periods ended September 30, 2009 and September 30, 2010.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dollar amounts in millions	Available for sale securities
Balance at December 31, 2008	\$ 12.3
Total realized/unrealized gains (losses)	
Included in other-than-temporary investment impairment	(1.8)
Included in other comprehensive income	31.8
 Balance at September 30, 2009	 \$ 42.3
 The amount of total losses for the period included in net loss attributable to the fair value of changes in assets still held at September 30, 2009	 \$ (1.8)
 Balance at December 31, 2009	 \$ 26.3
Total realized/unrealized gains (losses)	
Included in other comprehensive income	10.3
 Balance at September 30, 2010	 \$ 36.6
 The amount of total losses for the period included in net loss attributable to the fair value of changes in assets still held at September 30, 2010	 \$

Carrying amounts reported on the balance sheet for cash, cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturity of these items.

During the nine months ended September 30, 2010, LP recorded an impairment of \$0.9 million to reduce the carry value of assets held and used to the net realizable value. The valuation of these assets was determined using level two inputs under the market approach.

During the nine months ended September 30, 2010, LP recorded an other-than-temporary impairment charge of \$16.9 million to reduce the carrying value of an equity investment to the estimated selling price less selling cost. The valuation of these assets was determined using level one inputs under the market approach.

NOTE 4 EARNINGS PER SHARE

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dollar and share amounts in millions, except per share amounts	Quarter Ended		Nine Months	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Numerator:				
Income attributed to LP common shares:				
Loss from continuing operations	\$ (31.2)	\$ (12.1)	\$ (30.0)	\$ (69.2)
Loss from discontinued operations	(0.8)	(0.2)	(2.2)	(2.9)
Net loss	\$ (32.0)	\$ (12.3)	\$ (32.2)	\$ (72.1)
Denominator:				
Basic - weighted average common shares outstanding	131.1	103.4	128.5	103.2
Dilutive effect of stock plans				
Diluted shares outstanding	131.1	103.4	128.5	103.2
Basic and diluted earnings per share:				
Loss from continuing operations	\$ (0.23)	\$ (0.12)	\$ (0.23)	\$ (0.67)
Loss from discontinued operations	(0.01)		(0.02)	(0.03)
Net loss per share	\$ (0.24)	\$ (0.12)	\$ (0.25)	\$ (0.70)

For the quarter and nine month periods ended September 30, 2010, stock options, stock warrants and SSARs relating to approximately 15.6 million shares of LP common stock were considered anti-dilutive for purposes of LP's earnings per share calculation due to LP's loss position from continuing operations. For the quarter and nine month period ended September 30, 2009, stock options, stock warrants and SSARs relating to approximately 19.6 million shares and 14.3 million shares of LP common stock, respectively, were considered anti-dilutive for purposes of LP's earnings per share calculation due to LP's loss position from continuing operations.

NOTE 5 RECEIVABLES

Receivables consist of the following:

Dollar amounts in millions	September 30, 2010	December 31, 2009
Trade receivables	\$ 68.5	\$ 47.4
Interest receivables	3.3	1.9
Other receivables	11.1	11.8
Allowance of doubtful accounts	(1.2)	(1.2)
Total	\$ 81.7	\$ 59.9

Other receivables at September 30, 2010 and December 31, 2009 primarily consist of short-term notes receivable, settlements, Canadian sales tax receivables, receivables from our joint ventures associated with product purchases and other items.

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 inventories with remaining inventories valued at FIFO (first-in, first-out) or average cost. The major types of inventories are as follows (work in process is not material):

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Dollar amounts in millions	September 30, 2010	December 31, 2009
Logs	\$ 16.3	\$ 15.3
Other raw materials	22.8	18.6
Finished products	100.4	98.4
Supplies	9.1	9.0
LIFO reserve	(0.9)	(0.9)
Total	\$ 147.7	\$ 140.4

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**NOTE 7 ASSETS HELD FOR SALE**

Over the last several years, LP has adopted and implemented plans to sell selected assets in order to improve its operating results. LP is required to classify assets held for sale which are not part of a discontinued business separately on the face of the financial statements outside of Property, plant and equipment. As of September 30, 2010 and December 31, 2009, LP included three OSB mills and various non-operating sites in its held for sale category. The current book values of assets held for sale by category are as follows:

Dollars in millions	September 30, 2010	December 31, 2009
Property, plant and equipment, at cost:		
Land, land improvements and logging roads, net of road amortization	\$ 13.4	\$ 15.9
Buildings	24.5	35.7
Machinery and equipment	209.8	212.1
	247.7	263.7
Accumulated depreciation	(181.9)	(194.6)
Net property, plant and equipment	\$ 65.8	\$ 69.1

During the nine months ended September 30, 2010, LP recorded an impairment of \$1.1 million to reduce the carrying value of these assets to estimated selling price less selling cost.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT

LP's long-term debt consists of the following:

Dollars in millions	September 30, 2010	December 31, 2009
<i>Debentures:</i>		
Senior notes, matured 2010	\$	\$ 60.0
Senior secured notes, maturing 2017	182.2	178.2
<i>Bank credit facilities:</i>		
Chilean team credit facility, maturing 2019, denominated in UF	40.9	39.0
<i>Limited recourse notes payable:</i>		
Senior notes, payable 2012	7.9	7.9
Senior notes, payable 2010 - 2018	112.0	225.4
<i>Other financing</i>		
Non-recourse notes, payable 2018	368.7	368.7
Other	1.1	0.8
Total	712.8	880.0
Less: current portion	(0.1)	(173.7)
Net long-term portion	\$ 712.7	\$ 706.3

LP issued \$47.9 million of senior notes in 1997 in a private placement to institutional investors. The \$7.9 million remaining notes are secured by \$10.0 million in notes receivable from Sierra Pacific Industries and mature in 2012. In the event of a default by Sierra Pacific Industries, LP is fully liable for the notes payable.

LP issued \$348.6 million of senior debt in 1998 in a private placement to institutional investors. The remaining \$112.0 million of these notes (\$225.4 million at December 31, 2009) mature in principal amounts of \$90.0 million in 2013 and \$22.0 million in 2018. The remaining notes are secured by \$113.7 million (\$228.7 million at December 31, 2009) of notes receivable from Green Diamond Resource Company (Green Diamond). Pursuant to the terms of the notes payable, in the event of a default by Green Diamond, LP would be liable to pay only 10% of the indebtedness represented by the notes payable.

LP issued \$368.7 million of senior debt in 2003 in a private placement to unrelated third parties. The notes mature in 2018. The notes are supported by a bank letter of credit. LP's reimbursement obligations under the letter of credit are secured by \$410 million in notes receivable from assets sales. In general, the creditors under this arrangement have no recourse to LP's assets, other than the notes receivable. However, under certain circumstances, LP may be liable for certain liabilities (including liabilities associated with the marketing or remarketing of the notes payable and reimbursement obligations, which are fully cash collateralized under the letter of credit supporting the notes payable) in an amount not to exceed 10% of the aggregate principal amount of the notes receivable. LP's maximum exposure in this regard was approximately \$41 million as of September 30, 2010 and December 31, 2009.

In December 2009, LP entered into a term loan agreement with a Chilean bank. This loan is denominated in Chilean pesos and is partially secured by property, plant and equipment in Chile. The loan will be repaid in 10 equal semi-annual payments beginning in June 2012 and ending December 2017. As of September 30, 2010, no principal payments have been made on this loan. Any increases or decreases in the loan balance shown are related to the change in the underlying foreign currency exchange rates.

LP estimates the senior secured notes maturing in 2017 to have a fair value of \$262.0 million as of September 30, 2010 and \$263.3 million at December 31, 2009 as compared to a book value of \$182.2 million and \$ 178.2 million at September 30, 2010 and December 31, 2009.

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Additional descriptions of LP's indebtedness are included in consolidated financial statements and the notes thereto included in LP's Annual Report on Form 10-K for the year ended December 31, 2009.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**NOTE 9 INCOME TAXES**

Accounting standards require that LP account for income taxes using the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. This method also requires the recognition of future tax benefits, such as net operating loss carry forwards and other tax credits. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are recorded as necessary to reduce deferred tax assets to the amount thereof that is more likely than not to be realized. The likelihood of realizing deferred tax assets is evaluated by, among other things, estimating future taxable income to which the deferred tax assets may be applied and assessing the impact of tax planning strategies.

For interim periods, accounting standards require that income tax expense be determined by applying the estimated annual effective income tax rate, by income component, to year-to-date income or loss at the end of each quarter, then adding or subtracting the impact of changes in reserve requirements or statutory tax rates, if any. Each quarter the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is adjusted to the current quarter.

For the third quarter and first nine months of 2010, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP's continuing operations relate to a non-deductible other-than temporary investment impairment, state income taxes, the effect of foreign tax rates and the effect of foreign currency translation. For the third quarter and first nine months of 2009, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP's continuing operations relate to the Company's foreign debt structure, state income taxes and the effect of foreign tax rates.

The income components and associated estimated effective income tax rates for the quarter and nine month periods ended September 30, 2010 and 2009 are as follows:

Dollars in millions

	Quarter Ended September 30,			
	2010		2009	
	Tax Benefit	Tax Rate	Tax Benefit	Tax Rate
Continuing operations	\$ (16.4)	35%	\$ (10.5)	46%
Discontinued operations	(0.5)	39%	(0.2)	38%
	\$ (16.9)	35%	\$ (10.7)	46%

	Nine Months Ended September 30,			
	2010		2009	
	Tax Benefit	Tax Rate	Tax Benefit	Tax Rate
Continuing operations	\$ (14.0)	32%	\$ (45.8)	40%
Discontinued operations	(1.4)	39%	(1.9)	39%
	\$ (15.4)	32%	\$ (47.7)	40%

LP and its domestic subsidiaries are subject to U.S. federal income tax as well as income taxes of multiple state jurisdictions. LP's foreign subsidiaries are subject to income tax in Canada, Chile, Brazil and Peru. Federal income tax examinations for the years through 2006 have been effectively settled. LP remains subject to state and local tax examinations for the tax years 2005 through 2008. LP's Canadian income tax returns have been audited and effectively settled through 2004.

As of September 30, 2010, LP projects that its deferred tax assets associated with state net operating loss carry forwards may not be fully realized, and has included a partial valuation allowance of \$1.3 million in computing its annual effective tax rate estimate used to determine the tax expense for the period ending September 30, 2010.

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If LP were to determine that it would not be able to realize a portion of an existing net deferred tax asset for which there is currently no valuation allowance, an adjustment to the net deferred tax asset would be charged to earnings in the period in which such determination was made. Conversely, if it were to make a determination that it is more likely than not that an existing deferred tax asset for which there is currently a valuation allowance would be realized, the related valuation allowance would be reduced and a benefit to earnings would be recorded in the period in which such determination was made.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**NOTE 10 OTHER OPERATING CREDITS AND CHARGES, NET**

The major components of Other operating credits and charges, net in the Consolidated Statements of Income for the quarter and nine month periods ended September 30, 2010 and 2009 are reflected in the table below and are described in the paragraphs following the table:

Dollar amounts in millions	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Severance	\$	\$ (0.4)	\$	\$ (0.9)
Additions to environmental contingency reserves				(2.6)
Construction related legal reserves			(0.6)	0.4
Additions to litigation contingency reserves	(2.2)		(2.3)	
Gain on insurance recovery		2.0		10.4
Other	(0.1)		0.1	
	\$ (2.3)	\$ 1.6	\$ (2.8)	\$ 7.3

In the first quarter of 2009, LP recorded a net gain of \$4.3 million associated with reimbursements of legal expenses associated with an environmental litigation and a loss \$0.5 million associated with severance costs due to LP's right sizing initiatives.

In the second quarter of 2009, LP recorded a further gain of \$4.1 million associated with reimbursement of legal expenses associated with an environmental litigation matter, a net loss of \$2.6 million associated with environmental reserves on two sites which LP no longer operates and a gain of \$0.4 million associated with a contractor default on a construction project.

In the third quarter of 2009, LP recorded \$2.0 million gain on an insurance recovery associated with a facility explosion that occurred in the second quarter of 2008 and a loss of \$0.4 million for severance obligations associated with LP's right sizing initiatives.

In the second quarter of 2010, LP recorded a loss of \$0.6 million associated with an assessment in connection with an indefinitely curtailed OSB mill.

In the third quarter of 2010, LP recorded a loss of \$2.2 million associated with LP's settlement of a product related anti-trust litigation matter.

NOTE 11 OTHER-THAN-TEMPORARY INVESTMENT IMPAIRMENT

The major components on Other than temporary investment impairment in the Consolidated Statements of Income for the quarter and nine month periods ended September 30, 2010 and 2009 are reflected in the following table:

Dollar amounts in millions	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Impairment charge on equity investment	(16.9)		(16.9)	
Impairment charges on auction rate securities		(0.1)		(1.8)
	\$ (16.9)	\$ (0.1)	\$ (16.9)	\$ (1.8)

In the third quarter of 2010, LP recorded an impairment charge of \$16.9 million associated with the anticipated sale of an equity investment in a joint venture to reduce the carrying value of this investment to its estimated sales price.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**NOTE 12 TRANSACTIONS WITH AFFILIATES**

LP has equity investments in AbitibiBowater-LP (a manufacturer of I-joist) and Canfor-LP (a manufacturer of OSB). LP sells products and raw materials to the AbitibiBowater-LP entity and purchases products for resale from the AbitibiBowater-LP and Canfor-LP entities. LP eliminates profits on these sales and purchases, to the extent the inventory has not been sold through to third parties, on the basis of its 50% interest. For the quarters ended September 30, 2010 and 2009, LP sold \$0.4 million and \$2.1 million of products to AbitibiBowater-LP and purchased \$7.7 million and \$11.7 million of I-joist from AbitibiBowater-LP. LP also purchased \$21.4 million and \$17.8 million of OSB from Canfor-LP during the quarters ended September 30, 2010 and 2009. For the nine months ended September 30, 2010 and 2009, LP sold \$4.8 million and \$4.8 million of products to AbitibiBowater-LP and purchased \$31.8 million and \$26.0 million of I-joist from AbitibiBowater-LP. LP also purchased \$85.8 million and \$36.3 million of OSB from Canfor-LP for the nine months ended September 30, 2010 and 2009.

NOTE 13 LEGAL MATTERS

Certain legal proceedings are discussed below.

Antitrust Litigation

On December 1, 2008, LP was named as one of a number of defendants in Bailey Lumber & Supply and 84 Lumber Company v. Georgia-Pacific Corporation et. al. (Civil Action No. 1:08cv1394) filed in the United States District Court for the Southern District of Mississippi Southern Division. The plaintiffs, who opted out of a class action settlement of substantially identical claims that was implemented in 2008, seek treble damages alleged to have resulted from a conspiracy among the defendants to fix, raise, maintain and stabilize the prices at which OSB and Plywood are sold in the United States during the period of 2002 into 2006, in violation of Section 1 of the Sherman Act, 15 U.S.C. §1, together with costs and attorneys' fees. LP believes that the claims asserted were without merit. However, LP decided that in order to limit the risks and costs associated with a prolonged trial schedule, it would settle this lawsuit. LP accrued and paid most of the settlement in the third quarter of 2010.

ARS litigation

On July 31, 2009, LP filed suit in the United States District Court for the Northern District of California captioned, Louisiana Pacific Corporation v. Money Market 1 Institutional Investment Dealer; Merrill Lynch & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; and Deutsche Bank Securities Inc. (Civil Action No.09cv3529). This matter arose out of LP's acquisition of certain ARS structured and underwritten by Merrill Lynch and Deutsche Bank with an approximate par value of \$145.9 million. In the lawsuit, LP alleges that the defendants made misrepresentations and omissions of material facts in connection with the issuance of and the auctions for the ARS which constitute a violation of both state and federal securities laws, as well as common law fraud. LP seeks recovery of compensatory damages, rescission of the purchase of the securities at par value, consequential damages, punitive damages, attorneys' fees and any other damages the court deems appropriate under the circumstances.

Other Proceedings

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

NOTE 14 SELECTED SEGMENT DATA

LP operates in three segments: Oriented Strand Board (OSB); Siding; and Engineered Wood Products (EWP). LP's business units have been aggregated into these three segments based upon the similarity of economic characteristics, customers and distribution methods. LP's results of operations are summarized below for each of these segments separately as well as for the other category which comprises other products that are not individually significant. Segment information was prepared in accordance with the same accounting principles as those described in Note 1 of the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2009.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dollar amounts in millions	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net sales:				
OSB	\$ 139.5	\$ 122.6	\$ 473.3	\$ 292.5
Siding	104.5	113.0	324.5	291.5
Engineered Wood Products	37.9	47.7	142.4	113.5
Other	41.3	27.2	130.2	85.9
Less intersegment sales	(0.7)		(4.2)	
	\$ 322.5	\$ 310.5	\$ 1,066.2	\$ 783.4
Operating profit (loss):				
OSB	\$ (5.0)	\$ (5.8)	\$ 38.4	\$ (48.4)
Siding	9.3	16.1	39.6	24.8
Engineered Wood Products	(4.9)	(6.2)	(15.8)	(24.0)
Other	0.7	0.2	4.4	2.3
less intersegment profits	0.5			
Other operating credits and charges, net	(2.3)	1.6	(2.8)	7.3
Gain (loss) on sale or impairment of long-lived assets	(0.9)	1.2	(2.1)	2.1
General corporate and other expenses, net	(17.0)	(17.8)	(54.9)	(55.4)
Foreign currency gains (losses)	(0.4)	1.0	1.0	10.3
Gain on early debt extinguishment		(0.2)		0.4
Other than temporary impairment of investments	(16.9)	(0.1)	(16.9)	(1.8)
Investment income	4.9	8.0	15.1	22.4
Interest expense, net of capitalized interest	(15.3)	(21.0)	(49.8)	(55.8)
Income (loss) from continuing operations before taxes	(47.3)	(23.0)	(43.8)	(115.8)
Provision (benefit) for income taxes	(16.4)	(10.5)	(14.0)	(45.8)
Income (loss) from continuing operations	\$ (30.9)	\$ (12.5)	\$ (29.8)	\$ (70.0)

NOTE 15 POTENTIAL IMPAIRMENTS

LP continues to review certain operations and investments for potential impairments. LP's management currently believes it has adequate support for the carrying value of each of these operations and investments based upon the anticipated cash flows that result from estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. As of September 30, 2010, the undiscounted cash flows for the facilities indefinitely curtailed support the conclusion that no impairment is necessary for those facilities. However, should demand and pricing for the relevant products be at levels significantly below cycle average demand and pricing for an extended period of time, or should LP decide to invest capital in alternative projects, it is possible that impairment charges will be required.

LP also reviews from time to time possible dispositions of various assets in light of current and anticipated economic and industry conditions, its strategic plan and other relevant circumstances. Because a determination to dispose of particular assets can require management to make assumptions regarding the transaction structure of the disposition and to estimate the net sales proceeds, which may be less than previous estimates of undiscounted future net cash flows, LP may be required to record impairment charges in connection with decisions to dispose of assets.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 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 in which it operates. LP maintains reserves for these various contingencies as follows:

	September 30, 2010	December 31, 2009
Dollar amounts in millions		
Environmental reserves	\$ 14.6	\$ 14.7
Hardboard siding reserves	20.6	24.2
Other reserves	0.8	1.9
 Total contingency reserves	 36.0	 40.8
Current portion of contingency reserves	(7.0)	(10.0)
 Long-term portion of contingency reserves	 \$ 29.0	 \$ 30.8

Environmental Matters

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

Hardboard Siding Reserves

LP has established reserves relating to certain liabilities associated with a settlement agreement resulting from a nationwide class action lawsuit involving hardboard siding manufactured or sold by corporations acquired by LP in 1999 and installed prior to May 15, 2000 which was approved by the applicable courts in 2000. This settlement is discussed in greater detail in the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2009. LP believes that the reserve balance for this settlement at September 30, 2010 will be adequate to cover future payments to claimants and related administrative costs.

The activity in the portion of LP's loss contingency reserves relating to hardboard siding contingencies for the first three quarters of 2010 and 2009 are summarized in the following table.

Dollar amounts in millions	September 30, 2010	September 30, 2009
Beginning balance, December 31,	\$ 24.2	\$ 31.2
Payments made for claims	(2.4)	(5.9)
Payments made for administrative costs	(1.2)	(2.9)

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Ending balance	\$	20.6	\$	22.4
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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**NOTE 17 DEFINED BENEFIT PENSION PLANS**

The following table sets forth the net periodic pension cost for LP's defined benefit pension plans during the quarter ended September 30, 2010 and 2009. The net periodic pension cost included the following components:

Dollar amounts in millions	Quarter Ended September 30,		Nine Months End September 30,	
	2010	2009	2010	2009
Service cost	\$ 0.8	\$ 1.7	\$ 2.5	\$ 5.1
Interest cost	4.2	4.1	13.9	12.3
Expected return on plan assets	(4.8)	(4.4)	(15.4)	(13.2)
Amortization of prior service cost	0.1	0.1	0.3	0.3
Amortization of net loss	1.2	1.0	4.0	3.0
Net periodic pension cost	\$ 1.5	\$ 2.5	\$ 5.3	\$ 7.5

As of January 1, 2010, LP froze future contribution credits to its qualified U.S. defined benefit pension plans. Through September 30, 2010 and 2009, LP recognized \$5.3 million and \$7.5 million of pension expense, respectively, for all of LP's defined benefit plans.

Through September 30, 2010, LP made contributions of approximately \$11 million to the plans and anticipates making additional contributions ranging from \$1- 2 million in the fourth quarter of 2010.

NOTE 18 GUARANTEES AND INDEMNIFICATIONS

LP is a party to contracts in which LP agrees to indemnify third parties for certain liabilities that arise out of or relate to the subject matter of the contract. In some cases, this indemnity extends to liabilities arising out of the negligence of the indemnified parties, but usually excludes any liabilities caused by gross negligence or willful misconduct of the indemnified parties. LP cannot estimate the potential amount of future payments under these agreements until events arise that would trigger the liability. See Note 23 of the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2009 for further discussion of LP's guarantees and indemnifications.

Additionally, LP provides warranties on the sale of most of its products and records an accrual for estimated future claims. Such accruals are based upon historical experience and management's estimate of the level of future claims. The activity in warranty reserves for the third quarter and first nine months of 2010 and 2009 are summarized in the following table:

Dollar amounts in millions	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Beginning balance	\$ 30.6	\$ 34.5	\$ 32.9	\$ 33.7
Accrued to expense	0.9	1.2	4.3	5.8
Payments made	(4.0)	(2.5)	(9.7)	(6.3)
Total warranty reserves	27.5	33.2	27.5	33.2
Current portion of warranty reserves	(10.0)	(7.0)	(10.0)	(7.0)
Long-term portion of warranty reserves	\$ 17.5	\$ 26.2	\$ 17.5	\$ 26.2

The current portion of the warranty reserve is included in the caption "Accounts payable and accrued liabilities" and the long-term portion is included in the caption "Other long-term liabilities" on LP's Condensed Consolidated Balance Sheets.

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Included in the amounts above is a reserve amount attributed to LP's discontinued composite decking products. In 2009, LP established a formal recall program under the Consumer Products Safety Board requirements for this product. LP continues to monitor warranty and other claims associated with these products and with the recall program (see Note 13- Legal Matters - Other Proceedings) and believes as of September 30, 2010 that the reserves associated with these matters are adequate. However, it is possible that additional charges may be required in the future.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**NOTE 19 RECENT AND PROSPECTIVE ACCOUNTING PRONOUNCEMENTS**

In June 2009, the FASB issued guidance now codified under ASC Topic 860, Transfers and Servicing (ASC 860) and ASC Topic 810

Consolidation. Under ASC 860, the concept of a qualifying special-purpose entity (QSPE) is no longer relevant for accounting purposes, and formerly qualifying special purpose entities need to be evaluated for consolidation. ASC 810 requires an enterprise to perform an analysis to determine whether the enterprise's variable interest gives it a controlling financial interest. As of January 1, 2010, LP adopted ASC 860 and 810 and consolidated the former QSPE established in connection with the sale of southern timber and timberlands in 2003. The consolidation of the former QSPE results in adjustments to LP's consolidated financial statements to increase LP's assets by \$368.1 million, to increase LP's liabilities by \$368.9 million and to reduce LP's net equity by \$0.8 million. Specifically, Notes receivable from asset sales increased by \$410 million;

Advances to and investments in affiliates declined by \$44.5 million; Restricted cash increased \$1.6 million; Deferred debt cost increased by \$0.9 million; Accounts payable and accrued liabilities increased by \$0.2 million; Long-term debt increased by \$368.7 million and Retained earnings declined of \$0.8 million. The retroactive application of ASC 860 and 810 resulted in the recognition of additional net loss for the quarter and nine months ended September 30, 2009 of \$0.01 million and \$0.2 million, respectively.

NOTE 20 IMMATERIAL RESTATEMENT

During the second quarter of 2010, LP identified an error in the calculation of the Equity in income (losses) of affiliates relating to the foreign currency translation of income and losses of LP's foreign joint ventures. This error was related to foreign currency rates applied to depreciation expense which is included as a component of Equity in income and losses of unconsolidated affiliates. As Equity in income (losses) of unconsolidated affiliates is a noncash item, this error did not impact net cash provided by (used in) operations in any period. This error resulted in the understatement of Equity in (income) losses in unconsolidated affiliates in the amount of \$0.6 million, \$1.4 million and \$1.9 million for the years ended December 31, 2009, December 31, 2008 and December 31, 2007 and \$0.9 million in previous years with an accumulated understatement of the Investment in and advances to affiliates in the amounts of \$4.8 million and \$4.2 million as of December 31, 2009 and December 31, 2008. Since this adjustment is related to the foreign currency process, there is no impact on LP's tax provision or related tax accounts.

LP believes the correction of the error is not material to its previously issued historical financial statements. However, given LP's financial results through the second quarter of 2010, the error would be material to LP's current results and therefore LP made the decision to correct the error through an immaterial restatement of the previously issued financial statements. The effects of this restatement on the audited Consolidated Balance sheet as previously presented in LP's Form 10-K as of December 31, 2009 is as follows:

Dollar amounts in millions	2009	
	As reported	Adjusted
Investments in and advances to affiliates	\$ 133.7	\$ 138.5
Total assets	\$ 2,615.5	\$ 2,620.3
Retained earnings	\$ 897.3	\$ 902.1
Total stockholders' equity	\$ 1,248.7	\$ 1,253.5
Total liabilities and stockholders' equity	\$ 2,615.5	\$ 2,620.3

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

Our products are used primarily in new home construction, repair and remodeling, and manufactured housing. We also market and sell our products in light industrial and commercial construction and we have a modest export business. Our manufacturing facilities are primarily located in the U.S. and Canada, but we also operate two facilities in Chile and have a 75% ownership interest in a Brazilian facility.

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

Demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicity. For the first nine months of 2010, the U.S. Department of Census reported that actual single and multi-family housing starts were about 9% higher than for the same period of 2009. This increase of 9% reflects an increase in the first six months of 2010 of 14% followed by a decline of 2% in the third quarter of 2010 compared to the corresponding periods of 2009. We believe the improved level of building, while significantly below normal levels, is related to the slightly improving U.S. economy and certain housing initiatives by the U.S. government. Our increase in sales is higher than the increase in housing starts due to significant inventory reductions taken by our customers during 2009 in response to the global recession and a subsequent attempt to build inventory in the first two quarters of 2010 due to anticipated seasonal building activity. In the third quarter of 2010, our decline in sales is greater than the decline in housing starts as customers limited restocking of inventory as demand softened. Building activity is unlikely to improve to normal levels until the number of homes available for sale is reduced, foreclosure activity subsides, employment improves and housing prices stabilize further.

OSB is sold as a commodity for which sales prices fluctuate daily based on market factors over which we have little or no control. We cannot predict whether the prices of our products will remain at current levels or increase or decrease in the future.

For additional factors affecting our results, refer to the Management Discussion and Analysis overview contained in our Annual Report on Form 10-K for the year ended December 31, 2009 and to About Forward-Looking Statements and Risk Factors in this report.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Presented in Note 1 of the Notes to the financial statements included in LP's Annual Report on Form 10-K for the year ended December 31, 2009 is a discussion of our significant accounting policies and significant accounting estimates and judgments. Throughout the preparation of the financial statements, we employ significant judgments in the application of accounting principles and methods. These judgments are primarily related to the assumptions used to arrive at various estimates. For the first nine months of 2010, these significant accounting estimates and judgments include:

Auction Rate Securities: Our auction-rate securities represent interests in collateralized debt obligations, a portion of which are supported by pools of residential and commercial mortgages, credit-linked notes, bank trust preferred notes and other securities. Historically, liquidity for these auction-rate securities was typically provided by an auction process that reset the applicable interest rate at pre-determined intervals, usually every 7, 28, 35 or 90 days. As of September 30, 2010, auction-rate securities that we hold had experienced multiple failed auctions as the amount of securities for sale exceeded the amount of purchase orders. Consequently, we have classified \$36.6 million (\$96.8 million, par value) of auction-rate securities as long-term available-for-sale securities.

Our estimates of the valuation of our current holdings of auction rate securities are based upon our evaluation of the structure of our auction rate securities and current market estimates of fair value, including fair value estimates from the issuing banks and indicative pricing from other parties. We review several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects

of the issuer, and (iv) our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. Due to the numerous variables associated with these judgments, both the precision and reliability of the resulting estimates of the related valuation allowance are subject to substantial uncertainties. We regularly monitor our estimated exposure to these investments and, as additional information becomes known, may change our estimates significantly.

Legal Contingencies. Our estimates of loss contingencies for legal proceedings are based on various judgments and assumptions regarding the potential resolution or disposition of the underlying claims and associated costs. In making judgments and assumptions regarding legal contingencies for ongoing class action settlements, we consider, among other things, discernible trends in the rate of claims asserted and related damage estimates and information obtained through consultation with statisticians and economists, including statistical analyses of potential outcomes based on experience to date and the experience of third parties who have been subject to product-related claims judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, both the precision and reliability of the resulting estimates of the related loss contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to these contingencies and, as additional information becomes known, may change our estimates significantly.

Environmental Contingencies. Our estimates of loss contingencies for environmental matters are based on various judgments and assumptions. These estimates typically reflect judgments and assumptions relating to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect judgments and assumptions relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities, including third parties who purchased assets from us subject to environmental liabilities. We consider the ability of third parties to pay their apportioned cost when developing our estimates. In making these judgments and assumptions related to the development of our loss contingencies, we consider, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and our historical experience at other sites that are judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to environmental loss contingencies and, as additional information becomes known, may change our estimates significantly. At September 30, 2010, we excluded from our estimates approximately \$1.0 million of potential environmental liabilities that we estimate will be allocated to third parties pursuant to existing and anticipated future cost sharing arrangements.

Impairment of Long-Lived Assets. We review the long-lived assets held and used by us (primarily property, plant and equipment and timber and timberlands) for impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. We consider the necessity of undertaking such a review at least quarterly, and also when certain events or changes in circumstances occur. Events and changes in circumstances that may necessitate such a review may include, but are not limited to: a significant decrease in the market price of a long-lived asset or group of long-lived assets; a significant adverse change in the extent or manner in which a long-lived asset or group of long-lived assets is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or group of long-lived assets, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or group of long-lived assets; current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or group of long-lived assets; and a current expectation that, more likely than not, a long-lived asset or group of long-lived assets will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Identifying these events and changes in circumstances, and assessing their impact on the appropriate valuation of the affected assets under accounting principles generally accepted in the U.S., requires us to make judgments, assumptions and estimates.

In general, for assets held and used in our operations, impairments are recognized when the carrying amount of the long-lived asset or groups of long-lived assets is not recoverable and exceeds the fair value of the asset or groups of assets. The carrying amount of a long-lived asset or groups of long-lived assets is not recoverable if it exceeds the

sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets or group of assets. The key assumptions in estimating these cash flows relate to future production volumes, pricing of commodity or specialty products and future estimates of expenses to be incurred as reflected in our long-range internal planning models. Our assumptions regarding pricing are based upon the average pricing over the commodity cycle (generally five years) due to the inherent volatility of commodity product pricing, and reflect our assessment of information gathered from industry research firms, research reports published by investment analysts and other published forecasts. Our assumptions regarding expenses reflect our expectation that we will continue to reduce production costs to offset inflationary impacts.

When impairment is indicated for assets held and used in our operations, the book values of the affected assets are written down to their estimated fair value, which is generally based upon discounted future cash flows associated with the affected assets. When impairment is indicated for assets to be disposed of, the book values of the affected assets are written down to their estimated fair value, less estimated selling costs. Consequently, a determination to dispose of particular assets can require us to estimate the net sales proceeds expected to be realized upon such disposition, which may be less than the estimated undiscounted future net cash flows associated with such assets prior to such determination, and thus require an impairment charge. In situations where we have experience in selling assets of a similar nature, we may estimate net sales proceeds on the basis of that experience. In other situations, we hire independent appraisers to estimate net sales proceeds.

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

Income Taxes. The determination of the provision for income taxes, and the resulting current and deferred tax assets and liabilities, involves significant management judgment, and is based upon information and estimates available to management at the time of such determination. The final income tax liability to any taxing jurisdiction with respect to any calendar year will ultimately be determined long after our financial statements have been published for that year. We maintain reserves for known estimated tax exposures in federal, state and international jurisdictions; however, actual results may differ materially from our estimates.

Judgment is also applied in determining whether deferred tax assets will be realized in full or in part. When we consider it to be more likely than not that all or some portion of a deferred tax asset will not be realized, a valuation allowance is established for the amount of the deferred tax asset that is estimated not to be realizable. As of September 30, 2010, we had established valuation allowances against certain deferred tax assets, primarily related to state and foreign carryovers of net operating losses, credits and capital losses. We have not established valuation allowances against other deferred tax assets based upon 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 additional valuation allowances.

Pension Plans. Most of our U.S. employees and many of our Canadian employees participate in defined benefit pension plans sponsored by LP. We account for the consequences of our sponsorship of these plans in accordance with accounting principles generally accepted in the U.S., which require us to make actuarial assumptions that are used to calculate the related assets, liabilities and expenses recorded in our financial statements. While we believe we have a reasonable basis for these assumptions, which include assumptions regarding long-term rates of return on plan assets, life expectancies, rates of increase in salary levels, rates at which future values should be discounted to determine present values and other matters, the amounts of our pension related assets, liabilities and expenses recorded in our financial statements would differ if we used other assumptions.

Workers Compensation. We are self insured for most of our U.S. employees' workers compensation claims. We account for these plans in accordance with accounting principles generally accepted in the U.S., which require us to make actuarial assumptions that are used to calculate the related assets, liabilities and expenses recorded in our financial statements. While we believe we have a reasonable basis for these assumptions, which include assumptions regarding rates at which future values should be discounted to determine present values, expected future health care costs and other matters. The amounts of our liabilities and related expenses recorded in our financial statements would differ if we used other assumptions.

NON-GAAP FINANCIAL MEASURES

In evaluating our business, we utilize several non-GAAP financial measures. A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so excluded or included under applicable GAAP guidance. In this report on Form 10-Q, we disclose earnings (loss) from continuing operations before interest expense, taxes, depreciation and amortization (EBITDA from continuing operations) which is a non-GAAP financial measure. Additionally, we disclose adjusted EBITDA from continuing operations which further adjusts EBITDA from continuing operations to exclude stock based compensation expense, (gain) loss on sales or impairment of long lived assets, other operating charges and credits, other than temporary investment impairment, (gain) loss on early debt extinguishment and investment income. Neither EBITDA from continuing operations nor adjusted EBITDA from continuing operations are a substitute for the GAAP measures of net income or operating cash flows or for any other GAAP measures of operating performance or liquidity.

We have included EBITDA from continuing operations and adjusted EBITDA from continuing operations in this report on Form 10-Q because we use them as important supplemental measures of our performance and believe that they are frequently used by securities analysts, investors and other interested persons in the evaluation of companies in our industry, some of which present EBITDA when reporting their results. We use EBITDA from continuing operations and adjusted EBITDA from continuing operations to evaluate our performance as compared to other companies in our industry that have different financing and capital structures and/or tax rates. It should be noted that companies calculate EBITDA and adjusted EBITDA differently and, therefore, our EBITDA and adjusted EBITDA measures may not be comparable to EBITDA and adjusted EBITDA reported by other companies. Our EBITDA and adjusted EBITDA measures have material limitations as performance measures because they exclude interest expense, income tax (benefit) expense and depreciation and amortization which are necessary to operate our business or which we otherwise incurred or experienced in connection with the operation of our business.

The following table represents significant items by operating segment and reconciles income (loss) from continuing operations to adjusted EBITDA from continuing operations:

(Dollar amounts in millions)	OSB	Siding	EWP	Other	Corporate	Total
Quarter Ended September 30, 2010						
Sales	\$ 139.5	\$ 104.5	\$ 37.9	\$ 41.3	\$ (0.7)	\$ 322.5
Depreciation and amortization	9.4	3.6	2.3	2.8	0.6	18.7
Cost of sales and selling and administrative	132.7	91.6	40.2	36.8	15.2	316.5
Loss on sale or impairment of long lived assets					0.9	0.9
Other operating credits and charges, net					2.3	2.3
Total operating costs	142.1	95.2	42.5	39.6	19.0	338.4
(Loss) income from operations	(2.6)	9.3	(4.6)	1.7	(19.7)	(15.9)
Total non-operating expense					(27.7)	(27.7)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	(2.6)	9.3	(4.6)	1.7	(47.4)	(43.6)
Benefit for income taxes					(16.4)	(16.4)
Equity in loss of unconsolidated affiliates	2.4		0.3	1.0		3.7
Income (loss) from continuing operations	\$ (5.0)	\$ 9.3	\$ (4.9)	\$ 0.7	\$ (31.0)	\$ (30.9)
Reconciliation of loss from continuing operations to EBITDA from continuing operations						
Income (loss) from continuing operations	\$ (5.0)	\$ 9.3	\$ (4.9)	\$ 0.7	\$ (31.0)	\$ (30.9)
Benefit for income taxes					(16.4)	(16.4)
Interest expense, net of capitalized interest					15.3	15.3
Depreciation and amortization	9.4	3.6	2.3	2.8	0.6	18.7
EBITDA from continuing operations	\$ 4.4	\$ 12.9	\$ (2.6)	\$ 3.5	\$ (31.5)	\$ (13.3)
Stock based compensation expense	0.2	0.2	0.1		1.2	1.7
(Gain) loss on sale or impairment of long lived assets					0.9	0.9
Investment income					(4.9)	(4.9)
Other than temporary asset impairment					16.9	16.9
Early debt extinguishment						
Other operating credits and charges, net					2.3	2.3
Adjusted EBITDA from continuing operations	\$ 4.6	\$ 13.1	\$ (2.5)	\$ 3.5	\$ (15.1)	\$ 3.6
Quarter Ended September 30, 2009						
Sales	\$ 122.6	\$ 113.0	\$ 47.7	\$ 27.2	\$	\$ 310.5
Depreciation and amortization	10.3	5.1	3.2	2.9	0.7	22.2
Cost of sales and selling and administrative	116.4	91.8	50.7	23.2	17.1	299.2
Gain on sale or impairment of long lived assets					(1.2)	(1.2)
Other operating credits and charges, net					(1.6)	(1.6)
Total operating costs	126.7	96.9	53.9	26.1	15.0	318.6
(Loss) income from operations	(4.1)	16.1	(6.2)	1.1	(15.0)	(8.1)
Total non-operating expense					(12.3)	(12.3)

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Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	(4.1)	16.1	(6.2)	1.1	(27.3)	(20.4)
Benefit for income taxes					(10.5)	(10.5)
Equity in loss of unconsolidated affiliates	1.7			0.9		2.6

Income (loss) from continuing operations	\$ (5.8)	\$ 16.1	\$ (6.2)	\$ 0.2	\$ (16.8)	\$ (12.5)
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Reconciliation of loss from continuing operations to EBITDA from continuing operations

Income (loss) from continuing operations	\$ (5.8)	\$ 16.1	\$ (6.2)	\$ 0.2	\$ (16.8)	\$ (12.5)
Benefit for income taxes					(10.5)	(10.5)
Interest expense, net of capitalized interest					21.0	21.0
Depreciation and amortization	10.3	5.1	3.2	2.9	0.7	22.2

EBITDA from continuing operations	\$ 4.5	\$ 21.2	\$ (3.0)	\$ 3.1	\$ (5.6)	\$ 20.2
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Stock based compensation expense	0.1	0.1	0.1		1.2	1.5
(Gain) loss on sale or impairment of long lived assets					(1.2)	(1.2)
Investment income					(8.0)	(8.0)
Other than temporary asset impairment					0.1	0.1
Early debt extinguishment					0.2	0.2
Other operating credits and charges, net					(1.6)	(1.6)

Adjusted EBITDA from continuing operations	\$ 4.6	\$ 21.3	\$ (2.9)	\$ 3.1	\$ (14.9)	\$ 11.2
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(Dollar amounts in millions)	OSB	Siding	EWP	Other	Corporate	Total
Nine months Ended September 30, 2010						
Sales	\$ 473.3	\$ 324.5	\$ 142.4	\$ 130.2	\$ (4.2)	\$ 1,066.2
Depreciation and amortization	28.0	14.1	9.4	8.4	1.6	61.5
Cost of sales and selling and administrative	407.7	270.8	148.2	113.7	49.1	989.5
Gain on sale or impairment of long lived assets					2.1	2.1
Other operating credits and charges, net					2.8	2.8
Total operating costs	435.7	284.9	157.6	122.1	55.6	1,055.9
Income (loss) from operations	37.6	39.6	(15.2)	8.1	(59.8)	10.3
Total non-operating expense					(50.6)	(50.6)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	37.6	39.6	(15.2)	8.1	(110.4)	(40.3)
Benefit for income taxes					(14.0)	(14.0)
Equity in (income) loss of unconsolidated affiliates	(0.8)		0.6	3.7		3.5
Income (loss) from continuing operations	\$ 38.4	\$ 39.6	\$ (15.8)	\$ 4.4	\$ (96.4)	\$ (29.8)
Reconciliation of loss from continuing operations to EBITDA from continuing operations						
Income (loss) from continuing operations	\$ 38.4	\$ 39.6	\$ (15.8)	\$ 4.4	\$ (96.4)	\$ (29.8)
Benefit for income taxes					(14.0)	(14.0)
Interest expense, net of capitalized interest					49.8	49.8
Depreciation and amortization	28.0	14.1	9.4	8.4	1.6	61.5
EBITDA from continuing operations	\$ 66.4	\$ 53.7	\$ (6.4)	\$ 12.8	\$ (59.0)	\$ 67.5
Stock based compensation expense	0.7	0.5	0.4		5.4	7.0
(Gain) loss on sale or impairment of long lived assets					2.1	2.1
Investment income					(15.1)	(15.1)
Other-than-temporary investment impairment					16.9	16.9
Other operating credits and charges, net					2.8	2.8
Adjusted EBITDA from continuing operations	\$ 67.1	\$ 54.2	\$ (6.0)	\$ 12.8	\$ (46.9)	\$ 81.2
Nine months Ended September 30, 2009						
Sales	\$ 292.5	\$ 291.5	\$ 113.5	\$ 85.9		\$ 783.4
Depreciation and amortization	26.3	14.1	9.1	8.0	2.7	60.2
Cost of sales and selling and administrative	308.3	252.6	128.1	73.7	52.7	815.4
Gain on sale or impairment of long lived assets					(2.1)	(2.1)
Other operating credits and charges, net					(7.3)	(7.3)
Total operating costs	334.6	266.7	137.2	81.7	46.0	866.2
Income (loss) from operations	(42.1)	24.8	(23.7)	4.2	(46.0)	(82.8)
Total non-operating expense					(24.5)	(24.5)
Income (loss) before income taxes and equity in earnings of unconsolidated affiliates	(42.1)	24.8	(23.7)	4.2	(70.5)	(107.3)
Benefit for income taxes					(45.8)	(45.8)
Equity in (income) loss of unconsolidated affiliates	6.3		0.3	1.9		8.5

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Income (loss) from continuing operations	\$ (48.4)	\$ 24.8	\$ (24.0)	\$ 2.3	\$ (24.7)	\$ (70.0)
Reconciliation of loss from continuing operations to EBITDA from continuing operations						
Income (loss) from continuing operations	\$ (48.4)	\$ 24.8	\$ (24.0)	\$ 2.3	\$ (24.7)	\$ (70.0)
Benefit for income taxes					(45.8)	(45.8)
Interest expense, net of capitalized interest					55.8	55.8
Depreciation and amortization	26.3	14.1	9.1	8.0	2.7	60.2
EBITDA from continuing operations	\$ (22.1)	\$ 38.9	\$ (14.9)	\$ 10.3	\$ (12.0)	\$ 0.2
Stock based compensation expense	0.5	0.4	0.4		4.2	5.5
(Gain) loss on sale or impairment of long lived assets					(2.1)	(2.1)
Investment income					(22.4)	(22.4)
Other than temporary asset impairment					1.8	1.8
Early debt extinguishment					(0.4)	(0.4)
Other operating credits and charges, net					(7.3)	(7.3)
Adjusted EBITDA from continuing operations	\$ (21.6)	\$ 39.3	\$ (14.5)	\$ 10.3	\$ (38.2)	\$ (24.7)

RESULTS OF OPERATIONS**(Dollar amounts in millions, except per share amounts)**

Our net loss attributable to LP for the third quarter of 2010 was \$32.0 million, or \$0.24 per diluted share, on sales of \$322.5 million, compared to a net loss attributable to LP for the third quarter of 2009 of \$12.3 million, or \$0.12 per diluted share, on sales of \$310.5 million. For the third quarter of 2010, loss from continuing operations was \$30.9 million, or \$0.23 per diluted share, compared to a loss from continuing operations of \$12.5 million, or \$0.12 per diluted share, for the third quarter of 2009.

Our net loss attributable to LP for the first nine months of 2010 was \$32.2 million, or \$0.25 per diluted share, on sales of \$1,066.2 million, compared to a net loss attributable to LP for the same period of 2009 of \$72.1 million, or \$0.70 per diluted share, on sales of \$783.4 million. For the first nine months of 2010, loss from continuing operations was \$29.8 million, or \$0.23 per diluted share, compared to a loss from continuing operations of \$70.0 million, or \$0.67 per diluted share, for the first nine months of 2009.

Our results of operations for each of our segments are discussed below as well as for the other category, which comprises products that are not individually significant.

OSB

Our OSB segment manufactures and distributes commodity and value-added OSB structural panels.

Segment sales, operating income (losses), and adjusted EBITDA from continuing operations for this segment are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
Net sales	\$ 139.5	\$ 122.6	14%	\$ 473.3	\$ 292.5	62%
Operating income (losses)	(5.0)	(5.8)	14%	38.4	(48.4)	179%
Adjusted EBITDA from continuing operations	4.6	4.6	0%	67.1	(21.6)	411%

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2010 compared to the quarter and nine months ended September 30, 2009 are as follows:

	Quarter Ended September 30, 2010 versus 2009		Nine Months Ended September 30, 2010 versus 2009	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
Commodity OSB	9%	4%	38%	18%

For both the quarter and the nine month periods ended September 30, 2010, OSB prices increased compared to the corresponding periods of 2009. The increase in OSB prices was likely due to tightening of the gap between supply and demand based upon currently operating facilities across the industry as well as raw material shortages due to weather related issues during the second quarter of 2010. The increase in selling price favorably impacted net sales and operating losses by approximately \$10 million for the quarter and \$104 million for the nine month period as compared to the corresponding periods of 2009. As compared to the corresponding periods of 2009, the increase in sales volume was primarily due to increased demand as well as inventory restocking by our customers after dramatic declines in 2009.

Compared to the third quarter and first nine months of 2009, the primary factor that led to improved operating results was the increase in commodity OSB sales prices. This increase was offset by an increase in our Canadian dollar denominated manufacturing costs and certain raw materials. The Canadian dollar has strengthened significantly from the corresponding periods of 2009, which causes our Canadian production costs stated in U.S. dollars to increase.

SIDING

Our siding segment produces and markets wood-based siding and related accessories, together with commodity OSB products from one mill.

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

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
Net sales	\$ 104.5	\$ 113.0	(8%)	\$ 324.5	\$ 291.5	11%
Operating income	9.3	16.1	(42%)	39.6	24.8	60%
Adjusted EBITDA from continuing operations	13.1	21.3	(38%)	54.2	39.3	38%

Sales in this segment by product line are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
SmartSide Siding	\$ 80.3	\$ 92.5	(13%)	\$ 247.0	\$ 227.1	9%
Commodity OSB	8.0	6.7	19%	29.8	20.9	43%
Canoxel siding and other hardboard related products	16.2	13.8	17%	47.7	43.5	10%
Total	\$ 104.5	\$ 113.0	(8%)	\$ 324.5	\$ 291.5	11%

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2010 compared to the quarter and nine months ended September 30, 2009 are as follows:

	Quarter Ended September 30, 2010 versus 2009		Nine Months Ended September 30, 2010 versus 2009	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
SmartSide Siding	1%	(11%)	2%	9%
Commodity OSB	8%	(8%)	39%	(3%)
Canoxel siding and other hardboard related products	10%	1%	9%	(11%)

For the third quarter of 2010 compared to the corresponding period of 2009, sales volumes decreased due to the pull forward of demand in the second quarter of 2010 as well as customers destocking of inventory which had been built earlier in 2010. For the first nine months of 2010 compared to the corresponding period of 2009, sales volumes increased in our SmartSide siding line due to the increase in the channel inventory as well as increased housing starts. In our Canoxel siding line, sales volumes declined due to the curtailment of certain doorskin product lines. Sales prices in SmartSide for the quarter and nine months ended September 30, 2010 as compared to the corresponding periods of 2009 were higher due to product mix and specific product price increases. In our Canoxel product line, sales prices increased in the third quarter and first nine months as compared to the corresponding periods of 2009 due to the impact of the strengthening Canadian dollar as a majority of these sales are made in Canada. Sales prices increased in our commodity OSB products as discussed in the OSB segment above.

Overall, the decline in operating results for our siding segment for the third quarter of 2010 compared to the same period of 2009 was primarily due to reduced sales volumes, which were partially offset by improvements in OSB pricing. For the nine month period ended September 2010 as compared to the same period of 2009, operating results improved primarily due to increased sales volumes and improvements in OSB pricing.

ENGINEERED WOOD PRODUCTS

Our engineered wood products (EWP) segment manufactures and distributes laminated veneer lumber (LVL), I-Joists, laminated strand lumber (LSL) and other related products. This segment also includes the sale of I-Joist and LVL products produced by the AbitibiBowater-LP or under a sales arrangement with an independent producer.

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

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
Net sales	\$ 37.9	\$ 47.7	(21%)	\$ 142.4	\$ 113.5	25%
Operating losses	(4.9)	(6.2)	21%	(15.8)	(24.0)	34%
Adjusted EBITDA from continuing operations	(2.5)	(2.9)	14%	(6.0)	(14.5)	59%

Sales in this segment by product line are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
LVL/LSL	\$ 17.2	\$ 21.4	(20%)	\$ 67.2	\$ 53.2	26%
I-Joist	13.6	20.8	(35%)	54.3	46.2	18%
Related products	7.1	5.5	29%	20.9	14.1	48%
Total	\$ 37.9	\$ 47.7	(21%)	\$ 142.4	\$ 113.5	25%

Percent changes in average sales prices and unit shipments for the quarter and nine months ended September 30, 2010 compared to the quarter and nine months ended September 30, 2009 are as follows:

	Quarter Ended September 30, 2010 versus 2009		Nine Months Ended September 30, 2010 versus 2009	
	Average Net Selling Price	Unit Shipments	Average Net Selling Price	Unit Shipments
LVL/LSL	11%	(28%)	8%	17%
I-Joist	15%	(42%)	7%	10%

During the third quarter of 2010 compared to the corresponding period of 2009, we saw declines in our sales volumes in both LVL/LSL and I-joist due to housing demand and reductions in channel inventories. For the first nine months of 2010 compared to the corresponding periods of 2009, we saw increases in sales volumes in both LVL/LSL and I-Joist due to increased housing demand as well as customer inventory increases. Net average selling prices increased in I-Joist and LVL due to price adjustments implemented in the early part of the second quarter of 2010 and also increases in LVL/LSL due to changes in product mix. Our focus in the EWP segment continues to be on reductions in conversion costs, better geographic manufacturing and distribution, and maintaining key customer relationships. Included in this segment is a plywood operation, which primarily produces plywood as a by-product from the LVL production process.

For the third quarter compared to the corresponding period of 2009, the results of operations for EWP improved due to improvements in our LSL facility, which were partially offset by higher raw material costs. For the first nine months of 2010 compared to the corresponding periods of 2009, the results of operations for EWP improved due to higher sales volume and prices and improvements in our LSL facility, which were partially offset by higher raw material costs.

OTHER PRODUCTS

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Our other products category includes a moulding business, Chilean and Brazilian operations, export sales and a joint venture that produces and sells cellulose insulation. This category also includes remaining timber and timberlands and other minor products, services and operations closed prior to January 1, 2002.

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

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
Net sales	\$ 41.3	\$ 27.2	52%	\$ 130.2	\$ 85.9	52%
Operating profits	0.7	0.2	250%	4.4	2.3	91%
Adjusted EBITDA from continuing operations	3.5	3.1	13%	12.8	10.3	24%

Sales in this segment by product line are as follows:

	Quarter Ended September 30,			Nine Months Ended September 30,		
	2010	2009	Change	2010	2009	Change
Moulding	\$ 6.0	\$ 7.4	(19%)	\$ 22.8	\$ 22.6	1%
Chilean operations	20.2	8.9	127%	64.2	32.7	96%
Brazilian operations	12.0	7.7	56%	33.9	22.4	51%
Other	3.1	3.2	(3%)	9.3	8.2	13%
Total	\$ 41.3	\$ 27.2	52%	\$ 130.2	\$ 85.9	52%

For the third quarter of 2010 compared to the corresponding period of 2009, sales in our moulding operation were lower due to decreased retail demand and sales in Chilean and Brazilian operations increased as we continued to penetrate local markets, in response to the rebuilding efforts resulting from the Chilean earthquake. For the first nine months of 2010 compared to the corresponding period of 2009, sales in our moulding business remained relatively flat with significant increases in our Chilean and Brazilian operations.

Overall, operating results associated with these activities were positively impacted by improvements in our Chilean and Brazilian operations.

GENERAL CORPORATE AND OTHER EXPENSE, NET

For the third quarter and first nine months of 2010 compared to the corresponding periods of 2009, general corporate expenses decreased by 4 percent and 1 percent, respectively. For the third quarter of 2010 compared to the corresponding period of 2009, overall selling and administrative expenses decreased by 3 percent. For the first nine months of 2010, overall selling and administrative expenses increased by 2 percent. General corporate and other expenses primarily consist of corporate overhead such as wages and benefits for corporate and sales personnel, professional fees, insurance and other expenses. Overall selling and administrative expenses increased in the first nine months of 2010 as compared to the first nine months of 2009 due to several one-time benefits received in 2009 which did not occur 2010 as well as increases in marketing and sales based upon the increased demand across product lines.

INTEREST EXPENSE AND INVESTMENT INCOME

Investment income in the third quarter and first nine months of 2010 was lower compared to the corresponding periods of 2009 due to lower returns on investments, including both interest and market valuations. Interest expense was lower in the third quarter of 2010 due to our repurchase in the fourth quarter of 2009 of some of our debt that was issued in the first quarter of 2009. Additionally, during the middle of the third quarter of 2010, we repaid our senior notes due in 2010 reduced our interest expense accordingly. Interest expense for the nine month period ended September 30, 2010 compared to the same period of 2009 was lower due to the decrease in the third quarter.

INCOME TAXES

Accounting standards require that we account for income taxes using the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. This method also requires the recognition of future tax benefits, such as net operating loss carry forwards and other tax credits. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Valuation allowances are recorded as necessary to reduce deferred tax assets to the amount thereof that is more likely than not to be realized. The likelihood of realizing deferred tax assets is evaluated by, among other things, estimating

future taxable income to which the deferred tax assets may be applied and assessing the impact of tax planning strategies.

For interim periods, accounting standards require that income tax expense be determined by applying the estimated annual effective income tax rate, by income component, to year-to-date income or loss at the end of each quarter, then adding or subtracting the impact of changes in reserve requirements or statutory tax rates, if any. Each quarter the income tax accrual is adjusted to the latest estimate and the difference from the previously accrued year-to-date balance is adjusted to the current quarter.

For the third quarter and first nine months of 2010, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP's continuing operations relate to with a non-deductible other-than-temporary impairment loss related to LP's equity investment, state income taxes, the effect of foreign tax rates and the effect of foreign currency translation. For the third quarter and first nine months of 2009, the primary differences between the U.S. statutory rate of 35% and the effective rate applicable to LP's continuing operations relate to the Company's foreign debt structure, state income taxes and the effect of foreign tax rates.

The income components and associated estimated effective income tax rates for the quarter and nine month periods ended September 30, 2010 and 2009 are as follows:

Dollars in millions	Quarter Ended September 30, 2010		2009	
	Tax Benefit	Tax Rate	Tax Benefit	Tax Rate
Continuing operations	\$ (16.4)	35%	\$ (10.5)	46%
Discontinued operations	(0.5)	39%	(0.2)	38%
	\$ (16.9)	35%	\$ (10.7)	46%

	Nine Months Ended September 30, 2010		2009	
	Tax Benefit	Tax Rate	Tax Benefit	Tax Rate
Continuing operations	\$ (14.0)	32%	\$ (45.8)	40%
Discontinued operations	(1.4)	39%	(1.9)	39%
	\$ (15.4)	32%	\$ (47.7)	40%

We and our domestic subsidiaries are subject to U.S. federal income tax as well as income taxes of multiple state jurisdictions. Our foreign subsidiaries are subject to income tax in Canada, Chile, Brazil and Peru. Federal income tax examinations for the years through 2006 have been effectively settled. We remain subject to state and local tax examinations for the tax years 2005 through 2008. Our Canadian income tax returns have been audited and effectively settled through 2004.

As of September 30, 2010, we project that our deferred tax assets associated with state net operating loss carry forwards may not be fully realized, and has included a partial valuation allowance of \$1.3 million in computing its annual effective tax rate estimate used to determine the tax expense for the period ending September 30, 2010.

If we were to determine that we would not be able to realize a portion of an existing net deferred tax asset for which there is currently no valuation allowance, an adjustment to the net deferred tax asset would be charged to earnings in the period in which such determination was made. Conversely, if we were to make a determination that it is more likely than not that an existing deferred tax asset for which there is currently a valuation allowance would be realized, the related valuation allowance would be reduced and a benefit to earnings would be recorded in the period in which such determination was made.

DEFINED BENEFIT PENSION PLANS

We maintain several qualified and non-qualified defined benefit pension plans in the U.S. and Canada that cover a substantial portion of our employees. See Note 15 of the Notes to financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 for further information on our plans. We contributed approximately \$11 million dollars to our defined benefit pension plans through the third quarter of 2010 and anticipate contributing an additional \$1- 2 million in the fourth quarter of 2010. At December 31, 2009, we had \$104.2 million of net actuarial loss and \$1.4 million of prior service cost included in accumulated other comprehensive loss.

LEGAL MATTERS

For a discussion of legal matters involving us and the potential impact thereof on our financial position, results of operations and cash flows, see Items 3, 7 and 8 in our Annual Report on Form 10-K for the year ended December 31, 2009, and Note 16 to the Notes to the financial statements contained therein.

HARDBOARD SIDING LITIGATION UPDATE

The following update should be read in conjunction with the discussion of our hardboard siding litigation set forth in Note 20 of the Notes to financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Cumulative statistics under hardboard settlements are as follows:

	September 30, 2010
Completed claims received	85,300
Claims dismissed	13,800
Claims settled	71,800

The average payment amount for settled claims as of September 30, 2010 was \$1,000. 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.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Our principal sources of liquidity are existing cash and investment balances, cash generated by our operations and our ability to borrow under credit facilities. We may also from time to time issue and sell equity, debt or hybrid securities or engage in other capital market transactions.

Our principal uses of liquidity are paying the costs and expenses associated with our operations, servicing outstanding indebtedness and making capital expenditures. We may also from time to time prepay or repurchase outstanding indebtedness, repurchase shares of our common stock and acquire assets or businesses that are complementary to our operations. Any such repurchases may be commenced, suspended, discontinued or resumed, and the method or methods of effecting any such repurchases may be changed, at any time or from time to time without prior notice.

We expect to be able to meet the future cash requirements of our existing businesses through cash expected to be generated from operations, existing cash and investment balances, existing credit facilities and other capital resources. The following discussion provides further details of our liquidity and capital resources.

OPERATING ACTIVITIES

During the first nine months of 2010, we generated \$45.0 million of cash from operating activities compared to \$33.1 million in the first nine months of 2009. The increase in cash provided from operating activities in the first nine months of 2010 resulted primarily from reduced operating losses which were offset by lower income tax refunds and increases in working capital.

During the first nine months of 2010, our accounts receivable increased significantly due to higher sales volume across all product lines and increased sales prices related to commodity OSB. No substantial change in credit terms or number of days outstanding occurred. Inventory increased based upon expected future demand.

INVESTING ACTIVITIES

During the first nine months of 2010, we generated approximately \$116.3 million of cash from investing activities. Capital expenditures in the first nine months of 2010 were \$11.5 million. Additionally, we received reimbursement of \$6.1 million previously contributed to our joint ventures for working capital requirements and received \$1.5 million from the sale of assets. We received \$115.1 million in principal payments on our notes receivable from asset sales. Restricted cash was reduced by \$5.1 million. Included in Accounts payable is \$1.2 million related to capital expenditures that had not yet been paid as of September 30, 2010.

During the first nine months of 2009, we generated approximately \$62.1 million of cash from investing activities. Capital expenditures in the first nine months of 2009 were \$6.7 million. Additionally, we received \$1.3 million from joint ventures and received \$7.2 million from the sale of assets. We also received \$22.9 million in proceeds on the sale of investments with maturities in excess of 90 days and restricted cash was reduced by 37.2 million. Additionally, included in accounts payable is \$0.6 million related to capital expenditures that had not yet been paid as of September 30, 2009.

Capital expenditures for existing facilities and investments in existing joint ventures for 2010 are expected to total about \$20 to \$25 million.

FINANCING ACTIVITIES

During the first nine months of 2010, we repaid \$113.4 million of our limited recourse notes payable and \$60.3 million of our 8.875% Senior Notes on the due date in August of 2010.

In the first quarter of 2009, we issued and sold 375,000 Units consisting of (1) \$375,000,000 principal amount at maturity of 13% Senior Secured Notes due 2017 and (2) warrants to purchase 18,395,963 shares of our common stock at an exercise price of \$1.39 per share, subject to adjustment in certain circumstances and to mandatory cashless exercise provisions. The issuance and sale of the Units generated gross proceeds of \$281.3 million, reflecting original issue discounts of \$93.7 million, of which \$126.6 million was used to retire \$126.0 million aggregate principal amount of our 8.875% Senior Notes due 2010 and \$14.5 million which was used to pay related transaction costs. An additional \$1.0 million of debt issuance costs were paid in the second quarter of 2009.

During the third quarter of 2009, we completed a public offering of 20,700,000 shares of common stock, which included the exercise of the overallotment option of 2,700,000 shares, at a price of \$6.75, raising \$139.7 million before offering costs. In connection with the offering, we paid \$7.0 million in underwriting discounts and commissions and approximately \$0.4 million in expenses. The net proceeds of the offering were \$132.3 million.

Under the terms of the indenture governing our 13% Senior Secured Notes due 2017, we are permitted, with the net proceeds of certain equity offerings, to redeem up to 35% of the aggregate principal amount at maturity of the outstanding Notes at a redemption price equal to 113% of their accreted value, plus accrued and unpaid interest. On September 30, 2009 (in connection with the completion of the offering of our common shares), we issued an irrevocable notice to the holders of these Notes of such a redemption. On October 30, 2009, we redeemed 35% of the outstanding Notes (\$131.3 million principal amount at maturity) at a price of \$858.14 per \$1,000 principal amount at maturity or \$112.6 million.

During the third quarter of 2009, we paid \$13.5 million to retire \$13.3 million principal amount of our 8.875% Senior Notes due 2010.

CREDIT AGREEMENTS

We have a credit facility which provides for a committed asset-based borrowing capacity of up to \$100 million, with a \$60 million sublimit for U.S. letters of credit and a \$10 million sublimit for Canadian letters of credit. The credit facility will end in September of 2012.

The availability of credit under the credit facility is subject to a borrowing base, which is calculated based on certain percentages of accounts receivable and inventory and at any given time may limit the amount of borrowings and letters of credit otherwise available under the facility. In addition, the credit facility contains a covenant requiring us to maintain a fixed charge coverage ratio of at least 1.1 to 1.0 at any time that our unused borrowing base capacity

after adjustment to exclude certain past due trade payables falls below \$50 million. At September 30, 2010, we had \$57.3 million of unused borrowing base capacity under the credit facility, resulting from a borrowing base of \$71.7 million less \$14.4 million of outstanding non-cash collateralized letters of credit. However, because our fixed charge coverage ratio at September 30, 2010 was less than 1.1 to 1.0 we were effectively precluded from utilizing \$50 million of this capacity (other than cash-collateralized letters of credit, as described below, subject to the applicable letter of credit sublimits). The credit facility allows LP to pledge, as security for its reimbursement obligations in respect of letters of credit issued under the facility, cash collateral in an amount not less than 105% of the of the stated amount of such letters of credit. The above-described preclusion to our utilization of \$50 million of the capacity otherwise available under the facility does not apply to such cash collateralized letters of credit. At September 30, 2010, we had no borrowings outstanding under the facility. In addition to the \$14.4 million of non-cash collateralized letters of credit mentioned above, there were outstanding under the facility at September 30, 2010, \$12.6 million letters of credit which were collateralized by \$13.2 million of cash. Based upon our available cash balances, we do not currently anticipate using this facility except to obtain and maintain letters of credit. Additionally, we expect our fixed charge coverage ratio to be less than 1.1 to 1.0 at September 30, 2010 and throughout 2010 and into 2011, and, accordingly to remain subject to the limitation on our ability to fully utilize our adjusted borrowing base capacity as described above. As a result, our ability to obtain and maintain non-cash collateralized letters of credit under this facility will continue to be constrained to an amount that does not exceed the excess of our adjusted borrowing base over \$50 million.

Subject to certain exceptions, obligations under the credit facility are secured by, among other things, a first-priority lien on our present and future receivables, inventory and certain general intangibles, and by a second-priority lien on substantially all of our domestic property, plant and equipment, and are guaranteed by certain of our subsidiaries.

The credit facility contains customary covenants applicable to us and our subsidiaries, other than certain unrestricted subsidiaries, including certain financial covenants as well as restrictions on, among other things, our ability to: incur debt; incur liens; declare or make distributions to our stockholders; make loans and investments; repay debt; enter into mergers, acquisitions and other business combinations; form or acquire subsidiaries; amend or modify our governing documents; enter into hedging arrangements; engage in other businesses other than our business as currently conducted; and enter into transactions with affiliates. The credit facility also contains customary events of default, the occurrence of which could result in the acceleration of our obligation to repay the indebtedness outstanding thereunder.

Obligations under the indenture governing our Senior Secured Notes due 2017 are, in general, secured by a first-priority lien on the collateral that secures obligations under the credit facility on a second-priority basis, and by a second-priority lien on the collateral that secures obligations under the credit facility on a first-priority basis, subject to the terms of an intercreditor agreement, and are guaranteed by the subsidiaries that guarantee obligations under the credit facility.

The indenture contains customary covenants applicable to us and our subsidiaries, other than certain unrestricted subsidiaries, including restrictions on actions and activities that are restricted under the credit facility. The indenture also contains customary events of defaults, the occurrence of which could result in acceleration of our obligations to repay the indebtedness outstanding thereunder.

OTHER LIQUIDITY MATTERS

As of September 30, 2010, we had \$36.6 million (\$96.8 million, par value) of principal invested in auction rate securities (ARS). The ARS held by us are securities with long-term nominal maturities for which the interest rates were historically reset through a Dutch auction each month.

We review our marketable securities routinely for other-than-temporary impairment. The primary factors LP uses to determine if an impairment charge must be recorded because a decline in value of the security is other than temporary include (i) whether the fair value of the investment is significantly below its cost basis, (ii) the financial condition of the issuer of the security (including its credit rating), (iii) the length of time that the cost of the security has exceeded its fair value and (iv) LP's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

If uncertainties in the credit and capital markets continue, these markets deteriorate further or we experience any ratings downgrades on any investments in our portfolio (including on ARS), we may incur additional impairments to our investment portfolio, which could negatively affect our financial condition, results of operations and cash flow.

POTENTIAL IMPAIRMENTS

We continue to review several mills and investments for potential impairments. Management currently believes we have adequate support for the carrying value of each of these assets based upon the anticipated cash flows that result from our estimates of future demand, pricing and production costs assuming certain levels of planned capital expenditures. As of September 30, 2010, the undiscounted cash flows for the facilities indefinitely curtailed support the conclusion that no impairment is necessary for those facilities. However, should the markets for our products continue to remain at levels significantly below cycle average pricing 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 factors. Because a determination to dispose of particular assets can require management to make assumptions regarding the transaction structure of the disposition and to estimate the net sales proceeds, which may be less than previous estimates of undiscounted future net cash flows, we may be required to record impairment charges in connection with decisions to dispose of assets.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of our debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Offsetting the variable rate debt are variable rate notes receivable from asset sales. Based upon the balances in the variable rate notes receivable from asset sales and the variable rate debt at September 30, 2010, a 100 basis point interest change would impact pre-tax net income and cash flows by \$0.4 million annually.

Our international operations have exposure to foreign currency rate risks, primarily due to fluctuations in the Canadian dollar, Brazilian real and the Chilean peso. Although we have in the past entered into foreign exchange contracts associated with certain of our indebtedness and may continue to enter into foreign exchange contracts associated with major equipment purchases to manage a portion of the foreign currency rate risk, we historically have not entered into material currency rate hedges with respect to our exposure from operations, although we may do so in the future.

Some of our products are sold as commodities and therefore sales prices fluctuate daily based on market factors over which we have little or no control. The most significant commodity product we sell is OSB. Based upon an assumed annual production capacity (including our joint venture operation) of 4.9 billion square feet ($\frac{3}{8}$ basis) or 4.2 billion square feet ($\frac{1}{16}$ basis), a \$1 change in the annual average price of $\frac{1}{16}$ basis would change annual pre-tax profits by approximately \$4.2 million. Because of the decline in the housing market and related indefinitely curtailed facilities in our OSB business, expected volumes will be significantly below our capacity.

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

Item 4. Controls and Procedures **Evaluation of Disclosure Controls and Procedures**

Our Chief Executive Officer and Chief Financial Officer have carried out, as of September 30, 2010, with the participation of LP's management, an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act (the Act). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that LP's disclosure controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

SUMMARY OF PRODUCTION VOLUMES ⁽¹⁾

The following table sets forth production volumes for the quarter and nine months ended September 30, 2010 and 2009.

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Oriented strand board, million square feet 3/8 basis ⁽¹⁾	762	788	2,271	1,870
Oriented strand board, million square feet 3/8 basis (produced by wood-based siding mills)	52	54	154	154
Wood-based siding, million square feet 3/8 basis	146	194	575	540
Engineered I-Joist, million lineal feet ⁽¹⁾	12	21	55	46
Laminated veneer lumber (LVL), thousand cubic feet ⁽¹⁾ and Laminated strand lumber (LSL), thousand cubic feet	1,120	1,450	4,509	3,564

⁽¹⁾ Includes volumes produced by joint venture operations and sold to LP or through sales arrangements.

INDUSTRY PRODUCT TRENDS

The following table sets forth the average wholesale price of OSB in the United States for the periods specified in dollars per 1,000 square feet.

	OSB N. Central 7/16 Basis
Annual Average	
1998	205
1999	260
2000	206
2001	159
2002	160
2003	293
2004	370
2005	320
2006	210
2007	146
2008	172
2009	163
2009 1 st Qtr. Avg.	154
2009 2 nd Qtr. Avg.	146
2009 3 rd Qtr. Avg.	178
2010 1 st Qtr. Avg.	214
2010 2 nd Qtr. Avg.	295
2010 3 rd Qtr. Avg.	180

Source: *Random Lengths*

PART II -OTHER INFORMATION

Item 1. Legal Proceedings.

The description of certain legal and environmental matters involving LP set forth in Part I of this report under Note 16 Contingency Reserves is incorporated herein by reference.

Item 1A. Risk Factors.

You should be aware that the occurrence of any of the events described in this Risk Factors section and elsewhere in this report or in any other of our filings with the SEC could have a material adverse effect on our business, financial position, results of operations and cash flows. In evaluating us, you should consider carefully, among other things, the risks described below and the matters described in About Forward-Looking Statements.

Cyclical industry conditions and commodity pricing have and may continue to adversely affect our financial condition and results of operations.

Our operating results reflect the general cyclical pattern of the building products industry. Demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicity. This cyclicity is influenced by a number of factors, including the supply of new and existing homes on the market, of which existing homes are currently at above average levels, the level of unemployment, which has been increasing in recent periods, longer-term interest rates, which in recent years have been at relatively low levels, the availability of mortgage financing, which has recently declined, and mortgage foreclosure rates, which are higher than normal. A significant increase in longer-term interest rates, a prolonged decline in the availability of mortgage financing, or the occurrence of other events that reduce levels of residential construction activity could have a material adverse effect on our financial condition, results of operations and cash flows. Our primary product, OSB, and a significant portion of our raw materials are globally traded commodity products. In addition, our products are subject to competition from manufacturers worldwide. Historical prices for our products have been volatile, and we, like other participants in the building products industry, have limited influence over the timing and extent of price changes for our products. Product pricing is significantly affected by the relationship between supply and demand in the building products industry. Product supply is influenced primarily by fluctuations in available manufacturing capacity. Demand is affected by the state of the economy in general and a variety of other factors. The level of new residential construction activity and home repair and remodeling activity primarily affects the demand for our building products. 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. In this competitive environment with so many variables for which we do not control, we cannot assure you that prices for our products will not decline from current levels. A prolonged and severe weakness in the markets for one or more of our principal products, particularly OSB, could seriously harm our financial condition and results of operations and our ability to satisfy our cash requirements, including the payment of interest and principal on our debt.

We have a high degree of product concentration. OSB accounted for about 52% of our North American sales in the first nine months of 2010 and 43% of our North American sales in the first nine months of 2009 and we expect OSB sales to continue to account for a substantial portion of our revenues and profits in the future. Concentration of our business in the OSB market further increases our sensitivity to commodity pricing and price volatility. In this competitive environment with so many variables for which we do not control, we cannot assure you that pricing for OSB or our other products will not decline from current levels.

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

Our results of operations may be harmed by potential shortages of raw materials and increases in raw material costs. The most significant raw material used in our operations is wood fiber. We currently obtain about 79% of our

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

Many of the Canadian forestlands also are subject to the constitutionally protected treaty or common-law rights of the aboriginal peoples of Canada. Most of British Columbia is not covered by treaties and, as a result, the claims of British Columbia's aboriginal peoples relating to forest resources are largely unresolved, although many aboriginal groups are actively engaged in treaty discussions with the governments of British Columbia and Canada. Final or interim resolution of claims brought by aboriginal groups are expected to result in additional restrictions on the sale or harvest of timber and may increase operating costs and affect timber supply and prices in Canada. It is possible that, over the long term, such claims could have an adverse effect on our business, financial condition and results of operations.

Our operations require substantial capital. Capital expenditures for expansion or replacement of existing facilities or equipment or to comply with future changes in environmental laws and regulations may be substantial. Although we maintain our production equipment with regular periodic and scheduled maintenance, we cannot assure you that key pieces of equipment in our various production processes will not need to be repaired or replaced or that we will not incur significant additional costs associated with environmental compliance. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could have a material adverse effect on our financial condition, results of operations and cash flow. If for any reason we are unable to provide for our operating needs, capital expenditures and other cash requirements on economic terms, we could experience a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

We are involved in various environmental matters, product liability and other legal proceedings. The outcome of these matters and proceedings and the magnitude of related costs and liabilities are subject to uncertainties. The conduct of our business involves the use of hazardous substances and the generation of contaminants and pollutants. In addition, the end-users of many of our products are members of the general public. We currently are and from time to time in the future will be involved in a number of environmental matters and legal proceedings, including legal proceedings involving anti-trust, warranty or non-warranty product liability claims, negligence and other

claims, including claims for wrongful death, personal injury and property damage alleged to have arisen out of the use by others of our or our predecessors' products or the release by us or our predecessors of hazardous substances. Environmental matters and legal matters and proceedings, including class action settlements relating to certain of our products, have in the past caused and in the future may cause us to incur substantial costs. We have established contingency reserves in our consolidated financial statements with respect to the estimated costs of existing environmental matters and legal proceedings to the extent that our management has determined that such costs are both probable and reasonably estimable as to amount. However, such reserves are based upon various estimates and assumptions relating to future events and circumstances, all of which are subject to inherent uncertainties. We regularly monitor our estimated exposure to environmental and litigation loss contingencies and, as additional information becomes known, may change our estimates significantly. However, no estimate of the range of any such change can be made at this time. We may incur costs in respect of existing and future environmental matters and legal proceedings as to which no contingency reserves have been established. We cannot assure you that we will have sufficient resources available to satisfy the related costs and expenses associated with these matters and proceedings.

The valuation of our investment in auction-rate securities (ARS) is subject to uncertainties that are difficult to predict. With the liquidity issues experienced in global credit and capital markets, the ARS held by us have experienced multiple failed auctions as the amount of securities submitted for sale has exceeded the amount of purchase orders. Given the failed auctions, the values of our ARS have been adversely affected. Factors that may further impact the valuation of our ARS include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity. If uncertainties in the credit and capital markets continue, these markets deteriorate further or we experience additional ratings downgrades on any investments in our portfolio (including our ARS), we may incur additional impairments to our investment portfolio, which could negatively affect our financial condition, results of operations and cash flows.

Settlements of tax exposures may exceed the amounts we have established for known estimated tax exposures. We maintain reserves for known estimated tax exposures in federal, state and international jurisdictions and uncertain tax positions. Significant income tax exposures may include potential challenges to intercompany pricing, the treatment of financing, acquisition and disposition transactions, the use of hybrid entities and other matters. These exposures are settled primarily through the closure of audits with the taxing jurisdictions and, on occasion, through the judicial process, either of which may produce a result inconsistent with past estimates. We believe that we have established appropriate reserves for estimated exposures; however, if actual results differ materially from our estimates we could experience a material adverse effect on our financial condition, results of operations and cash flows.

Fluctuations in foreign currency exchange rates could result in currency exchange losses and reductions in stockholders' equity. A significant portion of our operations are conducted through foreign subsidiaries. The functional currency for our Canadian subsidiary is the U.S. dollar. The financial statements of this foreign subsidiary are remeasured into U.S. dollars using the historical exchange rate for property, plant and equipment, timber and timberlands, goodwill, equity and certain other non-monetary assets and liabilities and related depreciation and amortization on these assets and liabilities. These transaction gains or losses are recorded in foreign exchange gains (losses) in the income statement. The functional currency of our Chilean subsidiary is the Chilean *peso* and the functional currency in our Brazil subsidiary is the Brazilian *real*. Translation adjustments, which are based upon the exchange rate at the balance sheet date for assets and liabilities and the weighted average rate for the income statement, are recorded in the Accumulated Comprehensive Income (Loss) section of Stockholders' Equity. Therefore, a strengthening of the Canadian dollar, the Chilean *peso* or the Brazilian *real* relative to the U.S. dollar may have a material adverse effect on our financial condition and results of operations.

Our ability to service our indebtedness, to refinance our indebtedness or to fund our other liquidity needs is subject to various risks. Our ability to make scheduled payments on and to refinance our indebtedness depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors, including the availability of financing in the banking and capital markets as well as the other risks described herein. In particular, demand for our products correlates to a significant degree to the level of residential construction activity in North America, which historically has been characterized by significant cyclicality. According to the U.S. Census Bureau, single-family and multi-family housing starts for

the first nine months of 2010 were approximately 9% higher than the same period in 2009. However, housing starts remained below normal levels. This reduced level of building was caused, in part, by an increase in the inventory of homes for sale, a more restrictive mortgage market and a slowing economy. Although home building activity has improved in recent months, there can be no assurance that such improvement will continue at recent rates or at all. We have experienced significant losses from operations and significant net cash used in operating activities in recent periods, and any further improvement in our operating performance is subject to continuing improvement in the factors referred to above. Accordingly, we cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our debt, to refinance our debt or to fund our other liquidity needs. If we are unable to service our debt obligations or to fund our other liquidity needs, we could be forced to curtail our operations, reorganize our capital structure or liquidate some or all of our assets in a manner that could cause the holders of our securities to experience a partial or total loss of their investment in us.

We have not independently verified the results of third-party research or confirmed assumptions or judgments upon which it may be based, and the forecasted and other forward-looking information contained therein is subject to inherent uncertainties. We refer in this report and other documents that we file with the SEC to historical, forecasted and other forward-looking information published by sources such as *RISI*, *Random Lengths* and the U.S. Census Bureau that we believe to be reliable. However, we have not independently verified this information and, with respect to the forecasted and forward-looking information, have not independently confirmed the assumptions and judgments upon which it is based. Forecasted and other forward looking information is necessarily based on assumptions regarding future occurrences, events, conditions and circumstances and subjective judgments relating to various matters, and is subject to inherent uncertainties. Actual results may differ materially from the results expressed or implied by, or based upon, such forecasted and forward-looking information.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

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.

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 8, 2010

BY: /s/ RICHARD W. FROST
Richard W. Frost
Chief Executive Officer

Date: November 8, 2010

BY: /s/ CURTIS M. STEVENS
Curtis M. Stevens
Executive Vice President Administration and Chief Financial Officer
(Principal Financial Officer)