Soderlund Patrick
Form 4
October 03, 2018

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Soderlund Patrick

(Last) (First) (Middle)

209 REDWOOD SHORES PARKWAY

(Street)

REDWOOD CITY, CA 94065

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ELECTRONIC ARTS INC. [EA]

3. Date of Earliest Transaction (Month/Day/Year)
10/01/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Design Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/01/2018		S		2,400 (1)	D	$ 116.99 (2)	80,900	D	
Common Stock	10/01/2018		S		2,000 (1)	D	$ 117.8335 (3)	78,900	D	
Common Stock	10/01/2018		S		400 (1)	D	$ 118.82 (4)	78,500	D	
Common Stock	10/01/2018		S		200 (1)	D	$ 119.785 (5)	78,300	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Soderlund Patrick 209 REDWOOD SHORES PARKWAY REDWOOD CITY, CA 94065			Chief Design Officer	

Signatures

/s/ Deborah Berenjfoorosh, Attorney-in-Fact For: Patrick Soderlund	10/03/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This sale was effected pursuant to a 10b5-1 trading plan established by Mr. Soderlund on August 29, 2017.

(2) Weighted average sale price for common stock sold. Actual sales price for shares sold ranged from $116.43 to $117.40. Electronic Arts Inc. undertakes to provide to the staff of the S.E.C. or a security holder full information regarding the number of shares purchased or sold at each separate price.

(3) Weighted average sale price for common stock sold. Actual sales price for shares sold ranged from $117.45 to $118.35. Electronic Arts Inc. undertakes to provide to the staff of the S.E.C. or a security holder full information regarding the number of shares purchased or sold at each separate price.

(4) Weighted average sale price for common stock sold. Actual sales price for shares sold ranged from $118.45 to $119.00. Electronic Arts Inc. undertakes to provide to the staff of the S.E.C. or a security holder full information regarding the number of shares purchased or sold at each separate price.

(5) Weighted average sale price for common stock sold. Actual sales price for shares sold ranged from $119.67 to $119.90. Electronic Arts Inc. undertakes to provide to the staff of the S.E.C. or a security holder full information regarding the number of shares purchased or sold at each separate price.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. "> 35.8

BALANCE AS OF DECEMBER 31, 1998 116.9 $117.0 9.7 $(204.0) $465.4 $ 918.8 $(28.8) $(45.6) $1,222.8

Net income 216.8 216.8 216.8

Cash dividends, $.56 per share (59.2) (59.2) Issuance of shares for employee stock plans and for other purposes (1.2) 23.6 (20.0) 3.6 Purchase of treasury stock 3.5 (47.9) (47.9) Employee Stock Ownership Trust contribution 21.9 21.9 Currency translation adjustment 1.7 Other 0.3

Other comprehensive income 2.0 2.0 2.0

Total comprehensive income 218.8

Explanation of Responses:

BALANCE AS OF DECEMBER 31, 1999	116.9	$117.0	12.0	$(228.3)	$445.4	$1,076.4	$ (6.9)	$(43.6)	$1,360.0			

Net income (loss) (13.8) (13.8) (13.8)

Cash dividends, $.56 per share (58.3) (58.3) Issuance of shares for employee stock plans and for other purposes (0.3) 4.5 (5.2) (0.7) Purchase of treasury stock 0.9 (11.3) (11.3) Employee Stock Ownership Trust contribution 6.9 6.9 Currency translation adjustment 1.5 Pension liability adjustment 10.9

Other comprehensive income 12.4 12.4 12.4

Total comprehensive income (loss) (1.4)

BALANCE AS OF DECEMBER 31, 2000	116.9	$117.0	12.6	$(235.1)	$440.2	$1,004.3	$	$(31.2)	$1,295.2

See Notes to Financial Statements.

LOUISIANA-PACIFIC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Operations

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

A significant portion of LP s sales are derived from wood-based structural products, including oriented strand board, plywood, lumber, engineered I-joists and laminated veneer lumber. See Note 10 to the financial statements for further information regarding LP s products and segments.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. See discussion of specific estimates in footnotes entitled Income Taxes, Retirement Plans, Stock Options and Plans, Unusual Credits and Charges, Net and Contingencies.

Consolidation

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

Earnings Per Share

Basic and diluted earnings per share are based on the weighted average number of shares of common stock outstanding plus the effects of in-the-money outstanding stock options, computed under the treasury stock method. This method requires that the effect of potentially dilutive common stock equivalents (employee stock options and purchase plans) be excluded from the calculation of diluted earnings per share for the years in which losses are reported because the effect is anti-dilutive. Shares held by LP s Employee Stock Ownership Trusts (ESOTs) that have not been allocated to participants accounts, are not considered outstanding for purposes of computing earnings per share (0 shares at December 31, 2000, 227,161 shares at December 31, 1999 and 1,206,671 shares at December 31, 1998).

Cash and Cash Equivalents

LP considers all highly liquid securities with maturities of three months or less at the time of purchase to be cash equivalents. Cash paid during 2000, 1999, and 1998 for interest (net of capitalized interest) was $67.4 million, $46.2 million and $40.5 million. Net cash paid (received) during 2000, 1999, and 1998 for income taxes was $92.1 million, $39.3 million and $(25.5) million.

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

Inventory Valuation

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

	December 31	
	2000	**1999**
	dollar amounts in millions	
Logs	$104.0	$104.1
Other raw materials	48.6	47.9
Finished products	190.3	159.4
Supplies	21.3	28.4
LIFO reserve	(36.7)	(46.4)
Total	$327.5	$293.4

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

Timber

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

Property, Plant and Equipment

LP principally uses the units of production method of depreciation for machinery and equipment which amortizes the cost of equipment over the estimated units that will be produced during its useful life. Provisions for depreciation of buildings and the remaining machinery and equipment have been computed using straight-line rates based on the estimated service lives. The effective straight-line rates for the principal classes of property range from approximately 5 percent to 20 percent.

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

LP capitalizes interest on borrowed funds during construction periods. Capitalized interest is charged to machinery and equipment accounts and amortized over the lives of the related assets. Interest capitalized during 2000, 1999, and 1998 was $1.1 million, $.3 million and $1.6 million, respectively.

LP adopted American Institute of Certified Public Accountants Statement of Position (SOP) 98-5, Reporting on the Costs of Start-up Activities, in 1998. SOP 98-5 requires the cost of start-up activities and organization costs to be expensed as incurred. Start-up costs written off in 1998 were $3.5 million.

Stock-Based Compensation

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

Asset Impairments

Long-lived assets to be held and used by the Company and goodwill are reviewed for impairment when events and circumstances indicate costs may not be recoverable. Losses are recognized when the book values exceed expected undiscounted future cash flows. If impairment exists, the asset s book value is written down to its estimated realizable value. Assets to be disposed of are written down to their estimated fair value, less sales costs. See Note 7 to the financial statements for a discussion of charges in 2000, 1999, and 1998 related to impairments of property, plant and equipment.

Derivative Financial Instruments

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

In June 1998, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). The new statement will require recognition of all derivative financial instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes to fair value will depend upon the intended use of the derivative. SFAS 133, as amended by SFAS 137, will be effective for LP beginning January 1, 2001. LP does not believe that the adoption of this standard will have a material impact on its financial statements.

Foreign Currency Translation

The functional currency for the majority of the Company s foreign subsidiaries is the U.S. dollar. The financial statements of foreign subsidiaries are remeasured into U.S. dollars using the historical exchange rate for property, plant and equipment, timber and timberlands, goodwill, equity and certain other non-monetary assets and liabilities and using the exchange rate at the balance sheet date for the remaining assets and liabilities. A weighted average exchange rate is used for each period for revenues and expenses. Transaction gains or losses are recorded in income. In cases where the local currency is the functional currency, translation adjustments are recorded in the Accumulated Comprehensive Income section of Stockholder s Equity.

Goodwill

Goodwill has resulted from acquisitions and is being amortized on a straight-line basis over periods ranging from 5 to 15 years. The amortization period of goodwill is periodically reviewed by the Company. Accumulated amortization was $39.8 million and $12.9 million at December 31, 2000 and 1999.

Notes Receivable

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

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

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

LP believes the fair value of these notes at December 31, 2000 and 1999 was approximately $391 million and $361 million, respectively.

Revenue Recognition

Revenue is primarily recognized when products are received by customers and title has passed. During 2000, LP adopted Emerging Issues Task Force Issue No. 00-10 Accounting for shipping and handling costs retroactively for all periods presented. Prior to implementation of this statement, LP classified shipping and handling costs as a deduction from net sales. LP now classifies shipping costs in cost of sales. Adoption of this statement had no impact on net income (loss). This adjustment increased net sales and cost of sales by $204 million in 2000, $193 million in 1999 and $154 million in 1998. Additionally, LP adopted Staff Accounting Bulletin No. 101 Revenue Recognition in Financial Statements. The impact of this adoption was not material.

Nonmonetary Transactions

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

Reclassifications

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

2. Accounts Payable and Accrued Liabilities

	December 31,	
	2000	**1999**
	(Dollar amounts in millions)	
Accounts payable	$189.9	$195.0
Salaries and wages payable	36.4	40.6
Taxes other than income taxes	8.0	9.3
Workers compensation	15.9	15.5
Other accrued liabilities	53.6	46.1
	$303.8	$306.5

3. Income Taxes

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

Year Ended December 31,

	Year Ended December 31,		
	2000	1999	1998
	(Dollar amounts in millions)		
Domestic	$(37.9)	$260.5	$ 0.1
Foreign	19.7	96.5	12.5
	$(18.2)	$357.0	$12.6

Provision (benefit) for income taxes includes the following:

	Year Ended December 31,		
	2000	1999	1998
	(Dollar amounts in millions)		
Current tax provision (benefit):			
U.S. federal	$(22.4)	$ 45.8	$ 3.1
State and local	(5.9)	12.9	0.3
Foreign	15.1	23.6	(2.7)
Net current tax provision (benefit)	$(13.2)	$ 82.3	$ 0.7
Deferred tax provision (benefit):			
U.S. federal	$ 4.6	$ 65.7	$ 59.6
State and local	0.5	6.9	6.3
Foreign	(3.4)	(15.4)	(52.2)
Net deferred tax provision (benefit)	$ 1.7	$ 57.2	$ 13.7

The income tax effects of LP s share of the loss of GreenFiber in 2000 are recorded in the line item provision (benefit) for income taxes in LP s consolidated income statement, while LP s share of the pre-tax loss are recorded in the line item equity in earnings of unconsolidated affiliate.

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

	December 31,	
	2000	1999
	(Dollar amounts in millions)	
Property, plant and equipment	$173.2	$ 203.2
Timber and timberlands	159.7	113.9
Inventories	(5.3)	(4.2)
Accrued liabilities	(82.8)	(19.8)
Contingency reserves	(44.6)	(119.5)
Benefit of capital loss and NOL carryovers	(30.8)	(24.8)
Benefit of foreign ITC carryover	(19.3)	(36.5)
Benefit of U.S. alternative minimum tax credit	(20.8)	
Installment sale gain deferral	147.7	147.3
Other	(2.3)	16.4
Valuation allowance	14.7	9.5
Net deferred tax liability	289.4	285.5
Net current deferred tax assets	(44.6)	(110.8)

	December 31,	
Net non-current deferred tax liabilities	$334.0	$ 396.3

An LP subsidiary, Louisiana-Pacific Canada Ltd. (LPC), has unrealized foreign investment tax credits (ITC) of approximately C$46 million (Canadian dollars). These credits can be carried forward to offset future tax of LPC and reduce LPC s basis in the related property, plant and equipment. The credits expire C$28 million in 2001, C$4 million in 2003, C$13 million in 2004 and C$1 million in 2005. The $31 million of capital loss and net operating loss (NOL) carryover amount included in the above table consists of $19 million of state NOL carryovers which will expire in various years through 2015, and $12 million of Canadian capital loss carryovers which may be carried forward indefinitely. LP has recorded a valuation allowance against the entire Canadian capital loss carryover amount. The change in the valuation allowance from 1999 to 2000 primarily represents LPC s estimate of the Canadian investment tax credits that will expire unused.

U.S. taxes have not been provided on foreign subsidiaries earnings of approximately $117.4 million which are deemed indefinitely reinvested. Quantification of the deferred tax liability, if any, associated with indefinitely reinvested earnings is not practical.

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

	Year Ended December 31,		
	2000	1999	1998
Federal tax rate	(35)%	35%	35%
State and local income taxes	(9)	3	4
Nondeductible fines			51
Foreign tax credits used			(35)
Other foreign tax effects			20
Nondeductible goodwill	41	1	41
Revisions to estimates recorded in prior years	(67)		
Nonconsolidated subsidiaries taxed as partnership	(15)		
Change in valuation reserve	29		
Other, net	(7)		(2)
	(63)%	39%	114%

4. Long-term Debt

	Interest Rate at Dec. 31, 2000	December 31, 2000	December 31, 1999
	(Dollar amounts in millions)		
Debentures:			
Senior notes, maturing 2005, interest rates fixed	8.5%	$ 189.3	$
Senior notes, maturing 2010, interest rates fixed	8.9	199.1	
Bank credit facilities:			
Revolving credit facility, payable in 2002 interest rate variable	7.0	107.4	
Term loan, payable in 2003, interest rate variable	7.8	170.0	
Limited recourse notes payable:			
Senior secured notes, payable 2008 2012, interest rates fixed	7.1 7.5	47.9	47.9
Senior secured notes, payable 2006 2018, interest rates fixed	6.8 7.3	348.6	348.6

	Interest Rate at Dec. 31, 2000	December 31,	
Project bank financing:			
Waterford, Ireland, OSB plant, payable in Irish pounds through 2002, interest rate variable	6.3	7.1	12.8
Project revenue bond financings, payable through 2022, interest rates variable	4.7 7.1	39.3	39.3
Bridge loans:			
Forex bridge loan unsecured, repaid March 2000, interest rate variable	n/a		240.0
Forex bridge loan unsecured, repaid September 2000, interest rate variable	n/a		126.6
Evans bridge loan unsecured, repaid September 2000, interest rate variable	n/a		94.0
Notes payable to former Forex shareholders, unsecured, payable in Canadian dollars annually through 2003, interest rate variable	6.5	101.5	139.9
Other, interest rates vary		13.0	10.6
Total		1,223.2	1,059.7
Current portion		(39.4)	(44.9)
Net long-term debt		$1,183.8	$1,014.8

LP believes the carrying amounts of long-term debt approximates fair market value because the interest rates are variable, with the exception of the following. LP estimates the limited recourse notes payable have a fair value of approximately $383 million and $359 million at December 31, 2000 and 1999. LP estimates the Senior Notes maturing in 2005 and 2010 have a fair market value at December 31, 2000 of $187.2 million and $193.2 million respectively.

The underlying assets of the related project typically secure project bank and project revenue financings. The limited recourse notes payable are collateralized by notes receivable from asset sales (see Note 1). Many of LP s loan agreements contain lender s standard covenants and restrictions giving effect to certain amendments to the agreements. LP was in compliance with all of the covenants and restrictions of these agreements at December 31, 2000.

In 1997, LP issued $47.9 million of senior debt in a private placement to institutional investors. The notes mature in principal amounts of $20 million in 2008, $20 million in 2009, and $7.9 million in 2012. They are secured by $49.9 million in notes receivable from Sierra Pacific Industries.

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

At December 31, 2000, LP had a $300 million unsecured revolving facility with a group of banks, which expires in 2002. LP pays a facility fee on committed amounts. At year-end, LP had $107.4 million of borrowings outstanding under this facility. Additionally, LPC has a $50 million (Canadian) revolving credit facility that expires in March 2001. LPC pays a facility fee on the committed amount. LP had no borrowings outstanding under this facility at December 31, 2000.

In April 2000, LP s shelf registration statement filing for $750 million of debt securities was declared effective. This registration allows for debt securities to be offered from time to time in one or more series. The amount, price and other terms of any such offering will be determined on the basis of market conditions and other factors existing at the time of such offering. During August 2000, LP issued unsecured senior notes for a total face amount of $390 million, under the shelf registration. The net proceeds were used to retire a portion of three bridge loans used to finance acquisitions in 1999.

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

In December 2000, LP Chile entered into a five year term credit facility with a Chilean bank. The facility is for an amount up to $10 million. At December 31, 2000, no borrowings were outstanding. The facility bears interest at LIBOR plus .9%. The proceeds from the facility will be used to fund construction of an OSB plant in Chile. Borrowings under the line of credit, if any, will be secured.

LP has entered into a forward contract for Canadian Dollars to hedge fifty percent of LP s exposure to the Canadian currency for the notes payable to former Forex shareholders. This forward contract, which is recorded at its fair value of $1.5 million at December 31, 2000, is included in Other Assets on the consolidated balance sheet. The term of the forward contract is the same as the debt. Counterparties to the hedge agreements are major financial institutions who also participate in LP s bank credit facilities. Credit loss from counterparty nonperformance is not anticipated.

The weighted average interest rate for all long-term debt at December 31, 2000 and 1999 was approximately 7.6 percent and 6.7 percent respectively. Required repayment of principal for long-term debt is as follows:

	Year Ended December 31,
	(Dollar amounts in millions)
2001	$ 39.4
2002	152.7
2003	204.8
2004	17.0
2005	190.9
2006 and after	618.4
Total	$1,223.2

5. Retirement Plans and Postretirement Benefits

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

Defined Benefit Plans

Contributions to the qualified defined benefit pension plans are based on actuarial calculations of amounts to cover current service costs and amortization of prior service costs over periods ranging from 10 to 20 years. Beginning in 2000, benefit accruals under the most significant plan, which accounts for approximately 84% of the assets and benefit obligations in the tables below, are calculated as 5% of eligible salary and wages with an interest credit based on the 30-year U.S. Treasury rate. Prior to 2000, this plan was frozen. There is a variety of benefit formulas in the remaining defined benefit pension plans.

LP also maintains a Supplemental Executive Retirement Plan (SERP); a non-qualified defined benefit plan intended to provide supplemental retirement benefits to key executives. Benefits are generally based on compensation in the years prior to retirement. LP established a grantor trust to informally provide funding for the benefits payable under the SERP and a deferred compensation plan. The assets of the trust are invested in corporate-owned life insurance policies. At December 31, 2000 and 1999, the trust assets were valued at $17.0 million and $13.5 million and are included in other assets in LP s consolidated balance sheet.

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

	December 31,	
	2000	**1999**
	(Dollar amounts in millions)	

	December 31,	
Change in Benefit Obligation:		
Benefit obligation January 1	$209.7	$122.4
Service cost	13.6	2.8
Interest cost	15.0	10.9
Amendments	(0.3)	17.3
Actuarial gain	(3.7)	(14.7)
Acquisitions		79.4
Curtailments/settlements	(1.1)	
Benefits paid	(15.4)	(8.4)
Benefit obligation December 31	$217.8	$209.7
Change in Assets:		
Fair value of assets January 1	$175.0	$106.9
Actual return on plan assets	8.0	5.0
Employer contribution	10.9	1.6
Acquisitions		69.9
Curtailments/settlements	(1.1)	
Benefits paid	(15.4)	(8.4)
Fair value of assets December 31	$177.4	$175.0
Reconciliation of Funded Status:		
Funded status	$(40.4)	$(34.7)
Unrecognized actuarial loss	29.6	27.8
Unrecognized prior service cost	16.9	18.4
Unrecognized asset at transition	(1.7)	(3.3)
Prepaid benefit cost	$ 4.4	$ 8.2
Amounts Recognized in the Balance Sheet Consist of:		
Prepaid benefit cost	$ 5.3	$ 5.4
Accrued benefit liability	(28.7)	(27.3)
Intangible asset	15.7	
Deferred tax asset	4.7	11.6
Accumulated other comprehensive income	7.4	18.5
Net amount recognized	$ 4.4	$ 8.2

The actuarial assumptions used to determine pension expense and the funded status of the plans were: a discount rate on benefit obligations of 7.75% in 2000, 7.50% in 1999 and 6.75% in 1998; an 8.75% expected long-term rate of return on plan assets for all three years; and a 4.5% increase in future compensation levels.

Net periodic pension cost included the following components:

	Year Ended December 31		
	2000	1999	1998
	(Dollar amounts in millions)		
Service cost	$ 13.6	$ 2.8	$ 1.1
Interest cost	15.0	10.9	7.9
Expected return on plan assets	(15.3)	(12.6)	(9.2)
Amortization of prior service cost and net transition asset	0.2	0.8	(0.5)
Recognized net actuarial loss	1.2		

	Year Ended December 31		
Net periodic pension cost	$ 14.7	$ 1.9	$(0.7)

Defined Contribution Plans

In 2000, these plans were primarily 401(k) plans for hourly and salaried employees in the U.S. which allow for pre-tax employee deferrals and a company match of up to 3.5% of an employee s eligible wages (subject to certain limits). Under the profit sharing feature of these plans LP contributes a discretionary amount as a percentage of eligible wages. In 1999 and before, LP sponsored Employee Stock Ownership Plans under which 10% of eligible wages were contributed to the plans and invested in LP common stock. Included in the assets of the 401(k) and profit sharing plans are 9.7 million shares of LP common stock. Expenses related to defined contribution plans and multi-employer plans in 2000, 1999 and 1998 were $12.1 million, $26.6 million and $26.0 million.

Postretirement Benefits

LP has several plans that provide minimal postretirement benefits other than pensions. The accrued postretirement benefit cost at December 31, 2000 was $6.7 million. Net expense related to these plans was not significant. LP does not generally provide post-employment benefits.

6. Stock Options and Plans

LP accounts for stock options and plans under the provisions of Accounting Principles Board Opinion No. 25. As permitted, LP applies only the disclosure provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation which establishes a fair value approach to measuring compensation expense related to employee stock plans. LP has recorded no compensation expense for stock option plans and stock purchase plans. Had compensation expense for LP s stock-based compensation plans been determined based on the fair value at the grant dates under those plans consistent with the fair value methodology of SFAS 123, LP s net income (loss) and net income (loss) per share would have been adjusted to the pro forma amounts indicated below:

	Year Ended December 31		
	2000	1999	1998
	(Dollar amounts in millions, except per share)		
Net income (loss)			
As reported	$(13.8)	$216.8	$ 2.0
Pro forma	(21.8)	209.4	(4.0)
Net income (loss) per share basic and diluted			
As reported	$(0.13)	$ 2.04	$0.02
Pro forma	(0.21)	1.97	(0.04)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model using the actual option terms with the following assumptions: a 2.3 percent to 4.6 percent dividend yield; volatility of 34 percent in 2000, 40 percent in 1999 and 39 percent in 1998; and an average risk free interest rate of 6.8 percent in 2000, 5.0 percent in 1999 and 5.3 percent in 1998.

Stock Option Plans

LP grants options to key employees and directors to purchase LP common stock. The options are granted at 100 percent of market price at the date of grant. The options become exercisable over 3 years beginning one year after the grant date and expire 10 years after the date of grant. At December 31, 2000, 1.93 million shares were available under the current stock award plan for future option grants and all other stock-based awards.

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

	Number of Shares Year Ended December 31		
	2000	1999	1998
	(Share amounts in thousands)		
Outstanding Options			
Options outstanding at January 1	3,221	2,823	2,373
Options granted	1,124	1,235	905
Options exercised	(6)	(183)	(113)
Options cancelled	(548)	(654)	(342)
Options outstanding at December 31	3,791	3,221	2,823
Options exercisable at December 31	1,835	1,246	1,170
Exercise Price			
Options granted	$12.29	$19.13	$19.09
Options exercised	$11.80	$16.92	$14.85
Options cancelled	$18.31	$21.68	$21.08
Options outstanding	$17.82	$19.79	$18.11
Options exercisable	$20.10	$20.46	$21.41
Fair Value at Date of Grant			
Options granted	$ 4.87	$ 7.55	$ 5.73

Performance-Contingent Stock Awards

LP has granted performance-contingent stock awards to senior executives as allowed under the current stock award plan. The awards entitle the participant to receive a number of shares of LP common stock determined by comparing LP s cumulative total stockholder return to the mean total stockholder return of five other forest products companies for the four-year period beginning in the year of the award. Awards are granted at a target share level. Depending on LP s four-year total stockholder return, the actual number of shares issued at the end of the four-year period could range from zero to 200 percent of this target. LP did not record any compensation expense related to these awards in 2000, 1999, or 1998, based on the cumulative stockholders return for the applicable periods.

Changes in performance-contingent stock awards were as follows:

	Number of Shares Year Ended December 31		
	2000	1999	1998
Target shares awards outstanding at January 1	154,641	97,370	54,569
Target shares awards granted	111,783	57,271	64,064
Target shares awards cancelled			(21,263)
Target shares awards outstanding at December 31	266,424	154,641	97,370

Stock Purchase Plans

LP offers employee stock purchase plans to most employees. Under each plan, employees may subscribe to purchase shares of LP stock over 24 months at 85 percent of the market price. At December 31, 2000, 123,742 shares were subscribed at $13.04 per share under the 1999 offering of the 1998 Employee Stock Purchase Plan. During 2000, LP issued 21,936 shares to employees at an average price of $8.91 under all Employee Stock Purchase Plans.

Executive Loan Program

In November 1999, the subcommittee of the Compensation Committee approved an Executive Loan Program under which up to 1,700,000 shares of the Common Stock were offered by LP for purchase prior to January 23, 2000, by LP s executive officers, Business Team Leaders, and other executives designated by its chief executive officer. In November 2000, this subcommittee of the Compensation Committee authorized additional loans under the Executive Loan Program during the 60-day period which ended January 23, 2001. During 2000, LP added four additional participants to the program. These participants purchased 200,430 shares of LP s stock with total loan proceeds of $1.9 million. Also during 2000, two executives paid off their loans and accrued interest. The total loan principal of these two loans was $1.0 million.

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

Interest and principal are due and payable at the earlier of January 23, 2006, or 30 days following the executive s resignation or involuntary termination of employment. The loans are unsecured. With respect to loans outstanding on or entered into after November 24, 2000, if the executive remains continuously employed by LP through the following dates, the loan balance at that date will be forgiven in the following percentages: January 23, 2004, 50 percent of the original principal; January 23, 2005, an additional 25 percent of the principal plus 50 percent of the accrued interest; and January 23, 2006, all remaining principal and accrued interest. If an executive s employment terminates due to death, disability, or termination by LP without cause or a change in control of LP occurs, his or her loan will be forgiven in a prorated amount of the percentages specified above based on the amount of time elapsed since January 23, 2001. In addition, if the Common Stock has traded on the NYSE for at least five consecutive trading days at specified price levels or above during the 12-month period immediately preceding January 23, 2004 or 2005 and the executive remains employed by LP, the following additional percentages of the loan balance will be forgiven: January 23, 2004, 25 percent of the principal and 50 percent of the accrued interest at a price level of $16.00 per share or 50 percent of the principal and 100 percent of the interest at a price level of $20.00 per share; and January 23, 2006, all remaining principal and accrued interest at a price level of $18.00 per share. No amount of a loan will be forgiven if the executive does not still own, as of the applicable date, all shares purchased under the Executive Loan Program. As of December 31, 2000, the current balance of these loans is $10.8 million and is recorded in paid-in capital.

7. Unusual Credits and Charges, Net

The major components of Unusual Credits and Charges, Net in the statements of income for the years ended December 31, were as follows:

	Year Ended December 31		
	2000	**1999**	**1998**
	(Dollar amounts in millions)		
Additions to contingency reserves	$(16.7)	$(20.0)	$(284.5)
Long-lived asset impairment charges	(62.7)	(7.6)	(162.9)
Gain on asset sales	6.1	19.7	381.3
Gain on insurance recoveries	28.4		28.4
Gain (loss) on contract settlement	(11.4)	7.0	
Severance and other	(14.2)	(7.3)	(10.1)
	$(70.5)	$ (8.2)	$ (47.8)

	Year Ended December 31		

2000

In 2000, LP increased its reserves for litigation and environmental liabilities by $16.7 million. Of this total, $4.3 million was recorded in third quarter related to adjustment of environmental reserves at a number of sites to reflect current estimates of clean-up costs (see Note 8 for further details). An additional $5.4 million was related to increases in reserves associated with non-product litigation and $7.0 million with the write off of a note receivable associated with the sale of certain assets of Ketchikan Pulp Company, both recorded in the fourth quarter.

LP recognized $62.7 million in impairment charges on long lived assets. Of this total, $40 million was recorded in the second quarter related to the Samoa pulp mill to reduce the carrying value of the fixed assets to be sold to their estimated fair value. See Note 12 for a subsequent event related to this facility. During the third and fourth quarter, impairment charges were recognized on the permanent closure of a plywood plant, two MDF facilities, a veneer facility and a hardboard facility. In connection with this decision, management estimated the fair value of these facilities by taking into account relevant factors such as the continuing decline in commodity priced products, the fair value of the real estate and the numerous mills being offered for sale by others. These valuations resulted in a write downs of $22.7 million. The operating losses of these facilities in 2000 were approximately $9.6 million. Although management is currently pursuing disposal of these facilities, the timing of such disposal is not presently determinable.

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

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

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

Charges for severance and other costs totaled $14.2 million in 2000. These charges were primarily related to closures of mills as discussed above and $2.3 million associated with reorganization of administrative functions recorded in the fourth quarter.

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

1999

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

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

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

In the third quarter 1999, KPC recorded a $5.0 million gain under a 1997 agreement with the U.S. government based on satisfaction of requirements under the agreement. KPC also received $2.0 million from a local government agency upon satisfaction of certain obligations with that agency.

Other losses of $7.3 million are primarily to due to the write off of a note receivable received in a sale of assets in 1998.

1998

In 1998, LP increased its reserves for litigation and environmental liabilities by $284.5 million. Of this total, $257.7 million related to adjustments to then current estimates of liabilities for product-related litigation and legal costs, including enhancements to the national siding class-action settlement. Those estimates are based on management s regular monitoring of changes in the facts and circumstances surrounding the various legal and environmental matters and related accruals. Additional charges were taken for the settlement of the Montrose criminal matter and adjustments to then current estimates of environmental liabilities and other litigation. See Note 8 to the financial statements for a further discussion of significant litigation and environmental matters.

LP recorded long-lived asset impairment charges totaling $162.9 million on its pulp mill in Chetwynd, British Columbia, a roof shake plant in California, logging roads in Alaska and the assets of the Creative Point, Inc. subsidiary.

In the third quarter of 1998, LP decided to sell or liquidate the Chetwynd pulp mill facility. In connection with this decision, management estimated the fair value of the facility, taking into account relevant factors such as the continuing Asian economic crisis and the numerous pulp mills being offered for sale by others. This valuation resulted in a $136.1 million write-down of the facility, including the cumulative translation adjustment of $50.2 million previously recorded within stockholders equity. The operating loss of this facility in 1998 was approximately $23 million. Although management is currently pursuing disposal or liquidation of the facility, due to market conditions the timing of such disposal or liquidation is not presently determinable.

The roof shake plant was part of the portfolio of non-strategic assets announced for sale in October 1997. As prospective buyers performed their due diligence reviews, their preliminary non-binding offers were either withdrawn or reduced to unacceptable levels, resulting in a decision on the part of LP to permanently shut down the facility. This decision resulted in a write-down of $14.8 million over the amounts recorded in 1997. The operating loss of this facility was approximately $5 million in 1998.

The logging roads in Alaska ceased to be used by LP following the expiration of a timber harvesting agreement with the U.S. Forest Service. The agreement expired in 1999. As part of its budgeting process for 1999, LP determined that the logging roads were impaired based on the expected operating results of KPC through the scheduled expiration date of the agreement. Accordingly, LP recorded a $10 million write-down on these logging roads in the third quarter of 1998.

The write-down of the Creative Point, Inc. subsidiary assets recorded in the third quarter of 1998 was $2 million. The asset sale occurred in the fourth quarter of 1998. During the time period between the buyer s initial offer and the closing date of the sale, Creative Point s operating results fell short of expectations, and the buyer reduced its offering price. Consequently, the transaction, which LP originally believed would result in a minor gain, resulted in a loss. The operating loss of this subsidiary was approximately $4 million in 1998.

The net carrying amount of the above assets to be disposed of was approximately $87 million after the write-downs were recorded.

In 1998, LP recorded gains on the sale of assets in the amount of $381.3 million. Total proceeds from the sale of assets were $729.0 million, consisting of $367.6 million of cash and $361.4 million of notes receivable. Assets sold during the year were primarily those identified for sale in 1997, including timber and timberlands, sawmills and distribution centers in California, and the Weather-Seal window and door operations.

LP recovered $28.4 million, net of certain professional fees, from several of its insurance carriers for costs incurred in defending and settling the product class-action lawsuits.

Charges for severance and other costs, primarily at the roof shake plant, totaled $10.1 million in 1998. The severance charges were $.5 million for approximately 110 employees of the roof shake facility (as of December 31, 2000 $.3 million had been paid and charged against the liability). Included in the total are inventory write-downs and other shut-down related costs at the roof shake plant totaling $6.1 million. Additionally, LP wrote off $3.5 million of deferred start-up costs upon adoption of a new accounting standard.

8. Contingencies

Environmental Proceedings

In March 1995, LP s subsidiary Ketchikan Pulp Company (KPC) entered into an agreement with the federal government to resolve violations of the Clean Water Act and the Clean Air Act that occurred at KPC s former pulp mill during the late 1980s and early 1990s. Although KPC sold the mill site and related facilities in 1999, it remains obligated under these agreements to undertake certain projects relating to the investigation and remediation of Ward Cove, a body of water adjacent to the mill site. During November 2000, KPC finalized a consent decree with the federal government to complete cleanup activities at the mill site and Ward Cove. This consent decree supersedes the 1995 agreements. Total costs for the investigation and cleanup of Ward Cove are estimated to cost approximately $6.7 million (of which approximately $3.4 million had been spent at December 31, 2000).

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

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

LP maintains a reserve for estimated environmental loss contingencies. The balance of the reserve was $40.1 million and $48.2 million at December 31, 2000 and 1999, respectively, of which $12.9 million and $18.2 million related to matters associated with the operations formerly conducted by KPC. The remainder of these balances were primarily for estimated future costs of remediation of hazardous or toxic substances at numerous sites currently or previously owned by the Company and closing and monitoring landfills. LP s estimates of its environmental loss contingencies are based on various assumptions and judgments, the specific nature of which varies in light of the particular facts and circumstances surrounding each environmental loss contingency. These estimates typically reflect assumptions and judgments as to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect assumptions and judgments as to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities. Due to the numerous uncertainties and variables associated with these assumptions and judgments, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. LP regularly monitors its estimated exposure to environmental loss contingencies and, as additional information becomes known, may change its estimates significantly. However, no estimate of the range of any such change can be made at this time. LP s estimates of its environmental loss contingencies do not reflect potential future recoveries from insurance carriers except to the extent that recovery may from time to time be deemed probable as a result of a carrier s agreement to payment terms. In those instances in which LP s estimated exposure reflects actual or anticipated cost-sharing arrangements with third parties, LP does not believe that it will be exposed to additional material liability as a result of non-performance by such third parties.

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

	Year ended December 31,		
	2000	**1999**	**1998**
		(Dollar amounts in millions)	
Beginning balance	$ 48.2	$ 27.9	$ 29.3
Accrued to expense during the year	10.0	24.7	24.2
Liabilities of acquired companies	(1.0)	7.5	
Payments made	(17.9)	(18.3)	(20.1)
Other	0.8	6.4	(5.5)
Ending balance	$ 40.1	$ 48.2	$ 27.9

In the second quarter of 1998, two environmental accruals were made. In connection with the sale of certain properties in California, LP estimated that retained environmental liabilities were approximately $6.9 million. In addition, $6.0 million was added to the environmental accrual related to a criminal proceeding in Colorado. In the third quarter of 1998, $1.8 million was accrued in connection with newly identified sites and revised estimates at other sites. Also during the quarter, the accruals for KPC environmental matters were increased by an additional $7.5 million as a result of (i) revised cost estimates provided by the contractors performing asset removal and demolition activities, (ii) additional assets, which had initially been expected to be sold, becoming unsalable due to deteriorating conditions in the pulp market and, consequently, being slated for demolition and removal, (iii) the completion of the EPA s review of the remediation investigation report relating to upland properties, and (iv) experience indicating that hog fuel removal costs would be greater than originally estimated. In the fourth quarter, $2.0 million was accrued in connection with revised estimates at other sites.

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

During 2000, LP adjusted its reserves at a number of sites to reflect current estimates of clean-up costs, including estimated clean up costs at manufacturing sites permanently closed during the year and newly discovered sites requiring clean up. The most significant adjustment occurred at sites in Quebec that LP acquired in the Forex transaction in 1999. As the sites were cleaned up, initial liability estimates that were recorded in the Forex purchase price proved inadequate due to the discovery of additional material requiring clean up and the determination that higher cost methods of remediation were required. LP therefore accrued an additional $3.6 million to reflect the updated estimated costs of clean up. The reserve adjustments at other sites were not individually significant.

OSB Siding Matters

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

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

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

The settlement requires LP to contribute $275 million to the settlement fund. Approximately $271 million of that obligation had been satisfied at December 31, 2000 through cash payments on a discounted basis of approximately $261 million. LP s remaining mandatory contributions to the settlement fund are due in June 2001 (approximately $2 million) and June 2002 (approximately $2 million). In addition to its mandatory contributions, at December 31, 2000, LP had paid, on a discounted basis, approximately $97 million of its two $50 million optional contributions, at a cost to LP of approximately $66 million, and LP has committed to the court that it would make the balance of these two optional contributions when they became due in August 2001 and August 2002. LP was entitled to make its mandatory and optional contributions to the settlement fund on a discounted basis as a result of a court-approved early payment program (the Early Payment Program).

During 2000, LP offered eligible claimants the opportunity to receive a pro rata share of the court approved second settlement fund (the Second Settlement Fund) in satisfaction of their claims. Pursuant to this offer, LP paid approximately $114 million from the Second Settlement Fund in satisfaction of approximately $319 million in claims. During 2000, most of the payments under the Second Settlement Fund were completed. Claimants who accepted payment from the Second Settlement Fund may not file additional claims under the settlement. Claimants who elected not to participate in the Second Settlement Fund remain bound by the terms of the original settlement.

At December 31, 2000, the estimated amount of approved but unpaid claims under the settlement agreement exceeded the sum of the then-current balance of the settlement fund and LP s remaining mandatory and committed optional contributions to the settlement fund by approximately $93 million. Approximately 15,408 new claims were filed during 2000.

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

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

A settlement of a related class action in Florida was approved by the Circuit Court for Lake County, Florida, on October 4, 1995. Under the settlement, LP established a claims procedure pursuant to which members of the settlement class could report problems with LP s OSB siding and have their properties inspected by an independent adjuster, who would measure the amount of damage and also determine the extent to which improper design, construction, installation, finishing, painting, and maintenance may have contributed to any damage. The maximum payment for damaged siding is $3.40 per square foot for lap siding and $2.82 per square foot for panel siding, subject to reduction by up to 75 percent for damage resulting from improper design, construction, installation, finishing, painting, or maintenance, and also subject to reduction for age of siding more than three years old. LP has agreed that the deduction from the payment to a member of the Florida class will not be greater than the deduction computed for a similar claimant under the national settlement agreement described above. Class members were entitled to make claims until October 4, 2000. By December 31, 2000, approximately 26,000 Florida class action claims had been paid. Although new claims are no longer being accepted, there remain approximately 700 claims that were timely made for which inspections still must be conducted. In addition, there are approximately 700 claims that were timely made but that have been identified as requiring additional information before they will be processed.

ABT Hardboard Siding Matters

ABT Building Products Corporation (ABT), ABTco, Inc., a wholly owned subsidiary of ABT (ABTco and, together with ABT, the ABT Entities), Abitibi-Price Corporation (Abitibi), a predecessor of ABT, and certain affiliates of Abitibi (the Abitibi Affiliates and, together with Abitibi, the Abitibi Entities) have been named as defendants in a conditionally certified class action filed in the Circuit Court of Choctaw County, Alabama, on December 21, 1995 and in nine other putative class action proceedings filed in the following courts on the following dates: the Court of Common Pleas of Allegheny County, Pennsylvania on August 8, 1995; the Superior Court of Forsyth County, North Carolina on December 27, 1996; the Superior Court of Onslow County, North Carolina on January 21, 1997; the Court of Common Pleas of Berkeley County, South Carolina on September 25, 1997; the Circuit Court of Bay County, Florida on March 11, 1998; and the Superior Court of Dekalb County, Georgia on September 25, 1998. ABT and Abitibi have also been named as defendants in a putative class action proceeding filed in the Circuit Court of Jasper County, Texas on October 5, 1999. These actions were brought on behalf of various persons or purported classes of persons (including nationwide classes) who own or have purchased or installed hardboard siding manufactured or sold by the defendants. In general, the plaintiffs in these actions have claimed unfair business practices, breach of warranty, fraud, misrepresentation, negligence, and other theories related to alleged defects, deterioration, or other failure of such hardboard siding, and seek unspecified compensatory, punitive, and other damages (including consequential damage to the structures on which the siding was installed), attorneys fees and other relief. In addition, Abitibi has been named in certain other actions, which may result in liability to ABT under the allocation agreement between ABT and Abitibi described below.

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

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

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

Potential members of the settlement class had the election to opt out of the settlement class by submitting a written request no later than July 31, 2000. The ABT Entities received approximately 30 timely opt-outs.

The foregoing description of the settlement agreement does not purport to be complete, and is qualified in its entirety by reference to the full text thereof, which is filed as Exhibit 10.1 to LP s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference.

ABT and Abitibi have agreed to an allocation of liability with respect to claims relating to (1) siding sold by the ABT Entities after October 22, 1992 (ABT Board) and (2) siding sold by the Abitibi Entities on or before, or held as finished goods inventory by the Abitibi Entities on, October 22, 1992 (Abitibi Board). In general, ABT and Abitibi have agreed that all amounts paid in settlement or judgment (other than any punitive damages assessed individually against either the ABT Entities or the Abitibi Entities) following the completion of any claims process resolving any class action claim (including consolidated cases involving more than 125 homes owned by named plaintiffs) shall be paid (a) 100% by ABT insofar as they relate to ABT Board, (b) 65% by Abitibi and 35% by ABT insofar as they relate to Abitibi Board, and (c) 50% by ABT and 50% by Abitibi insofar as they cannot be allocated to ABT Board or Abitibi Board. In general, amounts paid in connection with class action claims for joint local counsel and other joint expenses, and for plaintiffs attorneys fees and expenses, are to be allocated in a similar manner, except that joint costs of defending and disposing of class action claims incurred prior to the final determination of what portion of claims relate to ABT Board and what portion relate to Abitibi Board are to be paid 50% by ABT and 50% by Abitibi (subject to adjustment in certain circumstances). ABT and Abitibi have also agreed to certain allocations (generally on a 50/50 basis) of amounts paid for settlements, judgments and associated fees and expenses in respect of non-class action claims relating to Abitibi Board. ABT is solely responsible for such amounts in respect of claims relating to ABT Board.

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

Nature Guard Cement Shakes Matters

LP has been named as defendant in a putative class action filed in the Superior Court of California, County of Stanislaus on January 9, 2001 captioned *Virginia L. Davis v. Louisiana-Pacific Corporation*. The action was filed on behalf of a purported class of persons nationwide owning structures on which LP s Nature Guard cement shakes were installed as roofing. The plaintiff generally alleges negligence, unfair business practices, false advertising, breach of warranties, fraud and other theories related to alleged defects, and failure of such cement shakes as well as consequential damages to other components of the structures where the cement shakes were installed. Plaintiff seeks general, compensatory, special and punitive damages as well as disgorgement of profits and the establishment of a fund to provide restitution to the purported class members.

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

Other Proceedings

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

Contingency Reserves

LP maintains loss contingency reserves in addition to the environmental reserves discussed above. The balance of these reserves, exclusive of the environmental reserves discussed above, was $121.5 million and $260.6 million at December 31, 2000 and 1999, respectively (of which $90.4 million and $226.5 million, respectively, related to OSB siding contingencies). LP s estimates of its non-environmental loss contingencies are based on various assumptions and judgments. In the case of the OSB siding contingency reserves, these assumptions and judgments relate to, among other things: the timing and magnitude (in terms of both the number of claims and the square footage of damaged siding) of additional claims; the extent to which claims may be resolved through means other than those provided for in the applicable settlement; and the costs associated with the administration of the settlement and the resolution of disputes and other legal matters. Due to the numerous uncertainties and variables associated with these assumptions and judgments, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. LP regularly monitors its estimated exposure to non-environmental loss contingencies and, as additional information becomes known, may change its estimates significantly. While no estimate of the range of any such change can be made at this time, the amount that LP may ultimately pay in connection with these matters could materially exceed, in the near term, the amounts accrued to date. LP s estimates of its loss contingencies do not reflect potential future recoveries from insurance carriers except to the extent that recovery may from time to time be deemed probable as a result of a carrier s agreement to payment terms.

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

	Year ended December 31,		
	2000	**1999**	**1998**
		(Dollar amounts in millions)	
Beginning balance	$226.5	$323.9	$164.7
Accruals made during the year			247.5
Payments made	(136.1)	(97.4)	(100.8)
Insurance recovery			12.5
Ending balance	$ 90.4	$226.5	$323.9

In the third quarter of 1998, following court approval of the Early Payment Program and the Second Settlement Fund, LP accrued an additional $247.5 million based on the estimated costs of the Early Payment Program and the Second Settlement Fund and revised estimates of the future costs of the Florida class action, warranty costs after the termination of settlements, legal and administration costs, and estimated payments to claimants whose claims are not discharged pursuant to the settlements.

9. Commitments

LP is obligated to purchase timber under certain cutting contracts which extend to 2004. LP s best estimate of its commitment at current contract rates under these contracts at December 31, 2000 is approximately $20.6 million for approximately 116 million board feet of timber.

Payments under all operating leases that were charged to expense during 2000, 1999, and 1998 were $35.3 million, $28.2 million and $17.7 million. Future minimum rental payments under non-cancelable operating leases are not material.

10. Segment Information

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

The Structural Products segment includes OSB, plywood, lumber, engineered wood products (EWP), primarily LVL and I-joists and wood fiber resources. The Exterior Products segment includes wood and vinyl siding and related accessories, composite decking and specialty OSB products. The Industrial Panel Products segment includes particleboard, medium density fiberboard (MDF), hardboard and decorative panels. The Other Products segment includes distribution facilities, plastic moldings, wood chips, coatings and specialty chemicals (sold in December of 1999), cellulose insulation (contributed to a joint venture in August of 2000), Ireland operations, Alaska lumber and logging operations (sold in November of 1999) and other products. The Pulp segment includes the wood pulp products of LP s two pulp mills.

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

	Year ended December 31,		
	2000	**1999**	**1998**
	(Dollar amounts in millions)		
Total Sales Point of Origin(2):			
U.S.	$2,331	$2,743	$2,366
Canada and other	832	455	166
Intersegment sales to U.S.	(230)	(126)	(81)
Total sales	$2,933	$3,072	$2,451
Export Sales (included above)	$ 325	$ 193	$ 128
Operating Profit (Loss):			
U.S.	$ 210	$ 391	$ 273
Canada and other	78	89	(105)
Unusual credits and charges, net(1)	(71)	(8)	(48)
General corporate expense and interest, net	(235)	(115)	(107)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	$ (18)	$ 357	$ 13
Identifiable Assets:			
U.S.	$2,274	$2,335	$2,279
Canada and other	1,101	1,153	240
Total assets	$3,375	$3,488	$2,519

Information about LP s product segments is as follows:

	Year ended December 31,		
	2000	**1999**	**1998**
	(Dollar amounts in millions)		
Total Sales(2):			
Structural products	$1,817	$1,876	$1,307

	Year ended December 31,		
Exterior products	329	276	116
Industrial panel products	287	300	192
Other products	348	477	731
Pulp	152	143	105
Total sales	$2,933	$3,072	$2,451
Operating Profit (Loss):			
Structural products	$ 173	$ 440	$ 198
Exterior products	19	53	22
Industrial panel products	2	13	6
Other products	(12)	(11)	(20)
Pulp	13	(15)	(38)
Unusual credits and charges, net(1)	(71)	(8)	(48)
General corporate and other expense, net	(99)	(103)	(94)
Interest, net	(43)	(12)	(13)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affliate	$ (18)	$ 357	$ 13

	Year ended December 31,		
	2000	1999	1998
	(Dollar amounts in millions)		
Identifiable Assets:			
Structural products	$1,689	$1,738	$ 927
Exterior products	203	199	46
Industrial panel products	142	160	124
Other products	228	174	255
Pulp	143	176	178
Non-segment related	970	1,041	989
Total assets	$3,375	$3,488	$2,519
Depreciation, Amortization and Cost of Timber Harvested:			
Structural products	$ 167	$ 123	$ 105
Exterior products	20	14	7
Industrial panel products	14	14	5
Other products	14	17	27
Pulp	10	11	12
Non-segment related	11	23	29
Total depreciation, amortization and cost of timber harvested	$ 236	$ 202	$ 185
Capital Expenditures:			
Structural products	$ 146	$ 94	$ 87
Exterior products	27	3	1
Industrial panel products	7	6	2
Other products	20	8	18
Pulp	2	4	7
Non-segment related	18	3	8
Total capital expenditures	$ 220	$ 118	$ 123

(1) See Note 7 to the financial statements for an explanation of unusual credits and charges, net.

(2) Numbers are adjusted to reflect the adoption of EITF Issue No. 00-10.

11. Acquisitions

On February 25, 1999, LP acquired the capital stock of ABT Building Products Corporation (ABT) for approximately $164 million in cash. Concurrent with the acquisition, LP also paid off approximately $49 million of ABT debt. In connection with the acquisition of ABT, LP borrowed $100 million under a new uncommitted bank credit facility ($50 million of which was repaid in September 1999 and $50 million of which was repaid in October 1999) and increased its net revolving borrowings under its existing credit facility by $65 million (which was fully repaid in September 1999). The acquisition was accounted for as a purchase and ABT s results of operations for the period subsequent to the acquisition have been included in LP s Consolidated Statements of Income for the years ended December 31, 1999 and 2000. The purchase price was allocated to the assets and liabilities of ABT based on their estimated fair values. Based on these estimates, LP recorded $53 million of goodwill in its Consolidated Balance Sheet at December 31, 1999, which is being amortized using the straight-line method over 15 years.

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

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

	Year Ended Dec. 31,	
	1999	**1998**
	(Dollar amounts in millions except per share)	
Net sales	$3,110.5	$2,736.7
Net income (loss)	235.2	(43.9)
Net income (loss) per share basic and diluted	$ 2.21	$ (0.40)

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

On November 30, 1999, LP acquired the assets of Evans Forest Products for approximately $98 million in cash. In connection with Evans acquisition, LP borrowed $94 million under a bank credit facility. The acquisition was accounted for as a purchase and the results of operations of the acquired assets for the period subsequent to the acquisition have been included in LP s Consolidated Statements of Income for the years ended December 31, 1999 and 2000. No goodwill was recorded related to this acquisition.

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

12. Subsequent Event

On February 23, 2001, LP sold a controlling interest in its Samoa, California, pulp mill and chip export facility to LaPointe Partners, Inc. Under the terms of the agreement, LaPointe Partners has acquired a controlling interest in the complex for approximately $46 million, split about evenly between cash and notes receivable. In addition, LP will retain a preferred stock interest in the entity. LP s remaining investment will be approximately $38 million, which approximates fair value. LP will account for the assets and liabilities of the operation in accordance with SEC Staff Accounting Bulletin No. 30 until the sale is fully recorded. LP will regularly review the carrying value of the assets for impairment primarily based on future operating results. LP believes that the fair value of the consideration received approximates the book value of the assets transferred.

INDEPENDENT AUDITORS REPORT

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

We have audited the accompanying consolidated balance sheets of Louisiana-Pacific Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Louisiana-Pacific Corporation and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Portland, Oregon
January 30, 2001
(February 23, 2001 as to Note 12)

CONDENSED CONSOLIDATED BALANCE SHEETS

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(Dollar amounts in millions) (Unaudited)

	March 31, 2001	Dec. 31, 2000
ASSETS		

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(Amounts in millions except per share) (Unaudited)

	Three Months Ended March 31,	
	2001	2000
Net sales	$ 558.5	$829.7
Operating costs and expenses:		

	Three Months Ended March 31,	
Cost of sales	549.2	605.2
Depreciation, amortization and depletion	49.1	61.3
Selling and administrative	43.6	58.3
Unusual credits and charges, net	12.2	(1.6)
Loss related to assets and liabilities transferred under contractual arrangement	4.5	
Total operating costs and expenses	658.6	723.2
Income (loss) from operations	(100.1)	106.5
Non-operating income (expense):		
Interest expense	(23.3)	(17.1)
Interest income	8.2	8.7
Foreign exchange gains (losses)	2.1	(1.4)
Total non-operating income (expense)	(13.0)	(9.8)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	(113.1)	96.7
Provision (benefit) for income taxes	(22.4)	38.5
Minority interest in net income (loss) of consolidated subsidiaries	(1.3)	0.5
Equity in (income) loss of unconsolidated subsidiary		
Net income (loss)	$ (89.4)	$ 57.7
Net income (loss) per share basic and diluted	$ (0.86)	$ 0.55
Average share outstanding basic and diluted	104.4	104.1

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES
(Dollar amounts in millions) (Unaudited)

	Three Months Ended March 31,	
	2001	**2000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$(89.4)	$ 57.7
Depreciation, amortization and depletion	49.1	61.3
Unusual credits and charges, net	12.2	3.5
Cash settlements of contingencies	(1.9)	(4.0)
Other adjustments	3.2	7.1
Decrease (increase) in certain working capital components and deferred taxes	12.1	(72.1)
Net cash provided by (used in) operating activities	(14.7)	53.5

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

LOUISIANA-PACIFIC CORPORATION

NOTES TO UNAUDITED CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

1. These consolidated summary financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in LP s Annual Report on Form 10-K for the year ended December 31, 2000.

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

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

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

	Three Months Ended March 31,	
	2001	**2000**
	(Shares in millions)	
Average shares outstanding used to determine basic net income per common share	104.4	104.1
Dilutive effects of stock options granted and ESPP shares		
Average shares outstanding used to determine fully diluted net income per common share	104.4	104.1

4. The preparation of interim financial statements requires the estimation of LP s effective income tax rate based on estimated annual amounts of taxable income and expenses. These estimates are updated quarterly. Accounting standards require that the estimated effective income tax rate (based upon estimated annual amounts of taxable income and expense) for the year be applied to year-to-date income or loss at the end of each quarter. Any resulting adjustment related to prior periods must be applied against the current quarter. For the quarter ended March 31, 2001, LP s effective tax benefit rate was 20% as compared to a provision rate of 39% in the first quarter of 2000.

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

6. During first quarter 2001, LP sold a controlling interest in Samoa Pacific Cellulose LLC (SPC), a company that owns a pulp mill and related assets in Samoa, California, for approximately book value. In this transaction, LP received approximately $22 million in cash and promissory notes valued at $29 million of SPC, and retained preferred stock of SPC valued at approximately $9 million. The term of the promissory notes is longer than five years. Additionally, LP has agreed to provide to SPC a $15 million credit facility secured by working capital. Due to its continuing financial interest in SPC, LP did not record the transaction as a sale. Instead, in compliance with Staff Accounting Bulletin No. 30 Accounting For Divestiture Of A Subsidiary Or Other Business Operation, LP has recorded the assets and the liabilities of SPC on LP s balance sheet under the captions Assets transferred under contractual arrangement and Liabilities transferred under contractual arrangement. For any fiscal quarter in which SPC incurs losses, LP will record a valuation allowance against its net remaining investment. If SPC is profitable in subsequent quarters of the same fiscal year, LP will reverse the valuation allowance up to the amount of the valuation allowance that was previously recorded in such fiscal year. The valuation allowance for the first quarter of 2001 is reflected on the income statement under the caption Loss related to assets and liabilities transferred under contractual arrangement.

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

	Three Months Ended March 31,	
	2001	2000
	(Dollars in millions)	
Net income (loss)	$(89.4)	$57.7
Currency translation adjustment	1.4	(4.9)
Other		(0.2)
Total comprehensive income (loss)	$(88.0)	$52.6

8. The selected segment data for the three months ended March 31, 2001 and 2000, set forth under Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement, is incorporated herein by reference.

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

10. The description of certain legal and environmental matters involving LP set forth under the caption Legal and Environmental Matters in the Management s Discussion and Analysis of Financial Condition and Results of Operations section included elsewhere in this prospectus supplement, and set forth in Part II of LP s Quarterly Report on Form 10-Q for the quarter ended March 31, 2001, under the caption Legal Proceedings, are incorporated herein by reference.

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

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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Prospectus Supplement

Prospectus

$200,000,000

Louisiana-Pacific
Corporation

% Senior Subordinated Notes
due 2008

Goldman, Sachs & Co.

Banc of America Securities LLC

RBC Dominion Securities

Wachovia Securities, Inc.

Scotia Capital

Explanation of Responses: