



EXCEPT AS OTHERWISE SPECIFIED AND UNLESS THE CONTEXT OTHERWISE REQUIRES, REFERENCES TO "L-P" REFER TO LOUISIANA-PACIFIC CORPORATION AND ITS SUBSIDIARIES.

This amendment to Form 10-K is filed in order to amend the following items: Item 3 -- Legal Proceedings; Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations; Item 8 -- the Financial Statements and Supplementary Data; and Item 14 - - Exhibits, Financial Statement Schedules, and Reports on Form 8-K. This amendment should be read in conjunction with the reports filed by L-P with the Securities and Exchange Commission under Section 13(a) of the Securities Exchange Act after March 18, 1999, which contain information that updates certain of the information contained in this amendment.

### ITEM 3. LEGAL PROCEEDINGS

Certain environmental matters and legal proceedings involving L-P are discussed below.

#### Environmental Matters

In March 1995, L-P's subsidiary, Ketchikan Pulp Company ("KPC"), entered into agreements with the federal government to resolve violations of the Clean Water Act and the Clean Air Act that occurred at KPC's pulp mill during the late 1980's and early 1990's. These agreements were subsequently approved by the U.S. District Court for the District of Alaska. Pursuant to these agreements, KPC paid \$1.25 million of criminal penalties and \$3.1 million of civil penalties, all of which were paid in 1995. In addition, KPC agreed to undertake certain remedial and pollution-control projects. These projects included (i) capital projects for spill containment and water treatment plant upgrades estimated to cost approximately \$13.4 million (of which approximately \$7.5 million had been spent at December 31, 1998) and (ii) non-capital projects relating to the investigation and remediation of Ward Cove, a body of water adjacent to the mill site, estimated to cost approximately \$6.3 million (of which approximately \$1.6 million had been spent at December 31, 1998). As a result of the closure of the mill in May 1997, KPC's obligations with respect to the capital projects have been suspended through January 2000, and KPC is in the process of seeking permanent relief from those obligations. KPC's obligations with respect to the Ward Cove investigation and remediation have not been affected by the closure of the mill.

In June, 1997, KPC entered into an agreement with the State of Alaska and the U.S. Environmental Protection Agency (the "EPA") to investigate and, if necessary, clean up the former mill site. KPC has completed the investigative portion of this project and commenced work on the clean-up portion of this project, which is expected to be completed in the third quarter of 1999. Total costs associated with this project are estimated to be approximately \$2.7 million, of which approximately \$2.6 million had been spent at December 31, 1998.

KPC has completed the closure of a landfill near Thorne Bay, Alaska, pursuant to an agreement with the U.S. Forest Service (the "USFS"). Costs of the project totaled approximately

\$6.5 million. KPC is also continuing to monitor leachate from the landfill in order to evaluate whether treatment of the leachate is necessary.

Certain L-P plant sites have, or are suspected of having, substances in the ground or in the groundwater underlying the sites that are considered pollutants.

Although L-P's policy is to comply with all applicable environmental laws and regulations, L-P has, in the past, been required to pay fines for noncompliance. In some instances, litigation has resulted from contested environmental actions. Also, L-P is involved in other environmental actions and proceedings which could result in fines or penalties. Based on the information currently available, management believes that any fines, penalties or other losses resulting from the matters discussed above will not have a material adverse effect on the consolidated financial position or results of operations of L-P.

#### Colorado Criminal Proceedings

In June 1995, a federal grand jury returned an indictment in the U.S. District Court for the District of Colorado against L-P in connection with alleged environmental violations, as well as alleged fraud in connection with the submission of unrepresentative oriented strand board (OSB) product samples to an industry product certification agency, by L-P's Montrose (Olathe), Colorado OSB plant. In connection with entering a guilty plea as to certain criminal violations in May 1998, (i) L-P agreed to pay total penalties of \$37 million (including making \$500,000 in charitable contributions), of which \$12 million was paid in 1998, and was sentenced to five years of probation and (ii) all remaining charges against L-P were dismissed. Under the terms of the original agreement, the \$25 million balance of the fine assessed against L-P, which is secured by a statutory lien, was payable in three equal annual installments, together with accrued interest, beginning July 1, 2000. However, in April, 1999, the court approved a modification to the agreement, which now provides for the payment of this balance, without interest, on June 1, 1999.

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

L-P has been named as a defendant in numerous class action and nonclass action proceedings, brought on behalf of various persons or purported classes of persons (including nationwide classes in the United States and Canada) who own or have purchased or used OSB siding manufactured by L-P, because of 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.

The U.S. District Court for the District of Oregon has given final approval to a settlement between L-P and a nationwide class composed of all persons who own, have owned, or subsequently acquire property on which L-P'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 percent) based on the age of the siding. Class members who previously submitted or resolved claims under any other warranty or claims program of L-P 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 L-P 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 L-P may assert any available defense, including defenses that otherwise had been waived under the settlement agreement. If the arbitrator reduces the damage award otherwise payable to the claimant because of a finding of improper installation, the claimant may pursue a claim against the contractor/builder to the extent the award was reduced.

The settlement requires L-P to contribute \$275 million to the settlement fund in seven annual installments payable during the period from 1996 through 2002 in the following amounts: \$100 million; \$55 million; \$40 million; \$30 million; \$20 million; \$15 million; and \$15 million. As of December 31, 1998, L-P had funded the first three installments. L-P also had funded a significant portion of the last four installments through the Early Payment Program discussed below. The estimated cumulative total of approved claims under the settlement, as calculated under the terms of the settlement (without giving effect, in the case of unpaid claims, to discounted settlements under the Early Payment Program), exceeded \$500 million at December 31, 1998. In these circumstances, unless L-P makes an additional contribution of \$50 million to

the settlement fund by August 2001, the settlement will terminate as to all claims in excess of \$275 million that remain unpaid. In addition, unless L-P makes a second additional contribution of \$50 million to the settlement fund by August 2002, the settlement will terminate as to all claims in excess of \$325 million that remain unpaid. If L-P makes both of these additional contributions, the settlement would continue in effect until at least August 2003, at which time L-P would be required to make an election with respect to all unpaid claims that were filed prior to December 31, 2002. If, in August 2003, L-P elects to pay pursuant to the settlement all approved claims that remain unpaid at that time, 50% of the unpaid claims must be paid by August 2004 and the remaining 50% must be paid by August 2005. If L-P 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 August 2003.

If L-P makes all payments required under the settlement agreement, including all additional payments as specified above, class members will be deemed to have released L-P 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, L-P 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. After accruing interest on undisbursed funds and deducting class notification costs, prior claims costs (including payments advanced to homeowners in urgent circumstances) and payment of claims under the settlement, as of December 31, 1998, approximately \$5.8 million remained of the \$195 million paid into the fund to date (all of which was dedicated to the payment of expenses or held in reserve).

On October 26, 1998, L-P announced an agreement to offer early payments to eligible claimants who have submitted valid and approved claims under the original settlement agreement (the "Early Payment Program") and to establish an additional \$125 million fund to pay all other approved claims that are filed before December 31, 1999 (the "Second Fund").

The Early Payment Program is available to all claimants who are entitled to be paid from the \$80 million of mandatory contributions to the settlement fund that remained at December 31, 1998 to be made under the settlement agreement, and to all claimants who otherwise would be paid from the proceeds of the two optional \$50 million contributions to the settlement fund that L-P may elect to make under the settlement agreement. The early payments in respect of the \$80 million of mandatory contributions are discounted at a rate of 9% per annum calculated from their original payment dates (1999-2002) to the date the early payment offer was made. The early payments in respect of the two \$50 million optional contributions are discounted at a rate of 12% per annum calculated from 2001 and 2002, respectively, to the date the early payment offer was made. For purposes of determining whether L-P has made any such mandatory or optional contribution to the settlement fund as of the respective due date therefor, L-P will receive credit for the undiscounted amount of such contribution in respect of which discounted amounts have been paid pursuant to the Early Payment Program. In November, 1998, L-P commenced the implementation of the Early Payment Program by starting to mail checks reflecting discounted

early payments to eligible claimants. Such claimants may accept or reject the discounted early payments in favor of remaining under the original settlement, but may not arbitrate the amount of their early payments. At December 31, 1998, approximately \$106.7 million in Early Payment Program checks had been mailed and \$60.8 million had been cashed in settlement claims, while approximately \$26.6 million in such checks remained to be mailed. Giving effect only to Early Payment Program checks that had actually been cashed, L-P had effectively satisfied a cumulative total of approximately \$266.5 million of its mandatory and optional contributions to the settlement fund at December 31, 1998.

The \$125 million Second Fund represents an alternative source of payment for all approved and unpaid claims that are not eligible for the Early Payment Program and all new claims filed before December 31, 1999. In early 2000, claimants electing to participate in the Second Fund will be offered a pro rata share of the fund in complete satisfaction of their claims, which they may accept or reject in favor of remaining under the original settlement. Claimants who accept their pro rata share may not file additional claims under the settlement or arbitrate the amount of their payments. Claimants who elect not to participate in the Second Fund remain bound by the terms of the original settlement. If L-P is dissatisfied with the number of claimants who elect to be paid from the Second Fund, L-P may refuse to proceed with funding at its sole option. In that event, the Second Fund will be canceled and all the claimants who had elected to participate in it will be governed by the original settlement.

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, L-P has established a claims procedure pursuant to which members of the settlement class may report problems with L-P's OSB siding and have their properties inspected by an independent adjuster, who will 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. L-P has agreed that the deduction from the payment to a member of the Florida class will be not greater than the deduction computed for a similar claimant under the national settlement agreement described above. Class members will be entitled to make claims until October 4, 2000.

#### ABT Hardboard Siding Matters

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 six 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 (subsequently removed to the U.S. District Court for the Northern District of Florida); and the Superior Court of DeKalb County, Georgia on September 25, 1998. These actions were brought on behalf of various persons or purported classes of persons (including nationwide classes) who own or have purchased or used hardboard siding manufactured or sold by the ABT Entities or the Abitibi Entities. In general, the plaintiffs in these actions have alleged 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, 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. Except in the case of certain of the putative class actions that have been stayed, the ABT Entities have filed answers in these proceedings that deny all material allegations of the plaintiffs and assert affirmative defenses. L-P intends to cause the ABT Entities to defend these proceedings vigorously.

L-P, 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 brought on behalf of a purported class of persons in Missouri who own or have purchased hardboard siding manufactured by the defendants. In general, the plaintiffs in this proceeding have alleged 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 restitution, punitive damages, attorneys' fees and other relief. L-P and the ABT Entities intend to defend this proceeding vigorously.

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,

management believes that the resolution of the foregoing matters will not have a material adverse effect on the financial position or results of operations of L-P.

#### Other Proceedings

L-P and its subsidiaries are parties to other legal proceedings. Management believes that the outcome of such proceedings will not have a material adverse effect on the consolidated financial position or results of operations of L-P.

For a discussion of financial statement reserves related to environmental and legal proceedings at December 31, 1998, see Note 8 of the Notes to Financial Statements included in Item 8 of this report.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### RESULTS OF OPERATIONS

L-P earned \$2.0 million (\$.02 per share), in 1998, which included pre-tax net unusual charges of \$47.8 million (\$36.1 million after taxes, or \$.33 per share). L-P's net loss in 1996 primarily resulted from net unusual charges and to a lesser extent, 1997 results were also impacted by unusual charges. The net charges in 1997 were \$32.5 million pre-tax (\$20.6 million after tax, or \$.19 per share) and the 1996 charges were \$350.0 million pre-tax (\$215.0 million after tax, or \$2.00 per share). These net charges are discussed in further detail in Note 7 to the financial statements. Prior to the charges, L-P had after-tax income of \$38.1 million (\$.35 per share) in 1998, an after-tax loss of \$81.2 million in 1997 (\$.75 per share) and after-tax income of \$14.3 million in 1996 (\$.13 per share).

Sales in 1998 were \$2.30 billion, a 4% decline from 1997 sales of \$2.40 billion. Sales in 1997 were 3% lower than 1996 sales of \$2.49 billion.

L-P operates in five major business segments: structural products, exterior products, industrial panel products, specialty and other products, and pulp. Structural products is the most significant segment, accounting for approximately 60% of net sales. The results of operations are discussed below for each of these segments separately. Additional information about the factors affecting L-P's segments is presented in the "Product Information Summary" on pages 38 and 39.

Most of L-P's products are sold as commodities and therefore sales prices fluctuate based on market factors over which L-P has little or no control. L-P cannot predict whether the prices of its products will remain at current levels, or will increase or decrease in the future because supply and demand are influenced by many factors, only two of which are the cost and availability of raw materials. L-P is not able to determine to what extent, if any, it will be able to pass any future increases in the price of raw materials on to customers through product price increases.



Demand for the majority of L-P's products is subject to cyclical fluctuations over which L-P has no control. Demand for L-P's building products is heavily influenced by the level of residential construction activity, which is subject to fluctuations due to changes in economic conditions, interest rates, population growth and other factors. These cyclical fluctuations in demand are unpredictable and may have a substantial influence on L-P's results of operations.

SELECTED SEGMENT DATA

DOLLAR AMOUNTS IN MILLIONS

YEAR ENDED DECEMBER 31	INCREASE (DECREASE)				
	1998	1997	1996	98-97	97-96
<b>Sales:</b>					
Structural products	\$ 1,374	\$ 1,294	\$ 1,408	6%	(8%)
Exterior products	107	103	99	4%	4%
Industrial panel products	175	181	195	(3%)	(7%)
Specialty and other products	566	695	607	(19%)	14%
Pulp	75	130	177	(42%)	(27%)
<b>Total sales</b>	<b>\$ 2,297</b>	<b>\$ 2,403</b>	<b>\$ 2,486</b>	<b>(4%)</b>	<b>(3%)</b>
<b>Profit (loss):</b>					
Structural products	\$ 199	\$ 22	\$ 135	805%	(84%)
Exterior products	22	9	17	144%	(47%)
Industrial panel products	6	13	31	(54%)	(58%)
Specialty and other products	(20)	(24)	(9)	17%	(167%)
Pulp	(38)	(29)	(91)	(31%)	68%
<b>Total profit (loss)</b>	<b>\$ 169</b>	<b>\$ (9)</b>	<b>\$ 83</b>	<b>1,978%</b>	<b>(111%)</b>

STRUCTURAL PRODUCTS

Structural products consist of oriented strand board (OSB), plywood, lumber and engineered wood products (EWP). The slight decline in sales in the structural products segment in 1998 was primarily the result of sales and closures of less efficient and non-strategic manufacturing facilities, partially offset by increased sales of OSB and plywood. In 1997, OSB and plywood sales suffered from industry wide over-capacity which negatively impacted average selling prices. Increased lumber and EWP sales partially offset the OSB and plywood declines in 1997.

OSB average selling prices increased 47% in 1998 compared to 1997, while prices decreased 24% from 1996 to 1997. The OSB market recovery in 1998, due to strong demand, was sharply contrasted to the industry-wide over-capacity of prior years that led to significant price declines in those years. OSB sales volume increased 11% in 1998 compared to 1997 due primarily to a net capacity increase as well as increased operating efficiencies. Sales volume remained level in 1997 compared to 1996.

Plywood average selling prices increased modestly in each of the last two years as L-P has shifted to higher-value products and demand has remained strong. Plywood sales volume decreased 25% in 1998 and 19% in 1997, largely due to the closure of two plywood plants during the last two years.

Lumber sales decreased in 1998 due to an 11% decline in prices and a volume decline of 13%. The volume decline primarily resulted from the sale or shutdown of non-strategic mills in 1998. A sharp drop in demand for lumber in Asia has caused a decrease in exports of lumber from North America. This in turn has created an oversupply of lumber in North American markets which negatively impacted prices throughout 1998 and the latter part of 1997. Lumber sales increased in 1997 due to a 7% increase in average sales prices offset by a 5% decrease in volume sold. Lumber markets experienced strong demand through the first three quarters of 1997, benefitting from a robust U.S. economy, relatively low interest rates and strong housing starts.

Engineered wood products (EWP) include engineered I-Joists, laminated veneer lumber (LVL) and veneer. Product prices did not change significantly in 1998 or 1997. The increase in sales in 1998 was primarily due to a fast-growing market for these products and due to a marketing agreement to sell the products of an independent producer. The sales increase in 1997 was largely due to the acquisition of the assets of Tecton Laminates, Inc. as well as general market growth.

In 1998, the profitability of the structural products segment increased significantly, largely the result of price improvements for OSB and improvement in the efficiency of production facilities. Decreases in lumber pricing partially offset the improved OSB performance. Overall, log costs did not change significantly in 1998. The primary factor in the decrease in profitability in the structural products segment in 1997 was the erosion of OSB selling prices, although increased selling prices for lumber helped to moderate this effect. Higher log costs in the southern region of the country caused a significant reduction in plywood earnings in 1997. LIFO (last-in first-out) inventory income (expense) adjustments of \$14 million in 1998, \$(4) million in 1997 and \$5 million in 1996 are included in the structural products segment.

#### EXTERIOR PRODUCTS

The exterior products segment consists of siding and related products such as soffit, fascia and trim. These products are currently made primarily using an OSB substrate. In future years, this segment will include products from the 1999 purchase of ABT Building Products Corporation (ABT), including hardboard siding, vinyl siding and other exterior products. Average selling prices were relatively flat in 1998 and 1997. Sales volume increased in 1998 and 1997 as market acceptance of the product increased. The manufacturing facilities took significant downtime in 1997 to reduce inventory levels, which contributed to higher per unit cost of sales and thus, lower earnings. In 1998, the manufacturing facilities produced and sold a moderate volume of commodity OSB product, which made a positive contribution to earnings.

## INDUSTRIAL PANEL PRODUCTS

The industrial panel products segment consists of particleboard, medium density fiberboard (MDF) and hardboard. Market over-capacity in industrial panels has contributed to reductions in both sales and profits during the reported years. Average selling prices decreased by 3% in 1998 and 7% in 1997 due to downward market pressure. Sales volumes did not change significantly. In future years, this segment will also include hardboard products from the purchase of ABT.

## SPECIALTY AND OTHER PRODUCTS

The specialty and other products segment includes coatings and chemicals, cellulose insulation, Ireland operations, Alaska lumber and logging operations and other products. In 1998, sales for this segment decreased principally due to the sale of the Weather-Seal windows and doors division and Creative Point Inc. (which sold consumer electronic media storage devices) and two California distribution centers. The increase in other building products sales in 1997 was primarily due to the acquisitions of Associated Chemists, Inc. (coatings and chemicals) in mid-1996 and GreenStone Industries, Inc. (cellulose insulation) in early 1997 as well as increased sales from distribution facilities.

Losses in the specialty and other products segment were primarily influenced by the KPC lumber and logging operations, which lost approximately \$3 million in 1998, \$17 million in 1997 and \$10 million in 1996. Additional losses were incurred in 1997 and 1998 as a result of market development efforts in the cellulose insulation business. Several non-strategic product lines in this segment were divested during 1998.

## PULP

Pulp segment operations in 1998 continued to be impacted by the world-wide over-capacity in the pulp industry and the Asian economic crisis. Asian markets historically comprised a significant market for pulp and the crisis caused demand, and thus pulp prices, to decline late in 1997, which continued into 1998. Average sales prices decreased 21% which contributed to the increased losses in 1998. Pulp sales volume decreased 27% as L-P's pulp mills took intermittent downtime during 1998 because of the weak markets. The single largest factor in the decline in pulp sales in 1997 was the closure in March 1997 of the pulp mill owned by L-P's Ketchikan Pulp Company (KPC) subsidiary. In 1997, pulp sales volumes decreased approximately 10%, and average selling prices dropped approximately 19%. Excluding KPC, L-P's remaining pulp business showed an increase of 11% in sales volume and a price decrease of approximately 6%. Pulp segment losses improved significantly in 1997 compared to 1996 due in large part to the shut-down of the KPC mill which had been suffering losses due to market conditions and changes in the timber supply contract. At the two remaining mills, L-P successfully cut its operating costs through a concentrated cost reduction effort, both from more efficient operations and a central purchasing program.

L-P pulp products represent the majority of L-P's export sales. Therefore, the decline in pulp sales was the primary reason for L-P's decreased export sales in 1998 and 1997, both in amount and as a percent of total sales. Information regarding L-P's geographic segments and export sales are provided in Note 10 to the financial statements.

#### GENERAL CORPORATE EXPENSE, NET

Net general corporate expense was \$94 million in 1998, compared to \$80 million in 1997 and \$52 million in 1996. Credits resulting from gains on the sales of miscellaneous assets of approximately \$6 million in 1997 and \$17 million in 1996 were netted into this expense. The remaining increase in each year is primarily attributable to increased sales and marketing personnel as L-P has focused on its customers, the addition of key personnel to implement management's strategies and a revision of allocation methods of certain administrative costs to product lines due to changes in the organization of L-P.

#### UNUSUAL CREDITS AND CHARGES, NET

For a discussion of unusual credits and charges, net, refer to Note 7 to the financial statements.

#### INTEREST, NET

In 1998, net interest expense of \$13 million was down 55% from the 1997 expense of \$29 million. Cash from asset sales was used to reduce debt levels and thus, net interest expense in 1998. Net interest expense rose significantly in 1997 as L-P borrowed funds to cover its settlement obligations and fund capital expenditures. Additionally, interest capitalized has decreased in 1998 and 1997 as construction projects have been completed.

#### ENVIRONMENTAL MATTERS

For a discussion of environmental matters involving L-P and the past and potential future impact on L-P, refer to Notes 7 and 8 to the financial statements.

#### LEGAL MATTERS

Refer to Notes 7 and 8 to the financial statements for a discussion of the background of certain legal matters involving L-P as well as the past and potential future impact on L-P. In addition, a more detailed discussion of the significant past charges recorded by L-P related to OSB siding litigation and the current status of the settlements and related enhancements follows.

BACKGROUND OF OSB SIDING LITIGATION. Prior to 1995, L-P primarily dealt with claims regarding the quality and performance of its oriented strand board house siding (OSB siding) through the product warranty process. In 1994 and early 1995, L-P was served with numerous lawsuits alleging monetary damages as a result of OSB siding manufactured by L-P. In 1995,

L-P discontinued payment of warranty claims (except under certain circumstances such as emergency claims) due to the pending litigation. In 1995 and 1996, L-P settled the majority of these lawsuits through one of the following three mechanisms:

- A class action settlement in Florida for owners of homes or other structures with L-P siding in that state only (the "Florida Settlement"),
- A class action settlement for owners of homes or other structures in the remaining states in the U.S. (the "National Settlement"), and,
- Individual settlements with claimants who opted not to participate in either of the above two settlements.

These settlements significantly increased the cost of an average claim compared to the historical payments under L-P's limited warranties. This is primarily because, under the limited warranty, L-P only reimbursed the homeowner for the cost of replacement siding whereas under the settlements L-P also pays for the labor costs to remove old siding and to install and paint the new siding and pays for certain other consequential costs incurred in the replacement of the siding.

The settlements afforded a remedy to homeowners that is typically available for consumer type claims -- repair and/or replacement of the damaged product. Under the settlements, L-P conditionally waived defenses it could have asserted such as improper installation by the builder, improper maintenance by the homeowner, and numerous technical legal defenses (these defenses can be reinstated under certain conditions). In exchange, the settlements provided a more aggressive deduction based on the age of the product than was available under the limited warranty. The settlements also brought an end to highly contentious litigation that consumed inordinate amounts of Company time and resources and that potentially could have degenerated into tens of thousands of individual claims litigated in different courts throughout the country. The costs of defending such litigation would likely have substantially exceeded the amounts paid as damage awards.

Finally, prompt settlement on economic terms allowed management to devote all of its energies to reorganizing and reviving L-P's business, to rebuilding its damaged relations with the builders and consumers who purchase its products and to preserving the market for its improved siding product that was introduced in 1996.

The National Settlement also afforded L-P the opportunity to control both the amount and timing of payments in order to better manage liquidity and capital resources. (See more complete discussion of the settlements in Notes 7 and 8). It also gave L-P a degree of control over the total liability for siding through the mechanism of optional funding payments for claims in excess of the mandatory base payments of \$275 million. These optional payments provide L-P the ability to prevent future legal claims by class members as long as L-P continues to exercise the additional funding options provided for under the National Settlement. L-P also has

the ability to allow the settlement to expire if management determines that the settlement is no longer in the best interest of L-P and its shareholders.

CLAIMS PROCESS. L-P has entered into a contract with a court-approved independent administrator through which all National Settlement claims are processed (L-P processes all Florida Settlement claims). Potential claimants who have not opted out of the National and Florida Settlements are eligible to participate and claims are processed as follows:

- A request for a claim form is received and the potential claimant is entered into the system
- A claim form and related instructions and information are mailed to the potential claimant
- Upon receipt of a completed claim, it is reviewed for completeness. Incomplete claims packages are referred back to the claimant for additional information
- Each complete claim package is forwarded to a court-approved third party inspection firm that is responsible for inspecting the structure and determining the footage of damaged siding, as defined under the appropriate settlement and, in the case of the Florida Settlement, determining whether any contributing factors exist such as improper installation or maintenance
- The independent administrator calculates the monetary damages based on the footage of damaged siding, the age of the siding, the average cost of siding replacement in the appropriate geographic region and, in the case of the Florida Settlement, contributing factors such as improper installation or maintenance
- The claim processing is completed and the claim is either paid (immediately in the case of the Florida class action settlement and when money is available in the National Settlement fund) or placed in the payment queue for the National Settlement

As of December 31, 1998, approximately 215,000 requests had been received for claim forms for the National Settlement and the Florida Settlement. Approximately 138,000 completed claim forms had been received. The average amount for settled claims has been approximately \$5,100. The total number of completed claim forms pending (not settled) as of December 31, 1998 was approximately 56,000, with approximately 61,000 claims settled and approximately 21,000 claims dismissed through December 31, 1998. Dismissal of claims is typically the result of claims for product not produced by L-P or claims that lack sufficient information or documentation after repeated efforts to correct those deficiencies. The average amount of claims settled after December 31, 1998 may be significantly impacted by the Early Payment Program and Second Fund, both of which are discussed further below.

AMOUNT AND TIMING OF ACCRUALS. The amount and timing of the accruals related to the siding matters are discussed below.

The accruals for OSB siding claims relating to both the National Settlement and the Florida Settlement, including related legal costs, settlement administration costs, claims of persons who opted-out of the settlements and residual warranty claims, have been analyzed and accounted for collectively. The activity in the combined accruals is as follows:

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dollar amounts in millions  
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Year ended December 31	1998	1997	1996
Beginning balance	\$164.7	\$184.9	\$360.9
Accruals made during the year	247.5	161.9	38.1
Payments made	(100.8)	(182.1)	(214.1)
Insurance recovery	12.5	---	---
Ending balance	\$323.9	\$164.7	\$184.9

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During the third quarter of 1995, the final settlement was reached in the Florida Settlement (approved by the court in October 1995), and L-P reached an agreement in principle with class counsel in the National Settlement with a specified base funding schedule of \$275 million. Management believed that these two events made the liabilities probable and estimable at that point in time. Based on a statistical analysis of historical claims data and information collected by its litigation counsel, management believed that the National Settlement liability, inclusive of notice, administration, and inspection costs, would not exceed \$275 million. Because claims of persons who opted out of the settlement would theoretically reduce the amount required to be paid under the settlement, L-P believed that no separate accrual for opt outs was required. In later years, as noted below, management recorded additional accruals for opt-out claims due to evidence indicating that claims paid under the settlement would likely amount to at least \$275 million and therefore opt-out claims would be incremental to the National Settlement. The Florida Settlement liability was estimated at \$50 million by attorneys working on the settlement. Estimated legal, professional and other costs were also accrued at that time.

Because the court approval process related to the National Settlement was not finalized until June of 1996, and the Florida Settlement process was just getting started. Management believed the existing accrual remained adequate for the two class action settlements. However, the amounts paid to resolve opt out claims subsequent to the approval of the National Settlement combined with evidence that claims under the National Settlement would likely amount to at least \$275 million caused L-P to believe that the previous accruals would be not be sufficient to cover these amounts. Accordingly, in the third quarter of 1996, L-P accrued an additional \$36 million based on known claims that L-P's management and litigation counsel believed were probable and estimable. Opt-out claims in the amount of approximately \$32 million were settled and paid in 1996. An additional \$2.1 million was added to the reserve in the fourth quarter of 1996 for increased legal costs.

During the first half of 1997, the independent administrators and third-party claims inspectors for the National Settlement began to reduce a backlog of unprocessed claims that had arisen during the months after final court approval of the National Settlement. At that time, management continued to believe the estimate of the total liability was adequate. L-P engaged an outside statistician who developed a model to assist management in estimating the liabilities by projecting the monetary amount of claims in the system at any point in time based upon the total number of claims forms requested to date. This projection method is based on factors and ratios that must be estimated from actual claims experience and trends in claim form requests. Additionally, trends in claim form requests themselves (which drive the projections over the longer term) have remained very erratic and difficult to forecast. Factors such as weather, publicity about siding matters, revisions in the National Settlement, and other factors have affected the pattern of claim form requests which has made it difficult for the statistician to extract any meaningful underlying trend. The statistician's model is affected by the above and is therefore designed to be used as only a part of management's estimation of the future liability.

By the end of the third quarter of 1997, management concluded that an additional accrual of \$50 million was required for the National Settlement claims. Also, \$111.9 million was accrued to cover additional estimates for the Florida Settlement claims, National Settlement administration costs, additional opt out settlements and additional legal fees. These updated estimates were based partially on the application of the model and updated estimates provided by attorneys and others familiar with the settlement, all of which experienced unanticipated increases compared to L-P's earlier estimates. The principal factors that led to a higher estimated accrual in the third quarter of 1997 were as follows:

- An increase in the average cost per settled claim (under the National Settlement only) from approximately \$5,400 at the end of 1996 to approximately \$6,100 by the end of the third quarter of 1997.
- A steady to increasing rate of claims forms requested and returned where L-P originally estimated those figures to decrease over time. For example, completed claims forms received by the National Settlement claims administrator increased from approximately 33,000 at the end of 1996 to approximately 61,000 at the end of the third quarter of 1997.

The principal factors leading to an increase in the accrual for the Florida Settlement are similar to those above for the National Settlement.

In subsequent quarters of 1997 and 1998, L-P continued to monitor the claims figures in order to evaluate the need for adjustments to the liability. During the third quarter of 1998 management evaluated available options under the National Settlement because of continuing changes occurring with the underlying data. The National Settlement claims administrator had received approximately 10,000 claims forms per quarter from the fourth quarter of 1997 through the third quarter of 1998, bringing the total to approximately 101,000 claims forms received through September 1998. This represents an increase of approximately 65% in one year. The average cost per settled claim did not change significantly during this period. The options under



consideration included (i) allowing the settlement to terminate under the National Settlement terms and conditions; (ii) continuing the settlement without modification by electing to fund the optional payments as they became due; or (iii) attempting to resolve remaining claims through an alternative method.

In July 1998, L-P formally proposed to class counsel enhancements to the National Settlement: (i) the concept of prepaying the balance of the mandatory and two discretionary \$50 million contributions to the National Settlement fund on a discounted basis (the "Early Payment Program"); and (ii) the concept of creating a second, supplemental settlement fund (the "Second Fund"). After numerous negotiating sessions, L-P and class counsel were able to finalize an agreement on the terms of these programs, which were agreed to by the parties in the third quarter of 1998 and subsequently approved by the court in October 1998. Consistent with this agreement, L-P accrued the estimated costs of these programs. The incremental costs of these programs was estimated to be approximately \$22.3 million (netting the effect of prior accruals and the effect of discounts of payments allowed under this program) for the Early Payment Program and \$125.0 million for the Second Fund. These amounts were accrued during the third quarter of 1998 as were additional amounts totaling \$113.2 million for the legal and administrative costs of these programs, claims of claimants who may opt out of the Second Fund, additional Florida Settlement claims based on statistical estimates, warranty claims subsequent to the expiration of the National and Florida Settlements and other costs.

Throughout the period the National and Florida Settlements have been in effect, L-P has recorded accruals which represent management's best estimates of amounts to be paid based on available information. The unusual nature of the National and Florida Settlements and the various remedies available to L-P makes the process of estimating these accruals difficult. The liability recorded at December 31, 1998 represents management's best estimate of the future liability related to siding claims based on the most current information available. There can be no assurance that the ultimate liability will not significantly exceed the recorded liability. Numerous factors affect the total amount of the future liability. These factors are discussed below.

EARLY PAYMENT PROGRAM AND SECOND FUND. L-P entered into these programs in 1998 after careful consideration of the potential monetary and non-monetary impacts of all of its alternatives and based on management's belief that they will help to keep the average cost per claim from increasing. Despite the increased costs of entering into these programs, L-P's management deemed them to be in the best interests of L-P and its shareholders. This decision was based on several very important considerations and assumptions.

First, as a result of executing these programs, L-P is protected from any further legal action by class members until at least June of 2003. Second, L-P's management believed that the Early Payment Program would be attractive to claimants who wished to repair or replace their exterior siding in a timely manner as the discounts proposed were relatively modest. In addition, management believes that the Second Fund will encourage claimants to timely submit new claims during 1999 and accept a discounted payment in 2000, thereby removing these claimants from any future action. With these two programs, management believes the likelihood of any

residual claimants initiating successful legal action after 2003 is significantly diminished. Third, management believes the effects of negative publicity regarding L-P's siding products would be reduced under these programs. Negative publicity could severely limit the growth of L-P's new siding products. Finally, management believes these programs are a lower risk approach to extinguishing remaining claims at an acceptable cost. Payment of claims under the Second Fund is at the discretion of L-P. Once the deadline of December 31, 1999 for submission of all claims has passed, several steps must take place including the verification and calculation of individual claim amounts and the opportunity for each claimant to opt out of the Second Fund after they have been informed of their pro rata settlement amount. After those steps are completed, L-P has the final decision whether or not to proceed with the funding. L-P's management will not be able to make this decision until all claims eligible for this program have been received and inspected and it is known how many claimants have decided to remain in the Second Fund (along with the dollar value of their claims). Management believes this will not occur until some time in the second or third quarter of 2000. Based on this, management will decide whether to proceed with the Second Fund or to pursue alternative resolutions. To the extent the programs do not result in the desired consequences, estimates of costs of additional claims could change in the future.

FUTURE COSTS. Other factors potentially influencing future costs include:

- The costs of administering the settlements or any alternative approach of resolving claims including the actual claims costs, notice costs, inspection costs, third party administrator costs and attorney's fees
- The possibility of claimants bringing a second class action lawsuit (L-P believes plaintiffs would be legally barred from this action provided that all mandatory payments under the settlement have been made)
- Unforeseen changes in the level of claims in the Florida Settlement
- Litigation related to other impacts of using L-P's siding, not specifically related to product performance

Changes in the above factors have caused the estimated accrual amounts to change in the past. However, L-P does not currently anticipate that these factors will cause a significant change in the remaining accruals for the reasons stated herein.

INSURANCE RECOVERIES. As of December 31, 1998, L-P had recorded approximately \$28.4 million in insurance recoveries. L-P is in the process of pursuing additional claims against various insurance carriers, however, it is not presently determinable what additional amounts, if any, will be recovered. The resolution of these matters could ultimately effect the net amounts paid by L-P.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations increased to \$123 million in 1998 from \$88 million in 1997, and \$23 million in 1996. In 1998, the increase in cash provided by operations resulted primarily from improved operating results. The 1997 increase was primarily due to a settlement from the U.S. Government of \$135 million for claims related to the KPC long-term timber supply contract. L-P paid out \$113 million in 1998, \$205 million in 1997 and \$263 million in 1996 related to litigation settlements.

Net cash provided by investing activities was \$246 million in 1998 compared to net cash used in investing activities of \$140 million in 1997 and \$213 million in 1996. In 1998, L-P received proceeds of \$368 million from the sale of assets, primarily timber and sawmill assets in California, the Weather-Seal division and Creative Point, Inc. In 1997 and 1996, L-P received \$64 million and \$62 million of cash for assets sold. In 1997 and 1996, L-P made significant investments in new OSB facilities. L-P has also spent significant amounts on environmental projects (such as pollution control equipment), upgrades of existing production facilities, timber to supply its operations and logging roads. Capital expenditures decreased in 1998 compared to the prior two years as L-P did not begin construction of any new mills.

In 1998, L-P used a net \$275 million of cash in financing activities. A total of \$496 million was used to repay term and revolving loans and \$67 million was used for treasury stock purchases. L-P borrowed \$348 million in 1998, by issuing senior secured notes backed by notes receivable received in a separate asset sale transaction. L-P increased its net borrowings by \$114 million in 1997 and \$196 million in 1996. The borrowings financed the payments of settlement obligations and capital expenditures.

L-P's liquidity improved in 1998 primarily as a result of the proceeds of the asset sales. Cash and cash equivalents totaled \$127 million at the end of 1998 compared to \$32 million at the end of 1997. L-P has a revolving credit facility of \$300 million with no borrowings outstanding at year-end 1998 which is available until 2002. In early 1999, L-P used a portion of this credit facility and an additional \$100 million bridge loan to fund the purchase of ABT. Subsequent to year-end, L-P filed a shelf registration statement for the placement of up to \$500 million of debt securities.

Inventories in L-P's balance sheet decreased \$53 million, net property, plant and equipment decreased by \$279 million and timber and timberlands decreased by \$135 million. These changes were primarily related to the sale of assets discussed previously. L-P also wrote down the book value of its Chetwynd, B.C. pulp mill as further discussed in Note 7 to the financial statements.

Contingency reserves, which represent an estimate of future cash needs for various contingencies (principally, payments for siding litigation settlements), totaled \$368 million at December 31, 1998, of which \$140 million is estimated to be payable within one year. As with all accounting estimates, there is inherent uncertainty concerning the reliability and precision of

such estimates. As described in Note 8 to the financial statements, the amounts ultimately paid in resolving these contingencies could exceed the current reserves by a material amount. Contingency reserves increased in 1998 as L-P revised its estimate of its liability for legal and environmental matters.

L-P continues to be in a strong financial condition with a relatively low ratio of long-term debt as a percent of total capitalization. Management believes, with respect to its current operations, that year-end cash and cash equivalents balances combined with the available lines of credit, borrowings in the capital markets, and cash to be generated from operations will be sufficient to meet projected cash needs including the payments related to the siding litigation settlement referred to above.

Pursuant to its business strategy, L-P selectively targets acquisitions that complement its core competencies and have strong growth prospects. Accordingly, L-P intends from time to time to consider possible acquisitions of other companies, businesses and assets. Acquisition transactions, if any, are expected to be financed through a combination of cash on hand and from operations and the possible issuance from time to time of long-term debt or other securities. Depending upon conditions in the capital markets and other factors, L-P will from time to time consider the issuance of debt or other securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness or for other corporate purposes.

#### STOCK REPURCHASE PROGRAM

On July 27, 1998, L-P announced a program to repurchase up to 20 million common shares from time to time in the open market. As of December 31, 1998, L-P had reacquired approximately 3.5 million shares for \$66.5 million. L-P had approximately 107 million shares outstanding at year-end.

#### YEAR 2000 COMPLIANCE

The Year 2000 problem refers to a worldwide issue relating to a flaw in many computer programs and computer applications embedded in equipment and other devices. In many existing software and hardware applications, two digits were used to represent the year, such as "99" for "1999." If not corrected, these applications may interpret "00" to be the year 1900 rather than 2000, producing erroneous data or, at worst, failing altogether. L-P recognizes the Year 2000 problem as a serious issue. Accordingly, L-P now considers the potential impact of the Year 2000 in connection with all in-house application development and purchases of third-party software. In the fall of 1997, L-P undertook a formal project to address its Year 2000 exposure and readiness. As discussed separately under the caption "ABT" below, ABT undertook a similar project prior to being acquired by L-P.

All of L-P's business groups, operations and corporate functions are covered by the Year 2000 project. The project team is staffed by full-time employees, contractors and consultants as

appropriate. The project is continuously monitored by a management steering committee and L-P's internal auditors to ensure that proper methodology is being followed, that adequate controls are in place and that appropriate steps are being taken to limit risk. In addition, periodic reports are made to senior management, the finance and audit committee and the board of directors.

The project is divided into three primary areas: (1) information systems; (2) manufacturing systems/building infrastructure; and (3) business partners (including suppliers and customers).

**INFORMATION SYSTEMS.** L-P's information systems include such common business applications as payroll, human resources, sales order entry, inventory management, finance and accounting. L-P's Year 2000 project phases for information systems include: inventorying and prioritizing all information systems; assessing the Year 2000 readiness of such systems; remediating such systems (through conversion, upgrades, replacement or risk-managed acceptance of non-compliant items); testing; and developing and implementing contingency plans, to the extent determined to be appropriate, for each mission critical system. The inventory and assessment phases for L-P's information systems have been completed. L-P has replaced its basic payroll, human resources and most accounting applications with off-the-shelf packages, the initial implementation of which was completed as of January, 1999. Approximately 23% of L-P's other business critical information systems require further remediation through system upgrades and/or replacements. The remediation of most of these systems is expected to be completed by June 30, 1999, and the remediation of all of these systems is scheduled for completion by September 30, 1999. Testing and contingency planning are underway and are scheduled to be completed by November 30, 1999.

**MANUFACTURING SYSTEMS/BUILDING INFRASTRUCTURE.** With respect to L-P's manufacturing systems and building infrastructure, the Year 2000 project is focused on surveying and, where necessary, remediating all computer-controlled and/or embedded devices used in L-P's manufacturing processes or in building infrastructure (such as the heating and air conditioning systems, security access and alarm systems, telephones, and office equipment used in L-P's offices and plants). The Year 2000 project phases for manufacturing systems and building infrastructure include: inventorying items that are exposed to Year 2000 issues; assessing the Year 2000 readiness of such items; remediating such items (through conversion, upgrades, replacement, or risk-managed acceptance of non-compliant items), testing; and developing and implementing contingency plans, to the extent determined to be appropriate, for each business group and facility location. The inventory phase for L-P's manufacturing systems and building infrastructure has been completed. More than 96% of the inventoried systems have been assessed for Year 2000 readiness, with completion of this phase scheduled for May 1999. Approximately 5% of L-P's manufacturing systems and building infrastructure assessed to date have been determined to require remediation. Most of the required remediation is expected to be completed by June 30, 1999 and all required remediation is scheduled to be completed by September 30, 1999. Testing and contingency planning are underway and are scheduled to be completed by November 30, 1999.

BUSINESS PARTNERS. L-P also faces the risk of business disruption from outside business partners, which may have information systems, manufacturing systems or infrastructure that are not Year 2000 compliant. In this regard, L-P's Year 2000 project includes identifying and prioritizing L-P's major business partners (primarily suppliers of raw materials and essential services such as utilities and transportation and significant customers), assessing their Year 2000 readiness and developing contingency plans where appropriate. The identification and prioritization phases have been completed and L-P has requested that all of its major business partners respond to a survey eliciting information as to their Year 2000 readiness. Of the approximately 40% of the business partners that have responded to the survey, none have disclosed significant readiness issues. L-P plans to reiterate its request for information from all critical business partners that have not responded to the survey by July 31, 1999 and to monitor the Year 2000 readiness of its most critical business partners throughout 1999. If L-P's efforts in this regard cause it to believe that significant risk is present, L-P will seek to identify alternate business partners and to develop contingency plans to address potential business disruptions prior to December 1999.

COSTS. The total expense associated with L-P's Year 2000 project is presently estimated to be approximately \$5.5 million, of which approximately \$1 million had been incurred by December 31, 1998. These costs are being expensed as incurred and are not expected to have a material effect on L-P's financial position or results of operations. These costs do not include expenses and capital costs associated with replacing systems which L-P would have replaced regardless of Year 2000 issues, including a new human resources information system and a new core financial system.

MOST REASONABLY LIKELY WORST-CASE SCENARIO. The occurrence of unscheduled downtime at L-P's facilities resulting from internal or third-party system failures could have an adverse effect on L-P's business, results of operations and cash flows. In this regard, L-P believes that its dependence on third parties for critical services such as telecommunications, energy, water and other utilities, financial services and transportation poses the greatest risk. L-P is seeking to assess the Year 2000 readiness of all mission critical systems and business partners and to develop appropriate contingency plans. These plans may include identifying alternative systems and suppliers and assisting major customers who may be affected by Year 2000 issues. However, there can be no assurance that L-P will not experience unscheduled downtime, business disruptions or other adverse consequences of the Year 2000 problem.

ABT. ABT implemented a project to address its Year 2000 exposure and readiness prior to its acquisition by L-P. ABT's Year 2000 project is generally similar in scope and structure to L-P's Year 2000 project. Most of the required remediation of ABT's systems and building infrastructure is expected to be completed by June 30, 1999 and all required remediation is scheduled to be completed by September 30, 1999. L-P has substantially completed the process of integrating ABT's Year 2000 project into L-P's Year 2000 project. However, the discussion of L-P's Year 2000 project contained in this report does not address ABT's information systems, manufacturing systems, building infrastructure, business partners or Year 2000 project.

ADDITIONAL CONSIDERATIONS. Despite the extensive efforts of L-P's project team, it is likely that some unexpected problems associated with the Year 2000 issue will arise. In addition, the costs and completion dates for L-P's Year 2000 project discussed herein are based on management's estimates, which were derived using numerous assumptions regarding future events, including continued availability of certain resources, remediation plans of business partners and other factors. There can be no assurance that these estimates will be achieved and actual results could differ significantly from L-P's current expectations.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS  
(DOLLAR AMOUNTS IN MILLIONS)

DECEMBER 31	1998	1997
-----		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 126.5	\$ 31.9
Accounts receivable, less reserves of \$1.5 and \$2.0	134.7	146.2
Inventories	205.7	258.8
Prepaid expenses	8.1	8.9
Income tax refunds receivable	43.9	78.0
Deferred income taxes	93.2	73.0
	-----	-----
Total current assets	612.1	596.8
Timber and timberlands, at cost less cost of timber harvested	499.0	634.2
Property, plant and equipment, at cost:		
Land, land improvements and logging roads, net of road amortization	150.4	185.6
Buildings	246.6	262.5
Machinery and equipment	1,663.2	1,876.3
Construction in progress	26.3	109.5
	-----	-----
	2,086.5	2,433.9
Less accumulated depreciation	(1,173.2)	(1,242.1)
	-----	-----
Net property, plant and equipment	913.3	1,191.8
Goodwill, net of amortization	60.0	77.6
Notes receivable from asset sales	403.8	49.9
Other assets	30.9	28.1
	-----	-----
Total assets	\$ 2,519.1	\$ 2,578.4
	=====	=====

See Notes to Financial Statements.



(DOLLAR AMOUNTS IN MILLIONS,  
EXCEPT PER SHARE)

----- DECEMBER 31 -----	1998	1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 34.1	\$ 22.9
Short-term notes payable	--	22.0
Accounts payable and accrued liabilities	192.5	234.4
Current portion of contingency reserves	140.0	40.0
	-----	-----
Total current liabilities	366.6	319.3
Long-term debt, excluding current portion:		
Limited recourse notes payable	396.5	47.9
Other debt	63.3	524.4
	-----	-----
Total long-term debt	459.8	572.3
Deferred income taxes	203.6	178.6
Contingency reserves, excluding current portion	228.0	184.0
Other long-term liabilities and minority interest	38.3	38.0
Commitments and contingencies		
Stockholders' Equity:		
Common stock, \$1 par value, 200,000,000 shares authorized, 116,937,022 shares issued	117.0	177.0
Preferred stock, \$1 par value, 15,000,000 shares authorized, no shares issued	--	--
Additional paid-in capital	465.4	472.2
Retained earnings	918.8	977.5
Treasury stock, 9,663,976 shares and 7,309,360 shares, at cost	(204.0)	(163.4)
Loans to Employee Stock Ownership Trusts	(28.8)	(37.7)
Accumulated comprehensive income (loss)	(45.6)	(79.4)
	-----	-----
Total stockholders' equity	1,222.8	1,286.2
	-----	-----
Total liabilities and stockholders' equity	\$ 2,519.1	\$ 2,578.4
	=====	=====

See Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME  
(DOLLAR AMOUNTS IN MILLIONS,  
EXCEPT PER SHARE)

YEAR ENDED DECEMBER 31	1998	1997	1996
Net sales	\$ 2,297.1	\$ 2,402.5	\$ 2,486.0
Costs and expenses:			
Cost of sales	1,853.8	2,126.7	2,123.5
Depreciation and amortization	143.8	142.8	150.6
Cost of timber harvested	41.6	41.1	41.2
Selling and administrative	183.3	180.4	139.7
Unusual credits and charges, net	47.8	32.5	350.0
Interest expense, net of capitalized interest	37.5	30.9	14.2
Interest income	(24.7)	(1.9)	(6.4)
Total costs and expenses	2,283.1	2,552.5	2,812.8
Income (loss) before taxes and minority interest	14.0	(150.0)	(326.8)
Provision (benefit) for income taxes	15.8	(43.6)	(125.6)
Minority interest in net income (loss) of consolidated subsidiaries	(3.8)	(4.6)	(.5)
Net income (loss)	\$ 2.0	\$ (101.8)	\$ (200.7)
Net income (loss) per share - basic and diluted	\$ .02	\$ (.94)	\$ (1.87)
Cash dividends per share of common stock	\$ .56	\$ .56	\$ .56
Average shares of common stock (millions)			
Basic	108.4	108.5	107.4
Diluted	108.6	108.5	107.4

See Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLAR AMOUNTS IN MILLIONS)

YEAR ENDED DECEMBER 31	1998	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 2.0	\$ (101.8)	\$ (200.7)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, amortization and cost of timber harvested	185.4	183.9	191.8
Unusual credit and charges, net	61.2	216.6	350.0
Cash settlements of contingencies	(113.2)	(204.8)	(263.4)
Other adjustments	11.2	(54.5)	3.8
Decrease (increase) in receivables	(3.8)	(4.0)	31.9
Decrease (increase) in inventories	7.1	12.8	31.1
Decrease (increase) in income tax refunds receivable	33.7	21.8	(99.5)
Decrease (increase) in prepaid expenses	(4.0)	4.7	1.4
Increase (decrease) in accounts payable and accrued liabilities	(64.2)	(1.8)	(1.6)
Increase (decrease) in deferred income taxes	7.6	15.3	(22.0)
Net cash provided by operating activities	123.0	88.2	22.8
<b>Cash Flows from Investing Activities</b>			
Plant, equipment and logging road additions, including cash used in acquisitions	(77.8)	(154.8)	(244.0)
Timber and timberland additions	(44.7)	(49.7)	(22.0)
Assets sale proceeds	367.6	63.6	62.4
Other investing activities, net	1.3	1.0	(9.1)
Net cash provided by (used in) investing activities	246.4	(139.9)	(212.7)
<b>Cash Flows from Financing Activities</b>			
Net decrease in short-term notes payable	(22.0)	(13.4)	(12.9)
Long-term borrowings	348.6	228.4	262.7
Repayment of long-term debt	(473.9)	(101.0)	(53.4)
Cash dividends	(60.7)	(60.7)	(60.1)
Purchase of treasury stock	(66.5)	(2.9)	--
Loans to ESOTs	(15.0)	--	--
Treasury stock sold to ESOTs	15.0	--	--
Other financing activities, net	(.3)	5.4	6.0
Net cash provided by (used in) financing activities	(274.8)	55.8	142.3
Net increase (decrease) in cash and cash equivalents	94.6	4.1	(47.6)
Cash and cash equivalents at beginning of year	31.9	27.8	75.4
Cash and cash equivalents at end of year	\$ 126.5	\$ 31.9	\$ 27.8

See Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(DOLLAR AND SHARE AMOUNTS IN MILLIONS)

	COMMON STOCK		TREASURY STOCK		ADDITIONAL PAID-IN	RETAINED	LOANS TO ESOTS
	SHARES	AMOUNT	SHARES	AMOUNT			
BALANCE AS OF DECEMBER 31, 1995	116.9	\$ 117.0	8.6	\$ (192.7)	\$ 472.4	\$ 1,400.8	\$ (85.5)
Net income (loss)	--	--	--	--	--	(200.7)	--
Cash dividends, \$.56 per share	--	--	--	--	--	(60.1)	--
Issuance of shares for employee stock plans and for other purposes	--	--	(.4)	9.4	3	--	--
Employee Stock Ownership Trust contribution	--	--	--	--	--	--	23.9
Currency translation adjustment	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Other comprehensive income (loss)	--	--	--	--	--	--	--
Total comprehensive income (loss)	--	--	--	--	--	--	--
BALANCE AS OF DECEMBER 31, 1996	116.9	\$ 117.0	8.2	\$ (183.3)	\$ 472.7	\$1,140.00	\$ (61.6)
Net income (loss)	--	--	--	--	--	(101.8)	--
Cash dividends, \$.56 per share	--	--	--	--	--	(60.7)	--
Issuance of shares for employee stock plans and for other purposes	--	--	(1.0)	22.8	(.5)	--	--
Purchase of treasury stock	--	--	.1	(2.9)	--	--	--
Employee Stock Ownership Trust contribution	--	--	--	--	--	--	23.9
Currency Translation adjustment	--	--	--	--	--	--	--
Pension liability adjustment	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Other comprehensive income (loss)	--	--	--	--	--	--	--
Total comprehensive income (loss)	--	--	--	--	--	--	--
BALANCE AS OF DECEMBER 31, 1997	116.9	\$ 117.0	7.3	\$ (163.4)	\$ 472.2	\$ 977.5	\$ (37.7)
Net income (loss)	--	--	--	--	--	2.0	--
Cash dividends, \$.56 per share	--	--	--	--	--	(60.7)	--
Issuance of shares for employee stock plans and for other purposes	--	--	(1.1)	25.9	(6.8)	--	(15.0)
Purchase of treasury stock	--	--	3.5	(66.5)	--	--	--
Employee Stock Ownership Trust contribution	--	--	--	--	--	--	23.9
Currency translation adjustment	--	--	--	--	--	--	--
Pension liability adjustment	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Other comprehensive income (loss)	--	--	--	--	--	--	--
Total comprehensive income (loss)	--	--	--	--	--	--	--
BALANCE AS OF DECEMBER 31, 1998	116.9	\$ 117.0	9.7	\$ (204.0)	\$ 465.4	\$ 918.8	\$ (28.8)

	ACCUMULATED COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY	COMPREHENSIVE INCOME (LOSS)
BALANCE AS OF DECEMBER 31, 1995	\$ (56.0)	\$ 1,656.0	--
Net income (loss)	--	(200.7)	\$ (200.7)
Cash dividends, \$.56 per share	--	(60.1)	--
Issuance of shares for employee stock plans and for other purposes	--	9.7	--
Employee Stock Ownership Trust contribution	--	23.9	--
Currency translation adjustment	--	--	1.7
Other	--	--	(2.9)
Other comprehensive income (loss)	(1.2)	(1.2)	(1.2)
Total comprehensive income (loss)	--	--	\$ (201.9)
BALANCE AS OF DECEMBER 31, 1996	\$ (57.2)	\$ 1,427.6	--
Net income (loss)	--	(101.8)	\$ (101.8)
Cash dividends, \$.56 per share	--	(60.7)	--

Issuance of shares for employee stock plans and for other purposes	--	22.3	--
Purchase of treasury stock	--	(2.9)	--
Employee Stock Ownership Trust contribution		23.9	--
Currency Translation adjustment	--	--	(15.0)
Pension liability adjustment	--	--	(8.2)
Other	--	--	1.0
Other comprehensive income (loss)	(22.2)	(22.2)	(22.2)
Total comprehensive income (loss)	--	--	\$ (124.0)
-----			
	\$ (79.4)	\$ 1,286.2	--
Net income (loss)	--	2.0	2.0
Cash dividends, \$.56 per share	--	(60.7)	--
Issuance of shares for employee stock plans and for other purposes	--	4.1	--
Purchase of treasury stock	--	(66.5)	--
Employee Stock Ownership Trust contribution	--	23.9	--
Currency translation adjustment	--	--	37.1
Pension liability adjustment	--	--	(4.2)
Other	--	--	.9
Other comprehensive income (loss)	33.8	33.8	33.8
Total comprehensive income (loss)	--	--	\$ 35.8
-----			
BALANCE AS OF DECEMBER 31, 1998	\$ (45.6)	\$ 1,222.8	--
-----			

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### NATURE OF OPERATIONS

Louisiana-Pacific Corporation is a U.S.-based company principally engaged in the manufacture of building products, and to a lesser extent, market pulp. Through its foreign subsidiaries, L-P also maintains manufacturing facilities in Canada and Ireland. The principal customers for L-P's building products are retail home centers, builders, manufactured housing producers, distributors and wholesalers in North America, with minor sales to Asia and Europe. The principal customers for its pulp products are brokers in Asia and Europe, with minor sales in North America.

A significant portion of L-P'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.

#### 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."

#### PRINCIPLES OF PRESENTATION

The consolidated financial statements include the accounts of Louisiana-Pacific Corporation and all of its subsidiaries (L-P), after elimination of intercompany balances and transactions.

#### EARNINGS PER SHARE

Basic and diluted earnings per share are based on the weighted average number of shares of common stock outstanding during the periods. The effect of potentially dilutive common stock equivalents (employee stock options and purchase plans) is not included in the calculation of diluted earnings per share for years in which losses are reported because the effect is anti-dilutive. Shares held by L-P's Employee Stock Ownership Trusts (ESOTs) which were acquired by the ESOTs on or after January 1, 1994 and have not been allocated to participants' accounts, are not considered outstanding for purposes of computing earnings per share (1,206,671 shares at December 31, 1998, 763,786 shares at December 31, 1997 and 1,073,251 shares at December 31, 1996).

CASH AND CASH EQUIVALENTS

L-P considers all highly liquid securities with maturities of three months or less at the time of purchase to be cash equivalents. Cash paid during 1998, 1997 and 1996 for interest (net of capitalized interest) was \$40.5 million, \$29.2 million and \$13.4 million. Net cash received during 1998, 1997 and 1996 for income taxes was \$25.5 million, \$80.7 million and \$4.1 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, L-P 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 material, 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. Inventory quantities are determined on the basis of physical inventories, adjusted where necessary for intervening transactions from the date of the physical inventory to the end of the year. The major types of inventories are as follows:

(DOLLAR AMOUNTS IN MILLIONS)

DECEMBER 31	1998	1997
-----	-----	-----
Logs	\$ 89.8	\$ 112.4
Lumber	16.0	37.6
Panel products	49.4	56.6
Other building products	47.3	82.1
Pulp	14.9	15.3
Other raw materials	23.5	25.1
Supplies	17.4	21.3
LIFO reserve	(52.6)	(91.6)
	-----	-----
Total	\$ 205.7	\$ 258.8
	=====	=====

A reduction in LIFO inventories in 1998 resulted in a reduction of cost of sales of \$15.8 million.

TIMBER

L-P 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

L-P 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.

L-P 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 1998, 1997 and 1996 was \$1.6 million, \$4.8 million and \$7.1 million.

L-P 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. No start-up costs were deferred in 1997 and \$3.8 million were deferred during 1996.

## 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 L-P 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 1998, 1997 and 1996 related to impairments of property, plant and equipment.

## DERIVATIVE FINANCIAL INSTRUMENTS

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 financial instruments as either assets or liabilities on the balance sheet at fair value; changes to fair value will impact earnings either as gains or losses. SFAS 133 will be effective for L-P beginning January 1, 2000. L-P is



currently determining the impact this statement will have on L-P's financial statements and related disclosures.

#### FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the exchange rate on the balance sheet date. Revenues, costs, and expenses are translated at average rates of exchange prevailing during the year. Translation adjustments resulting from this process are shown in stockholders' equity under "Accumulated Comprehensive Income (Loss)."

#### GOODWILL

Goodwill has resulted from acquisitions and is being amortized on a straight-line basis over 10 to 25 years. The amortization period of goodwill is periodically reviewed by L-P. Accumulated amortization was \$8.6 million and \$11.7 million at December 31, 1998 and 1997.

#### NOTES RECEIVABLE

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

In 1997, L-P received \$49.9 million in notes from a third party. The notes are due in principal payments of \$20 million in 2008, \$20 million in 2009, and \$9.9 million in 2012. Interest is to be received in semi-annual installments with rates varying from 5.62% to 7.5%.

In 1998, L-P 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. The weighted average interest rate of the notes is 7%.

L-P believes the carrying value of these notes approximates fair value at December 31, 1997 and believes the fair value at December 31, 1998 is approximately \$410 million.

RECLASSIFICATIONS

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

2. Accounts Payable and Accrued Liabilities

-----  
dollar amounts in millions  
-----

December 31	1998	1997
Accounts payable	\$ 127.3	\$ 153.0
Salaries and wages payable	23.0	27.4
Taxes other than income taxes	5.0	8.7
Workers' compensation	13.1	13.5
Other accrued liabilities	24.1	31.8
	\$ 192.5	\$ 234.4

=====

3. Income Taxes

Income (loss) before taxes and minority interest was taxed under the following jurisdictions:

-----  
dollar amounts in millions  
-----

year ended December 31	1998	1997	1996
Domestic	\$ .1	\$ (87.0)	\$ (255.1)
Foreign	13.9	(63.0)	(71.7)
	\$ 14.0	\$ (150.0)	\$ (326.8)

=====

Provision (benefit) for income taxes includes the following:

-----  
dollar amounts in millions  
-----

year ended December 31	1998	1997	1996
Current tax provision (benefit):			
U.S. federal	\$ 3.1	\$ (65.0)	\$ (87.4)
State and local	.3	(4.3)	(10.0)
Foreign	(1.3)	3.6	12.2
Total current tax provisions (benefit)	\$ 2.1	\$ (65.7)	\$ (85.2)
Deferred tax provision (benefit):			
U.S. federal	\$ 59.6	\$ 32.2	\$ 2.6
State and local	6.3	3.4	.3
Foreign	(52.2)	(13.5)	(43.3)
Total deferred tax provision (benefit)	\$ 13.7	\$ 22.1	\$ (40.4)

=====

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

----- dollar amounts in millions -----		
December 31	1998	1997
-----		
Property, plant and equipment	\$ 116.6	\$ 134.0
Timber and timberlands	148.0	166.2
Inventories	(1.3)	(4.2)
Accrued liabilities	(101.4)	(84.1)
Contingency reserves	(142.4)	(86.7)
Benefit of capital loss and NOL carryovers	(28.0)	(27.8)
Benefit of foreign ITC carryover	(61.0)	(62.3)
Benefit of U.S. alternative minimum tax credit	(20.0)	--
Installment sale gain deferral	147.1	18.5
Other	14.8	13.8
Valuation allowance	38.0	38.2
-----		
Net deferred tax liability	110.4	105.6
Less net current deferred tax assets	(93.2)	(73.0)
-----		
Net noncurrent deferred tax liabilities	\$ 203.6	\$ 178.6
=====		

LP's Canadian subsidiary, Louisiana-Pacific Canada Ltd. (LPC), has unrealized foreign investment tax credits (ITC) of approximately C\$93 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\$16 million in 1999, C\$6 million in 2001, C\$50 million in 2002, C\$3 million in 2003, C\$4 million in 2004, C\$13 million in 2005 and C\$1 million in 2006. The \$28 million of capital loss and net operating loss (NOL) carryovers included in the above table consists of \$22 million of state NOL carryovers which will expire in various years through 2013, and \$6 million of Canadian capital loss carryovers which will not expire.

U.S. taxes have not been provided on foreign subsidiaries' earnings of approximately \$31.7 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	1998	1997	1996
Federal tax rate	35%	(35)%	(35)%
State and local income taxes	4	(4)	-4
Nondeductible fines	51	--	--
Foreign tax credits used	(35)	--	--
Other foreign tax effects	19	6	--
Nondeductible goodwill	41	(1)	--
Other, net	(2)	5	1
	113%	(29)%	(38)%

#### 4. Long-term Debt

dollar amounts in millions

1998	Interest Rate at Dec. 31, 1998	December 31,	
		1997	1998
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	--
Project bank financing -			
Waterford, Ireland, OSB plant, payable in Irish pounds through 2003, interest rate variable	7.3	28.1	32.9
Project revenue bond financings, payable through 2009, interest rates variable	4.4-7.3	25.6	26.0
Employee Stock Ownership Trust (ESOT) Loans			
Hourly ESOT, payable annually through 1999, interest rate fixed	8.3	8.5	17.0
Salaried ESOT, payable annually through 1999, interest rate variable	4.5	6.0	12.0
Bank credit facility			
Revolving credit facility, expires in 2002, interest rate variable	--	--	300.0
Term loan facility, repaid in 1998	--	--	125.0
Montrose penalty liability, payable 2000-2002, interest rate fixed	5.4	25.0	--
Other, including capital lease obligations, payable in varying amounts through 2010, interest rates vary	4.3-7.0	4.2	34.4
Total		493.9	595.2
Less current portion		(34.1)	(22.9)
Net long-term debt		\$ 459.8	\$ 572.3

LP believes the carrying amounts of long-term debt approximate fair market value with the exception of limited recourse notes payable which L-P believes have a fair value of approximately \$402 million at December 31, 1998. Project bank financings are typically secured by the underlying assets of the related project. The limited recourse notes payable are collateralized by notes receivable from asset sales. Many of LP's loan agreements contain lender's standard covenants and restrictions. L-P was in compliance with all of the covenants and restrictions of these agreements at December 31, 1998. The exchange rate for the Irish pound was 1.48 U.S. dollars per pound at December 31, 1998.

L-P 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, L-P would only be liable to pay 10% of the notes payable.

At December 31, 1998, L-P had a \$300 million unsecured facility with a group of banks which expires in 2002. L-P pays a commitment fee on the unused portion and there were no outstanding borrowings at year-end. Additionally, L-P's subsidiary L-P Canada Ltd. has a \$30 million (Canadian) revolving credit facility. L-P Canada Ltd. pays a commitment fee on the unused portion but had no borrowings outstanding against the line at year-end.

The weighted average interest rate for all debt at December 31, 1998 and 1997 was 6.8 percent and 6.4 percent. Required repayment of principal for long-term debt is as follows:

-----	
dollar amounts in millions	
-----	
year ended December 31	
1999	\$ 34.1
2000	14.5
2001	14.5
2002	14.3
2003	4.4
2004 and after	412.1
-----	
Total	\$ 493.9
=====	

See Note 11 to the financial statements for a discussion of a proposed debt offering subsequent to year-end.

#### 5. Retirement Plans

L-P maintains tax-qualified Employee Stock Ownership Trusts (ESOTs) for eligible salaried and hourly employees in the U.S. under which 10 percent of the eligible employees' annual earnings are contributed to the trusts. Approximately 7,800 L-P employees participate in the ESOTs.

The annual allocation of shares to participant accounts and compensation expense are generally based on the ESOTs' cost of the shares. However, as required, compensation expense for shares purchased by the ESOTs after 1993 is based on the market value of the shares at the time of allocation. L-P's ESOTs held a total of approximately 10.8 million shares at December 31, 1998 of which approximately 9.6 million were allocated to participants' accounts. ESOT expense is included in the retirement plan expense table below.

L-P also maintains other defined contribution pension plans covering various groups of hourly and salaried employees in the U.S. and other countries. Contributions to the plans are generally computed by one of three methods: 1) L-P contribution required based upon a defined formula with no employee contributions allowed; 2) L-P contribution required based upon a

defined formula with elective or mandatory employee contributions; and 3) elective employee contributions only with no L-P contribution allowed.

L-P also has a number of defined benefit pension plans covering its hourly employees, most of which are frozen. Contributions to these plans are based on actuarial calculations of amounts to cover current pension and amortization of prior service costs over periods ranging from 10 to 20 years. Contributions to multiemployer defined benefit plans are specified in applicable collective bargaining agreements.

L-P also has 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. The projected benefit obligation was \$2.3 million at December 31, 1998. Expense for this plan is included in the retirement plan expense table below. L-P established a grantor trust to informally provide funding for the benefits payable under the SERP and a deferred compensation plan. During 1998, L-P contributed \$4.4 million to the trust. The funds were invested in corporate-owned life insurance policies. At December 31, 1998, the trust assets were valued at \$8.6 million and are included in other assets in L-P's consolidated balance sheet.

The status of L-P administered qualified defined benefit pension plans is as follows:

-----  
dollar amounts in millions  
-----

December 31	1998		1997	
	Plan with assets in excess of accumulated benefits	Plan with accumulated benefits in excess of assets	Plan with assets in excess of accumulated benefits	Plan with accumulated benefits in excess of assets
Projected and accumulated benefit obligation	\$ 11.8	\$ 110.6	\$ 11.2	\$ 103.2
Plan assets	13.9	93.0	13.2	89.1
Net funded (unfunded) status	2.1	(17.6)	2.0	(14.1)
Unrecognized asset at transition	--	(4.9)	(.3)	(6.5)
Unrecognized net loss and other	3.7	34.8	3.9	29.3
Adjustment to recognize minimum liability	--	(29.9)	--	(22.9)
Net prepaid (accrued) pension expense	\$ 5.8	\$ (17.6)	\$ 5.6	\$ (14.2)

Retirement plans changes and components are as follows:

-----		
dollar amounts in millions		
-----		
December 31	1998	1997
-----		
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation - January 1	\$ 114	\$ 104
Service cost	1	--
Interest cost	8	8
Actual (gain)/loss	5	6
Benefits paid	(6)	(4)
-----		
Benefit obligation - December 31	\$ 122	\$ 114
=====		
CHANGE IN ASSETS		
Fair value of assets - January 1	\$ 102	\$ 100
Actual return on plan assets	8	6
Employer contribution	3	--
Participation contribution	--	--
Benefits paid	(6)	(4)
-----		
Fair value of assets - December 31	\$ 107	\$ 102
=====		
RECONCILIATION OF FUNDED STATUS		
Funded status	\$ (15)	\$ (12)
Unrecognized actuarial (gain)/loss	37	31
Unrecognized prior service cost	1	2
Unrecognized obligation (asset)	(5)	(7)
-----		
Prepaid (accrued) benefit cost	\$ 18	\$ 14
=====		
AMOUNTS RECOGNIZED IN THE		
BALANCE SHEET CONSIST OF:		
Prepaid benefit cost	\$ 6	\$ 5
Accrued benefit liability	(18)	(14)
Deferred tax asset	12	9
Accumulated other comprehensive income	\$ 18	\$ 14
-----		
Net amount recognized	\$ 18	\$ 14
=====		

The actuarial assumptions used to determine pension expense and the funded status of the plans were: a discount rate on benefit obligations of 6.75% in 1998, 7.25% in 1997 and 7.75% in 1996; and an 8.75% expected long-term rate of return on plan assets for all three years.

Retirement plan expense included the following components:

----- dollar amounts in millions -----			
Year ended December 31	1998	1997	1996
-----			
Benefits earned by employees	\$ 1.1	\$ .2	\$ .5
Interest cost on projected benefit obligation	7.9	7.9	8.3
Return on plan assets	(9.2)	(9.0)	(10.9)
Net amortization and deferral	(.5)	(1.0)	(1.7)
-----			
Net periodic pension expense (income)	(.7)	(1.9)	(3.8)
Expense related to ESOTs, multiemployer, defined contribution and non-qualified plans	26.0	28.8	29.1
Loss from settlement of pension plan	--	7.3	--
-----			
Net retirement plan expense	\$ 25.3	\$ 34.2	\$ 25.3
=====			

The assets of the plans at December 31, 1998 and 1997 consist of government obligations, equity securities and cash and cash equivalents.

L-P has several plans which provide minimal postretirement benefits other than pensions. Net expense related to these plans was not significant. L-P does not generally provide post-employment benefits.

#### 6. Stock Options and Plans

The Financial Accounting Standards Board issued SFAS 123, "Accounting for Stock-Based Compensation" which establishes a fair value approach to measuring compensation expense related to employee stock plans for grants on or after January 1, 1995. As permitted by SFAS 123, L-P has elected to adopt only the disclosure provisions of the standard and has therefore recorded no compensation expense for certain stock option plans and all stock purchase plans. Had compensation expense for L-P's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the fair value methodology of SFAS 123, L-P's net income (loss) and net income (loss) per share would have been reduced to the pro forma amounts indicated below:



-----  
dollar amounts in millions, except per share  
-----

year ended December 31	1998	1997	1996
Net income (loss)			
As reported	\$ 2.0	\$ (101.8)	\$ (200.7)
Pro forma	(4.0)	(108.6)	(206.0)
Net income (loss) per share			
As reported	\$ .02	\$ (.94)	\$ (1.87)
Pro forma	(.04)	(1.00)	(1.92)

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 2.5 percent to 3.2 percent dividend yield; expected volatility of 39 percent in 1998, 27 percent in 1997 and 27 percent in 1996; and a risk free interest rate of 5.3 percent in 1998, 6.6 percent in 1997 and 6.7 percent in 1996.

#### Stock Option Plans

L-P grants options to key employees to purchase L-P common stock. Past options were granted at 85 to 100 percent of market price at the date of grant. The current stock award plan requires that options be granted at 100 percent of market price at the date of grant. The options become exercisable over 3 or 5 years beginning one year after the grant date and expire 5 or 10 years after the date of grant. At December 31, 1998, 4.9 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 were as follows:

share amounts in thousands	Number of Shares		
year ended December 31	1998	1997	1996
Options outstanding at January 1	2,373	1,678	1,370
Options granted	905	928	635
Options exercised	(113)	(155)	(196)
Options canceled	(342)	(78)	(131)
Options outstanding at December 31	2,823	2,373	1,678
Options exercisable at December 31	1,170	912	763

Weighted Average Price Per Share

year ended December 31	1998	1997	1996
<b>EXERCISE PRICE</b>			
Options granted	\$ 19.09	\$ 19.97	\$ 22.18
Options exercised	\$ 14.85	\$ 13.91	\$ 12.13
Options canceled	\$ 21.08	\$ 24.21	\$ 21.39
Options outstanding	\$ 18.11	\$ 21.09	\$ 21.14
Options exercisable	\$ 21.41	\$ 21.09	\$ 19.05
<b>FAIR VALUE AT DATE OF GRANT</b>			
Options granted	\$ 5.73	\$ 6.05	\$ 8.38

**PERFORMANCE-CONTINGENT STOCK AWARDS**

L-P 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 L-P common stock determined by comparing L-P'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 L-P'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.

Changes in performance-contingent stock awards were as follows:

year ended December 31	1998	1997
Number of Shares		
Target shares - awards outstanding at January 1	54,569	--
Target shares - awards granted	64,064	54,569
Target shares - awards canceled	(21,263)	--
Target shares - awards outstanding at December 31	97,370	54,569

**STOCK PURCHASE PLANS**

L-P offers employee stock purchase plans to most employees. Under each plan, employees may subscribe to purchase shares of L-P stock over 24 months at 85 percent of the market price. At December 31, 1998, 336,769 shares and 276,761 shares were subscribed at \$17.72 and \$18.89 per share under the 1998 and 1997 Employee Stock Purchase Plans. During 1998, L-P issued 150,601 shares to employees at an average price of \$18.59 under all Employee Stock Purchase Plans.

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:

-----			
dollar amounts in millions			
-----			
year ended December 31	1998	1997	1996
-----			
Additions to contingency reserves	\$ (284.5)	\$ (169.0)	\$ (100.0)
Long-lived asset impairment charges	(162.9)	(35.0)	(187.7)
Gain on asset sales	381.3	55.6	--
Gain on insurance recoveries	28.4	--	--
Gain on contract settlement	--	135.0	--
-----			
Severance and other	(10.1)	(19.1)	(62.3)
-----			
	\$ (47.8)	\$ (32.5)	\$ (350.0)
=====			

1998

In 1998, L-P increased its reserves for litigation and environmental liabilities by \$284.5 million. Of this total, \$257.7 million related to adjustments to current estimates of liabilities for product-related litigation and legal costs, including enhancements to the national siding class-action settlement. Current 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 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.

L-P 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, L-P 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 aggressively 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 L-P to permanently shut down the facility. This decision resulted in an

additional write-down of \$14.8 million. The operating loss of this facility was approximately \$5 million in 1998.

The logging roads in Alaska will cease to be used by L-P following the expiration of a timber harvesting agreement with the U.S. Forest Service. The agreement is scheduled to expire in 1999, subject to extension under certain circumstances. As part of its budgeting process for 1999, L-P determined that the logging roads were impaired based on the expected operating results of KPC through the scheduled expiration date of the agreement. Accordingly, L-P 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 L-P 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, L-P 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.

L-P 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, 1998 \$.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, L-P wrote off \$3.5 million of deferred start-up costs upon adoption of a new accounting standard.

1997

In 1997, L-P increased its reserves for litigation and environmental liabilities by \$169.0 million. Of this total, \$165.0 million related to adjustments to then current estimates of liabilities for product-related litigation and legal costs (these estimates were subsequently revised in 1998). Additional charges of \$4 million were taken for adjustment of environmental liabilities in Alaska. See Note 8 to the financial statements for a further discussion of significant litigation and environmental matters.

L-P recorded long-lived asset impairment charges totaling \$35.0 million on the assets of its subsidiary in Ireland and the roof shake plant in California (this estimate was subsequently revised in 1998). L-P began reviewing options for disposing of the assets in Ireland and determined that an impairment charge was appropriate. Although management is aggressively pursuing disposal options, the timing of such disposal is not presently determinable. The total asset write-down for this facility was \$15.0 million. L-P's share of this subsidiary's loss in 1997 was approximately \$5 million. The roof shake plant was part of the portfolio of California assets announced for sale in October 1997. As discussed above, this asset was not sold due to market conditions and was permanently shut-down in 1998. Based on then current estimates, the asset was written-down \$20 million. The operating loss of this facility was approximately \$4 million in 1997. The net carrying amount of the above assets to be disposed of was approximately \$64 million after the write-downs were recorded.

In 1997, L-P recorded gains on the sale of assets in the amount of \$55.6 million. The gains resulted from the sale of tracts of timber and timberland in California.

L-P's Ketchikan Pulp Company subsidiary (KPC) recorded a gain of \$135.0 million to reflect the initial proceeds received under a settlement agreement with the U.S. Government over KPC's claims of damages related to its long-term timber supply contract in Alaska.

Charges for severance and other costs totaled \$19.1 million in 1997. Adjustments to charges for the closure of KPC operations, originally announced in 1996, amounted to \$10.3 million, including a credit adjustment to estimated severance amounts of \$3.5 million. The remaining amount of \$8.8 million related to accruals for other costs incurred.

1996

In 1996, L-P increased its reserves for litigation and environmental liabilities by \$100.0 million. Of this total, \$45.0 million related to the net settlement cost of shareholder class-action litigation. Liabilities for product-related litigation and legal costs were adjusted to then current estimates which resulted in charges of \$40.0 million (these estimates were subsequently revised in 1997 and 1998). A charge for environmental costs of \$15.0 million related to the shut-down of KPC operations was also taken in 1996.

L-P recorded long-lived asset impairment charges totaling \$187.7 million related to the KPC operations, nine sawmills in various states, two OSB plants, two fiber gypsum plants, two plants in Mexico and certain other equipment throughout L-P's operations. L-P's management determined that these facilities were non-strategic and therefore would be either sold or liquidated. The write-downs by class of asset were \$125.0 million related to KPC assets, \$5.7 million related to sawmills, \$15.8 million related to OSB plants, \$17.5 million related to Canadian pulp operations, \$15.0 million related to fiber gypsum plants and \$8.7 million related to other plants and equipment. The identifiable losses related to these impaired assets totaled approximately \$64 million in 1996. The net carrying amount of the above assets to be disposed of was approximately \$82 million after the write-downs were recorded.

Charges for severance and other costs totaled \$62.3 million in 1996. Of this total, \$33.2 million related to the announced shut-down of KPC operations, including \$15 million for severance of approximately 830 employees. Of this charge, \$2.0 million, \$7.7 million and \$1.1 million was paid and charged against the liability in 1998, 1997 and 1996 and \$1.7 million remains in the liability at the end of 1998. As noted above, the liability for severance was revised in 1997. Inventory write-downs totaled \$16.7 million, which were also primarily related to the announced closure of KPC operations. The remaining amount of \$12.4 million related to accruals for other costs incurred.

#### 8. Contingencies

##### ENVIRONMENTAL PROCEEDINGS

In March 1995, L-P's subsidiary, Ketchikan Pulp Company ("KPC"), entered into agreements with the federal government to resolve violations of the Clean Water Act and the Clean Air Act that occurred at KPC's pulp mill during the late 1980's and early 1990's. The U.S. District Court for the District of Alaska subsequently approved these agreements. Pursuant to these agreements, KPC paid \$1.25 million of criminal penalties and \$3.1 million of civil penalties, all of which were paid in 1995. In addition, KPC agreed to undertake certain remedial and pollution-control projects. These projects included (i) capital projects for spill containment and water treatment plant upgrades estimated to cost approximately \$13.4 million (of which approximately \$7.5 million had been spent at December 31, 1998) and (ii) non-capital projects relating to the investigation and remediation of Ward Cove, a body of water adjacent to the mill site, estimated to cost approximately \$6.3 million (of which approximately \$1.6 million had been spent at December 31, 1998). As a result of the closure of the mill in May 1997, KPC's obligations with respect to the capital projects have been suspended through January 2000, and KPC is in the process of seeking permanent relief from those obligations. KPC's obligations with respect to the Ward Cove investigation and remediation have not been affected by the closure of the mill.

In June, 1997, KPC entered into an agreement with the State of Alaska and the U.S. Environmental Protection Agency (the "EPA") to investigate and, if necessary, clean up the former mill site. KPC has completed the investigative portion of this project and commenced work on the clean-up portion of this project, which is expected to be completed in the third quarter of 1999. Total costs associated with this project are estimated to be approximately \$2.7 million, of which approximately \$2.6 million had been spent at December 31, 1998.

KPC has completed the closure of a landfill near Thorne Bay, Alaska, pursuant to an agreement with the U.S. Forest Service (the "USFS"). Costs of the project totaled approximately \$6.5 million. KPC is also continuing to monitor leachate from the landfill in order to evaluate whether treatment of the leachate is necessary.

Certain L-P plant sites have, or are suspected of having, substances in the ground or in the groundwater underlying the sites that are considered pollutants.

L-P maintains a reserve for estimated environmental loss contingencies. The balance of the reserve was \$27.9 million and \$29.3 million at December 31, 1998 and 1997, respectively, of which \$9.1 million and \$18.4 million related to the KPC matters described above and other remedial activities associated with the closure of KPC's pulp mill. 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 L-P and closing and monitoring landfills. L-P'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. L-P 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. L-P'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 L-P's estimated exposure reflects actual or anticipated cost-sharing arrangements with third parties, L-P 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 L-P's reserve for estimated environmental loss contingency reserves for the last three years is summarized in the following table.

-----  
dollar amounts in millions  
-----

Year ended December 31	1998	1997	1996
Beginning balance	\$ 29.3	\$ 49.9	\$ 13.7
Accrued to expense during the year	17.3	3.4	38.5
Accrued as expense of asset sales	6.9	---	---
Reclassification of previously recorded liabilities	---	6.7	---
Payments made	(20.1)	(30.7)	(2.3)
Reclassification to note payable	(5.5)	---	---
Ending balance	\$ 27.9	\$ 29.3	\$ 49.9

=====

In the third quarter of 1996, L-P announced plans to close the KPC pulp mill. In conjunction with this announcement, L-P accrued \$38.5 million for estimated liabilities for the Ward Cove investigation and remediation, mill site and landfill investigation and remediation, asbestos abatement and the demolition and removal of assets from the mill site, all of which were deemed necessary for environmental compliance purposes.

In the first quarter of 1997, operations at the pulp mill ceased. Based upon the information then available to it, L-P refined its original estimate of the closure-related liabilities and accrued an additional \$3.3 million.

In the second quarter of 1998, two environmental accruals were made. In connection with the sale of certain properties in California, L-P estimated that retained environmental liabilities were approximately \$6.9 million. In addition, \$6.0 million was added to the environmental accrual related to the "Colorado Criminal Proceedings" discussed below. 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.

Although L-P's policy is to comply with all applicable environmental laws and regulations, L-P has, in the past, been required to pay fines for noncompliance. In some instances, litigation has resulted from contested environmental actions. Also, L-P is involved in other environmental actions and proceedings which could result in fines or penalties. Based on the information currently available, management believes that any fines, penalties or other losses resulting from the matters discussed above will not have a material adverse effect on the consolidated financial position or results of operations of L-P.

#### COLORADO CRIMINAL PROCEEDINGS

In June 1995, a federal grand jury returned an indictment in the U.S. District Court for the District of Colorado against L-P in connection with alleged environmental violations, as well as alleged fraud in connection with the submission of unrepresentative oriented strand board (OSB) product samples to an industry product certification agency, by L-P's Montrose (Olathe), Colorado OSB plant. In connection with entering a guilty plea as to certain criminal violations in May 1998, (i) L-P agreed to pay total penalties of \$37 million (including making \$500,000 in charitable contributions), of which \$12 million was paid in 1998, and was sentenced to five years of probation and (ii) all remaining charges against L-P were dismissed. Under the terms of the original agreement, the \$25 million balance of the fine assessed against L-P, which is secured by a statutory lien, was payable in three equal annual installments, together with accrued interest, beginning July 1, 2000. However, in early 1999, the court approved a modification to the agreement, which now provides for the payment of this balance, without interest, on June 1, 1999.

In December 1995, L-P received a notice of suspension from the EPA stating that, because of the criminal proceedings pending against L-P in Colorado, the Montrose facility would be prohibited from purchasing timber directly from the USFS. In April 1998, L-P signed a Settlement and Compliance Agreement with the EPA. This agreement formally lifted the 1995



suspension imposed on the Montrose facility. The agreement has a term of five years and obligates L-P to (i) develop and implement certain corporate policies and programs, including a policy of cooperation with the EPA, an employee disclosure program and a policy of nonretaliation against employees, (ii) conduct its business to the best of its ability in accordance with federal laws and regulations and local and state environmental laws, (iii) report significant violations of law to the EPA, and (iv) conduct at least two audits of its compliance with the agreement.

#### OSB SIDING MATTERS

L-P has been named as a defendant in numerous class action and nonclass action proceedings, brought on behalf of various persons or purported classes of persons (including nationwide classes in the United States and Canada) who own or have purchased or used OSB siding manufactured by L-P, because of 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.

The U.S. District Court for the District of Oregon has given final approval to a settlement between L-P and a nationwide class composed of all persons who own, have owned, or subsequently acquire property on which L-P'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 percent) based on the age of the siding. Class members who previously submitted or resolved claims under any other warranty or claims program of L-P 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 L-P 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 L-P may assert any available defense, including defenses that otherwise had been waived under the settlement agreement. If the arbitrator reduces the damage award otherwise payable to the claimant because of a finding of improper installation, the claimant may pursue a claim against the contractor/builder to the extent the award was reduced.

The settlement requires L-P to contribute \$275 million to the settlement fund in seven annual installments payable during the period from 1996 through 2002 in the following amounts: \$100

million; \$55 million; \$40 million; \$30 million; \$20 million; \$15 million; and \$15 million. As of December 31, 1998, L-P had funded the first three installments. L-P also had funded a significant portion of the last four installments through the Early Payment Program discussed below. The estimated cumulative total of approved claims under the settlement, as calculated under the terms of the settlement (without giving effect, in the case of unpaid claims, to discounted settlements under the Early Payment Program), exceeded \$500 million at December 31, 1998. In these circumstances, unless L-P makes an additional contribution of \$50 million to the settlement fund by August 2001, the settlement will terminate as to all claims in excess of \$275 million that remain unpaid. In addition, unless L-P makes a second additional contribution of \$50 million to the settlement fund by August 2002, the settlement will terminate as to all claims in excess of \$325 million that remain unpaid. If L-P makes both of these additional contributions, the settlement would continue in effect until at least August 2003, at which time L-P would be required to make an election with respect to all unpaid claims that were filed prior to December 31, 2002. If, in August 2003, L-P elects to pay pursuant to the settlement all approved claims that remain unpaid at that time, 50% of the unpaid claims must be paid by August 2004 and the remaining 50% must be paid by August 2005. If L-P 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 August 2003.

If L-P makes all payments required under the settlement agreement, including all additional payments as specified above, class members will be deemed to have released L-P 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, L-P 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. After accruing interest on undisbursed funds and deducting class notification costs, prior claims costs (including payments advanced to homeowners in urgent circumstances) and payment of claims under the settlement, as of December 31, 1998, approximately \$5.8 million remained of the \$195 million paid into the fund to date (all of which was dedicated to the payment of expenses or held in reserve).

On October 26, 1998, L-P announced an agreement to offer early payments to eligible claimants who have submitted valid and approved claims under the original settlement agreement (the "Early Payment Program") and to establish an additional \$125 million fund to pay all other approved claims that are filed before December 31, 1999 (the "Second Fund").

The Early Payment Program applies to all claimants who are entitled to be paid from the \$80 million of mandatory contributions to the settlement fund that remain to be made under the settlement agreement, and to all claimants who otherwise would be paid from the proceeds of the two optional \$50 million contributions to the settlement fund that L-P may elect to make under the settlement agreement. The early payments from the \$80 million of mandatory contributions are discounted at a rate of 9% per annum calculated from their original payment dates (1999-2002) to the date the early payment offer was made. The early payments from the two \$50

million optional contributions are discounted at a rate of 12% per annum calculated from 2001 and 2002, respectively, to the date the early payment offer was made. Claimants may accept or reject the discounted early payments in favor of remaining under the original settlement, but may not arbitrate the amount of their early payments. For purposes of determining whether L-P has made any mandatory or optional contribution to the settlement fund as of the respective due date therefor, L-P will receive credit for the undiscounted amount of such contribution to which the discounted amount thereof paid pursuant to the Early Payment Program is attributable. At December 31, 1998, approximately \$106.7 million in Early Payment Program checks had been mailed and \$60.8 million had been cashed in settlement of claims, while approximately \$26.6 million in such checks remained to be mailed. Giving effect only to Early Payment Program checks that had actually been cashed, L-P had effectively satisfied a cumulative total of approximately \$266.5 million of its mandatory and optional contributions to the settlement fund at December 31, 1998.

The \$125 million Second Fund represents an alternative source of payment for all approved claims not eligible for the Early Payment Program and all new claims filed before December 31, 1999. In early 2000, claimants electing to participate in the Second Fund will be offered a pro rata share of the fund in complete satisfaction of their claims, which they may accept or reject in favor of remaining under the original settlement. Claimants who accept their pro rata share may not file additional claims under the settlement or arbitrate the amount of their payments. Claimants who elect not to participate in the Second Fund remain bound by the terms of the original settlement. If L-P is dissatisfied with the number of claimants who elect to be paid from the Second Fund, L-P may refuse to proceed with funding at its sole option. In that event, the Second Fund will be canceled and all the claimants who had elected to participate in it will be governed by the original settlement.

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, L-P has established a claims procedure pursuant to which members of the settlement class may report problems with L-P's OSB siding and have their properties inspected by an independent adjuster, who will 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. L-P has agreed that the deduction from the payment to a member of the Florida class will be not greater than the deduction computed for a similar claimant under the national settlement agreement described above. Class members will be entitled to make claims until October 4, 2000.

#### CONTINGENCY RESERVES

L-P 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 \$340.1 million and \$194.7 million at December 31, 1998 and 1997, respectively (of which \$323.9 million and \$164.7 million, respectively, related to OSB siding contingencies). L-P's

estimates of its non-environmental loss contingencies are based on various assumptions and judgments. In the case of the OSB siding contingency, 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 replacement cost (as determined in accordance with the applicable settlement) of the damaged siding; the extent to which claimants will elect to participate in the Early Payment Program or the Second Fund; 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. L-P 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 L-P may ultimately pay in connection with these matters could materially exceed, in the near term, the amounts accrued to date. L-P'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 L-P's loss contingency reserves relating to OSB siding contingencies for the last three years is summarized in the following table.

----- dollar amounts in millions -----			
Year ended December 31	1998	1997	1996
-----			
Beginning balance	\$ 164.7	\$184.9	\$360.9
Accruals made during the year	247.5	161.9	38.1
Payments made	(100.8)	(182.1)	(214.1)
Insurance recovery	12.5	---	---
=====			
Ending balance	\$323.9	\$164.7	\$184.9
=====			

In the third quarter of 1996, L-P accrued an additional \$36.0 million primarily related to larger than expected settlement opt-out claims subsequent to the approval of the nationwide settlement in June of 1996. In the fourth quarter of 1996, L-P accrued an additional \$2.1 million.

In the third quarter of 1997, management learned that accrued and future claims under the nationwide settlement would likely exceed the \$275 million originally estimated. Accordingly, L-P accrued an additional \$50 million for the nationwide settlement based on the minimum amount management believed was probable and estimable at the time. Additionally, management determined that an additional accrual of \$111.9 million was necessary based on updated estimates of total costs to be incurred for Florida class action claims, administration costs of the nationwide settlement, additional opt-out settlements and legal fees.

In the third quarter of 1998, following court approval of the Early Payment Program and the Second Fund, L-P accrued an additional \$247.5 million based on the estimated costs of the Early Payment Program and the Second 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 settlement.

OTHER PROCEEDINGS

L-P and its subsidiaries are parties to other legal proceedings. Management believes that the outcome of such proceedings will not have a material adverse effect on the consolidated financial position or results of operations of L-P.

9. Commitments

L-P is obligated to purchase timber under certain cutting contracts which extend to 2004. L-P's best estimate of its commitment at current contract rates under these contracts is approximately \$14.7 million for approximately 144 million board feet of timber.

Payments under all operating leases that were charged to expense during 1998, 1997, and 1996 were \$17.7 million, \$17.5 million and \$17.0 million. Future minimum rental payments under noncancellable operating leases are not significant.

10. Segment Information

L-P, a major supplier of building products, operates through several business units with their own management teams. The business units have been aggregated into five reportable segments based on the similarity of economic characteristics, customers, distribution methods and manufacturing processes.

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

----- ----- dollar amounts in millions ----- -----			
year ended December 31	1998	1997	1996
----- -----			
TOTAL SALES - POINT OF ORIGIN			
U.S.	\$ 2,212	\$ 2,330	\$ 2,389
Canada and other	166	128	162
Intersegment sales to U.S.	(81)	(55)	(65)
----- -----			
Total sales	\$ 2,297	\$ 2,403	\$ 2,486
----- -----			
Export sales (included above)	\$ 128	\$ 240	\$ 268
=====			
PROFIT (LOSS)			
U.S.	\$ 273	\$ 39	\$ 107
Canada and other	(104)	(48)	(24)
Unusual credits and charges, net1	(48)	(32)	(350)

General corporate expense and interest, net	(107)	(109)	(60)
Income (loss) before taxes and minority interest	\$ 14	\$ (150)	\$ (327)
IDENTIFIABLE ASSETS			
U.S.	\$ 2,279	\$ 2,220	\$ 2,228
Canada and other	240	358	394
Total assets	\$ 2,519	\$ 2,578	\$ 2,622

Information about L-P's product segments is as follows:

dollar amounts in millions			
year ended December 31	1998	1997	1996
TOTAL SALES			
Structural products	\$ 1,374	\$ 1,294	\$ 1,408
Exterior products	107	103	99
Industrial panel products	175	181	195
Specialty and products	566	695	607
Pulp	75	130	177
Total sales	\$ 2,297	\$ 2,403	\$ 2,486
PROFIT (LOSS)			
Structural products	\$ 199	\$ 22	\$ 135
Exterior products	22	9	17
Industrial panel products	6	13	31
Specialty and other products	(20)	(24)	(9)
Pulp	(38)	(29)	(91)
Unusual credits and charges, net (1)	(48)	(32)	(350)
General corporate and other expense, net	(94)	(80)	(52)
Interest, net	(13)	(29)	(8)
Income (loss) before taxes and minority interest	\$ 14	\$ (150)	\$ (327)

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

dollar amounts in millions			
year ended December 31	1998	1997	1996
IDENTIFIABLE ASSETS			
Structural products	\$ 927	\$ 1,105	\$ 1,079

Exterior products	46	45	41
Industrial panel products	124	175	179
Specialty and products	255	302	314
Pulp	178	266	166
-----			
Non-segment related	989	685	843
-----			
Total assets	\$ 2,519	\$ 2,578	\$ 2,622
=====			

DEPRECIATION, AMORTIZATION AND  
COST OF TIMBER HARVESTED

Structural products	\$ 105	\$ 114	\$ 107
Exterior products	7	4	6
Industrial panel products	5	6	6
Specialty and other products	27	26	25
Pulp	12	14	10
Non-segment related	29	20	38
-----			
Total depreciation, amortization and cost of timber harvested	\$ 185	\$ 184	\$ 192
=====			

CAPITAL EXPENDITURES

Structural products	\$ 87	\$ 116	\$ 115
Exterior products	1	5	8
Industrial panel products	2	6	9
Specialty and other products	18	52	48
Pulp	7	4	36
Non-segment related	8	22	50
-----			
Total capital expenditures	\$ 123	\$ 205	\$ 266
=====			

11. Subsequent Events

On January 25, 1999, L-P commenced a tender offer to purchase all outstanding shares of ABT Building Products Corporation (ABT) for \$15 per share. On February 25, 1999, L-P and ABT merged following the successful completion of the tender offer. L-P acquired approximately 10.7 million shares of ABT for cash proceeds of approximately \$160 million.

In March 1999, L-P filed a shelf registration statement for \$500 million of 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. The proceeds from the sale of such securities are anticipated to be used by L-P for general corporate purposes, which may include repayment of debt, including debt incurred in the acquisition of ABT.

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, 1998 and 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of L-P's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, 1998 and 1997, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Portland, Oregon  
January 29, 1999  
(February 25, 1999 as to the first paragraph of Note 11)



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated statements of income, stockholders' equity and cash flows of Louisiana-Pacific Corporation (a Delaware corporation) for the year ended December 31, 1996. These financial statements are the responsibility of L-P's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of income is 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 audit provides a reasonable basis for our opinion.

In our opinion, the statements of income, stockholders' equity and cash flows referred to above present fairly, in all material respects, the results of operations of Louisiana-Pacific Corporation for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Portland, Oregon  
January 31, 1997

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

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

Consolidated Balance Sheets December 31, 1998, and 1997.

Consolidated Statements of Income years ended December 31, 1998, 1997, and 1996.

Consolidated Statements of Cash Flows years ended December 31, 1998, 1997, and 1996.

Consolidated Statements of Stockholders' Equity years ended December 31, 1998, 1997, and 1996.

Notes to Financial Statements.

Reports of Independent Public Accountants.

No financial statement schedules are required to be filed.

B. REPORTS ON FORM 8-K

No reports on Form 8-K were filed by L-P during the quarter ended December 31, 1998.

C. EXHIBITS

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

SIGNATURES

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

Date: February 4, 2000

LOUISIANA-PACIFIC CORPORATION  
(Registrant)

/S/ CURTIS M. STEVENS

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

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

Date	Signature and Title
-----	-----
February 4, 2000	/S/ MARK A. SUWYN ----- Mark A. Suwyn Chief Executive Officer, Chairman of the Board, Director (Principal Executive Officer)
February 4, 2000	/S/ CURTIS M. STEVENS ----- Curtis M. Stevens  Vice President, Treasurer and Chief Financial Officer (Principal Financial & Accounting Officer)
February , 2000	----- John W. Barter Director
February 4, 2000	/S/ WILLIAM C. BROOKS ----- William C. Brooks Director

February 4, 2000

/S/ ARCHIE W. DUNHAM

-----  
Archie W. Dunham  
Director

February 4, 2000

/S/ PAUL W. HANSEN

-----  
Paul W. Hansen  
Director

February 4, 2000

/S/ DONALD R. KAYSER

-----  
Donald R. Kayser  
Director

February , 2000

-----  
Brenda Lauderback  
Director

February , 2000

-----  
Patrick F. McCartan  
Director

February 4, 2000

/S/ LEE C. SIMPSON

-----  
Lee C. Simpson  
Director

EXHIBIT INDEX

On written request, Louisiana-Pacific Corporation ("L-P") will furnish to any record holder or beneficial holder of its common stock any exhibit to this report upon the payment of a fee equal to L-P's costs of copying such exhibit plus postage. Any such request should be sent to: Ward Hubbell, Director of Corporate Affairs, Louisiana-Pacific Corporation, 111 S.W. Fifth Avenue, Portland, Oregon 97204.

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

EXHIBIT - - - - -	DESCRIPTION - - - - -
2.1	Purchase Agreement by and between L-P, LPS Corporation, L-P Redwood, LLC, Louisiana-Pacific Samoa, Inc., and Simpson Timber Company and Simpson Investment Company dated as of May 1, 1998. Incorporated by reference to Exhibit 2.1 to L-P's Form 10-Q report for the quarter ended March 31, 1998.
2.2	Purchase Agreement by and between LPS Corporation, L-P Redwood, LLC, and Samsome Forest Partners, L.P., dated as of May 1, 1998. Incorporated by reference to Exhibit 2.2 to L-P's Form 10-Q report for the quarter ended March 31, 1998.
2.3	Agreement and Plan of Merger dated as of January 19, 1999, by and among ABT Building Products Corporation, L-P and Striper Acquisition, Inc. Incorporated by reference to Exhibit (c) (1) to L-P's Schedule 14D-1 filed January 25, 1999.
3.1	Restated Certificate of Incorporation of L-P. Incorporated by reference to Exhibit 3(a) to L-P's Form 10-Q report for the quarter ended June 30, 1993.
3.2	Bylaws of L-P as amended April 23, 1999. Incorporated by reference to Exhibit 3.1 to L-P's Form 10-Q report for the quarter ended March 31, 1999.
4.1	Rights Agreement, dated as of May 26, 1998, between L-P and First Chicago Trust Company of New York as Rights Agent, including the form of Right Certificate as Exhibit A and the Summary of Rights to Purchase Preferred Shares as Exhibit B. Incorporated by reference to Exhibit 1 to L-P's Registration Statement on Form 8-A filed May 26, 1998.
	Pursuant to Item 601(b) (4) (iii) of Regulation S-K, L-P is not filing certain instruments with respect to its long-term debt because the amount authorized under any such instrument does not exceed 10 percent of L-P's total consolidated assets at December 31, 1998. L-P agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

- 4.2.1 Credit Agreement dated as of January 31, 1997, among L-P, Louisiana-Pacific Canada Ltd., Bank of America National Trust and Savings Association ("Bank of America") and the other financial institutions that are parties thereto. Incorporated by reference to Exhibit 4.A.2 to L-P's Form 10-K report for 1996.
- 4.2.2 Consent and First Amendment to Credit Agreement dated as of December 31, 1997, among L-P, Louisiana-Pacific Canada Ltd., Louisiana-Pacific Canada Pulp Co., Bank of America and other financial institutions that are parties thereto. Previously filed as Exhibit 4.3 to L-P's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 as filed on March 18, 1999.
- 4.3 Loan Agreement, dated February 3, 1999, between L-P and Centric Capital Corporation and related Promissory Note. Incorporated by reference to Exhibit 4.1 to L-P's Form 10-Q report for the quarter ended March 31, 1999.
- 4.4 Note Purchase Agreement among L-P, L-P SPV2, LLC, and the Purchasers listed therein dated June 30, 1998. Incorporated by reference to Exhibit 4 to L-P's Form 10-Q report for the quarter ended June 30, 1998.
- 10.1 1984 Employee Stock Option Plan as amended. Incorporated by reference to Exhibit 10.A to L-P's Form 10-K report for 1996.\*
- 10.2 1991 Employee Stock Option Plan. Incorporated by reference to Exhibit 10.B to L-P's Form 10-K report for 1996.\*
- 10.3 1992 Non-Employee Director Stock Option Plan (restated as of May 3, 1998) and Related Form of Option Agreement. Incorporated by reference to Exhibit 10.1 to L-P's Form 10-Q report for the quarter ended March 31, 1998. \*
- 10.4 Non-Employee Directors' Deferred Compensation Plan effective July 1, 1997. Incorporated by reference to Exhibit 10.D to L-P's Form 10-K report for 1997.\*
- 10.5 Executive Deferred Compensation Plan effective May 1, 1997. Incorporated by reference to Exhibit 10.P to L-P's Form 10-K report for 1997.\*
- 10.6 1997 Incentive Stock Award Plan as restated as of May 3, 1998. Previously filed as Exhibit 10.6 to L-P's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 as filed on March 18, 1999.\*
- 10.7 Forms of Award Agreements for Non-Qualified Stock Options and Performance Shares under the 1997 Incentive Stock Award Plan. Incorporated by reference to Exhibit 10.F(2) to L-P's Form 10-K report for 1996.\*
- 10.8 Annual Cash Incentive Award Plan effective March 1, 1997. Incorporated by reference to Exhibit 10.F(3) to L-P's Form 10-K report for 1996.\*

- 10.9 L-P's Supplemental Executive Retirement Plan effective July 1, 1997. Incorporated by reference to Exhibit 10.H to L-P's Form 10-K report for 1997.\*
- 10.10 Employment Agreement between L-P and Mark A. Suwyn dated January 2, 1996. Incorporated by reference to Exhibit 10.L to L-P's Form 10-K report for 1995.\*
- 10.11 Restricted Stock Award Agreement between L-P and Mark A. Suwyn dated January 31, 1996. Incorporated by reference to Exhibit 10.J to L-P's Form 10-K report for 1997.\*
- 10.12 1997 Cash Incentive Award for Mark A. Suwyn adopted March 11, 1997. Incorporated by reference to Exhibit 10.K to L-P's Form 10-K report for 1996.\*
- 10.13 Letter agreement dated April 19, 1996, with Michael D. Hanna, with respect to attached employment agreement dated January 15, 1995, between Mr. Hanna and Associated Chemists, Inc. Incorporated by reference to Exhibit 10.L to L-P's Form 10-K report for 1996.\*
- 10.14 Execution Employment Agreement effective as of January 1, 1997, by and between L-P and Karen D. Lundquist. Incorporated by reference to Exhibit 10.M to L-P's Form 10-K report for 1996.\*
- 10.15 Letter agreement dated July 16, 1997, relating to the employment of Gary C. Wilkerson. Incorporated by reference to Exhibit 10.N to L-P's Form 10-K report for 1997.\*
- 10.16 Letter agreement dated July 16, 1997, relating to the employment of Curtis M. Stevens. Incorporated by reference to Exhibit 10.O to L-P's Form 10-K report for 1997.\*
- 10.17 Form of Change of Control Employment Agreement between L-P and each of J. Ray Barbee, Warren Easley, Richard W. Frost, Keith Matheney, Curt Stevens, Mark A. Suwyn, Michael J. Tull, and Gary C. Wilkerson. Incorporated by reference to Exhibit 10.2 to L-P's Form 10-Q report for the quarter ended March 31, 1998.\*
- 10.18 Separation Agreement between L-P and Michael D. Hanna dated October 29, 1998. Previously filed as Exhibit 10.18 to L-P's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 as filed on March 18, 1999.\*
- 10.19 Separation Agreement between L-P and Karen Lundquist Malkewitz dated October 28, 1998. Previously filed as Exhibit 10.19 to L-P's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 as filed on March 18, 1999.\*
- 10.20.1 Settlement Agreement, dated October 18, 1995, between L-P and counsel for plaintiffs in nationwide siding class action litigation. Incorporated by reference to Exhibit 10 to L-P's Form 10-Q report for the quarter ended September 30, 1995.

- 10.20.2 Amendment to Settlement Agreement, dated April 26, 1996, between L-P and counsel for plaintiffs in nationwide siding class action litigation. Incorporated by reference to Exhibit 10.A to L-P's Form 10-Q report for the quarter ended March 31, 1996.
- 10.20.3 Supplemental Funding Agreement, dated October 26, 1998, between L-P and counsel for plaintiffs in nationwide siding class action litigation. Incorporated by reference to Exhibit 10.1 to L-P's Form 10-Q report for the quarter ended September 30, 1998.
- 10.21 Settlement Agreement, dated October 4, 1995, between L-P and counsel for plaintiffs in Florida siding class action litigation.
- 21 List of L-P's subsidiaries. Previously filed as Exhibit 21 to L-P's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 as filed on March 18, 1999.
- 23.1 Consent of Arthur Andersen LLP.
- 23.2 Consent of Deloitte & Touche LLP.
- 27 Financial data schedule. Previously filed as Exhibit 27 to L-P's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 as filed on March 18, 1999.



IN THE CIRCUIT COURT OF THE FIFTH JUDICIAL CIRCUIT  
IN AND FOR LAKE COUNTY, FLORIDA

JEFFREY ANDERSON and ARMANDINA  
ANDERSON, his wife, et al.

Plaintiffs,

CASE NO. 94-2458-CA-01

vs.

DIVISION NO: 4

LOUISIANA-PACIFIC CORPORATION,  
a Delaware corporation, et al.

CLASS REPRESENTATION

Defendants.

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SETTLEMENT AGREEMENT

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TABLE OF EXHIBITS

1.	Court Order on Conditional Acceptance.....	Exhibit "A"
2.	Problem Report.....	Exhibit "B"
3.	Field Inspection and Evaluation Form.....	Exhibit "C"
4.	Release.....	Exhibit "D"
5.	Request for Exclusion.....	Exhibit "E"
6.	Notice of Pendency of Class Action, Proposed Settlement of Class Action and Settlement Hearing.....	Exhibit "F"

IN THE CIRCUIT COURT OF THE FIFTH JUDICIAL CIRCUIT  
IN AND FOR LAKE COUNTY, FLORIDA

JEFFREY ANDERSON and ARMANDINA  
ANDERSON, his wife, et al.

Plaintiffs,

CASE NO. 94-2458-CA-01

vs.

DIVISION NO: 4

LOUISIANA-PACIFIC CORPORATION,  
a Delaware corporation, et al.

CLASS REPRESENTATION

Defendants.

/

SETTLEMENT AGREEMENT

THIS AGREEMENT is entered into this 4th day of October, 1995, by and among the Plaintiffs in the above litigation, Jeffrey Anderson and Armandina Anderson, et al. ("Plaintiffs") for themselves and on behalf of the plaintiff class as hereinafter defined ("Settlement Class"), and the Defendant herein Louisiana-Pacific Corporation ("Defendant"). The Plaintiffs and Defendant, collectively, shall hereinafter be referred to as the "Parties."

Subject to Court approval as required by the Florida Rules of Civil Procedure and as hereinafter provided, it is hereby stipulated and agreed by the Parties that, in consideration of the promises set forth in this Agreement and upon the entry by the Court of the Final Order and Judgment approving the settlement and directing the implementation of the terms and conditions of the settlement as set forth in this Agreement, this action shall be settled and compromised upon the terms and conditions contained herein.

RECITALS

A. The Representative Plaintiffs have filed a Class Action on behalf of the Settlement Class against Louisiana-Pacific Corporation, and the Court will be asked to provisionally certify that class under Rule 1.220(b)(3) of the Florida Rules of Civil Procedure for settlement purposes only.

B. Louisiana-Pacific is the maker of Louisiana-Pacific Inner-Seal Siding, a product used for siding the exterior of houses and other structures. Louisiana-Pacific sells Inner-Seal Siding to distributors who in turn sell it to retailers. Contractors and builders purchase the Inner-Seal Siding from these retailers. The contractors and builders then install the product on building structures.

C. Louisiana-Pacific provides instructions relating to the handling, installation, and maintenance of Inner-Seal Siding. Inner-Seal Siding is a wood product and, therefore, precautions must be taken to ensure the product is properly protected from certain conditions, including water encroachment. When the handling, design, construction, installation, painting and maintenance instructions are not followed by the distributors, retailers, contractors, or property owners, damage to the product may result.

D. Over the last several years, Louisiana-Pacific has received complaints from some Florida homeowners concerning the performance of the Inner-Seal Siding used in the construction of their houses and has instituted a claim resolution process to review those complaints.

E. The resolution of these complaints has been complicated by the fact that liability for installation-related damages may be attributable to contractors, who are, for the most part, not parties to the claims resolution process described above. Additionally, many of the contractors

are no longer in business, making it extremely difficult for the property owners to obtain any relief for installation-related claims.

F. Despite significant success in reducing the costs associated with resolving these claims, the property owners and Louisiana-Pacific have spent, and continue to spend, significant resources contesting both liability and damages.

G. Class Counsel has extensive experience in the litigation of claims concerning products liability and warranties. They have conducted a thorough investigation into the law relating to the matters set forth in the class action petition. Further, they have performed a thorough examination of more than one hundred homes to determine the cause of damage to the Inner-Seal Siding installed on the homes of the Class Representative Plaintiffs.

H. In light of the uncertainties associated with the pending, unresolved issues enumerated above, there is a substantial risk that adjudications with respect to certain claims asserted by the Class Representative Plaintiffs will, as a practical matter, be dispositive of the claims and interests of other members of the Settlement Class, or will substantially impair or impede the ability of such other Settlement Class members to protect their interests.

I. The primary purpose of this Agreement is to ensure that Settlement Class members are fairly compensated in the most timely and efficient manner possible, free of the uncertainties and cost of litigating the difficult and disputed liability issues noted above.

J. The settlement contemplated by the Agreement would provide a fair, flexible, speedy, cost-effective, and assured method of compensating claimants who own homes or other structures with damaged Inner-Seal Siding. Thus, this Agreement provides considerable benefit to the Settlement Class, while avoiding costly litigation of difficult and disputed issues.

K. Based on extensive analysis of the law and facts at issue in the Class Action, the other factors and considerations enumerated above concerning liability, and the fair, flexible, speedy, cost-effective, and assured procedures set forth in this Agreement for compensating the Settlement Class, each Party has determined that settlement on the terms set forth below would be fair, adequate, reasonable, and in its best interest.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the Parties hereby agree as follows:

1. DEFINITIONS

As used in this Agreement and in the exhibits attached hereto, in addition to any definitions elsewhere in this Agreement, the following terms shall have the meanings set forth below:

ACTION means the above-captioned matter pending in the Circuit Court of Lake County, Florida, Fifth Judicial Circuit, Division Number 4.

CLASS COUNSEL means Walter S. McLin, III, Phillip S. Smith, and McLin, Burnsed, Morrison, Johnson & Robuck, P.A., P.O. Box 491357, Leesburg, Florida.

CLASS NOTICE DATE means the last date upon which notice is mailed to the Settlement Class pursuant to Section 9 of this Agreement.

COURT means the Circuit Court of the Fifth Judicial Circuit of Lake County, Florida, Division Number 4.

DAMAGE means that the product fails at the time of inspection to perform its essential purposes of cladding and protecting the wall assembly and presenting

appropriate aesthetics. Factors which will be considered to determine damage include, but are not limited to, thickness swell and moisture content and appearance.

DATE OF INSTALLATION means the date Louisiana-Pacific Inner-Seal Siding was installed based on proof by the property owner of such a date, such as the certificate of original occupancy issued for such property or receipts for subsequently purchased siding.

ELIGIBLE CLAIMANT means a claimant who qualifies for relief under Section 7 of this Agreement.

FAIRNESS HEARING means the hearing to be conducted by the Court in connection with the determination of the fairness, adequacy and reasonableness of this Agreement.

FINAL ORDER AND JUDGMENT means the Order to be entered by the Court, in a form which is mutually agreeable to the Parties, approving this Agreement without material alteration, as fair, adequate and reasonable, and making such other findings and determinations as the Court deems necessary and appropriate to effectuate the terms of this Agreement.

INDEPENDENT ADJUSTING COMPANY means the entities selected by Louisiana-Pacific and Class Counsel for the purpose of carrying out the inspections of the Settlement Class members' homes.

INDEPENDENT ADJUSTERS means adjusters employed by the Independent Adjusting Companies and trained in evaluating the claims of Settlement Class members set forth in Section 7.



LOUISIANA-PACIFIC OR L-P means Louisiana-Pacific Corporation, its subsidiaries or affiliates, successors, assigns, representatives and insurers, and all of its past, present and future directors, officers, employees, agents and their respective successors, assigns, executors and insurers.

LOUISIANA-PACIFIC INNER-SEAL SIDING means any year of manufacture or type of Oriented Strand Board lap or panel siding, soffit, fascia, or trim manufactured by L-P, but does not include any such products that were sold by L-P without an express warranty (e.g., utility board), or that were re-classified by L-P to exclude an express warranty before the date of this Agreement.

OPT OUT PERIOD means the period commencing on the Class Notice Date and extending for 30 days thereafter.

PERSON means any individual or legal entity.

PRELIMINARY APPROVAL means the Court's conditional certification of the Settlement Class, preliminary approval of this Agreement, approval of the form of the Class Notice and entry of an order substantially in the form of Exhibit "A" hereto.

PROBLEM REPORT means a report described in Section 7.2 of this Agreement by a Settlement Class member attached as Exhibit "B".

PROPERTY means any structure including homes, townhomes, condominiums, apartments, commercial structures and other types of buildings or structures bearing Louisiana-Pacific Inner-Seal Siding. A Unit of property means a single residential home, or single condominium or townhome.

RECOVERY PROGRAM means the procedure set forth in Section 7.

REPLACEMENT COST means average cost per square foot of siding for full replacement including materials and labor for the State of Florida as of the Settlement Date as computed from Orlando costs. The replacement cost will be \$2.82 for the replacement of 4'x 8' panels and \$3.40 will be the replacement costs for lap siding.

SETTLED CLAIMS means any claim, liability, right, demand, suit, matter, obligation, damage, loss or cost, action or cause of action, of every kind and description which the Releasing Party, as described in Section 13 of this Agreement, has or may have, whether known or unknown, asserted or unasserted, latent or patent, that is, has been, could have been or in the future might be asserted by the Releasing Party either in the Action or in any other action or proceeding in this Court or any other court or forum, regardless of legal theory, and regardless of the type or amount of relief or damages claimed, against Louisiana-Pacific, arising from or in any way relating to any defects or alleged defects of Louisiana-Pacific Inner-Seal Siding or any part thereof. Without limiting the generality of the foregoing, Settled Claim shall include, with regard to the foregoing subject matter:

- (1) any claim for breach or violation of any federal, state, common or other law;
- (2) any claim for breach of any duty imposed by law, by contract or otherwise;
- (3) any claim based on strict product liability, negligence, breach of express or implied warranty, racketeering, fraud, conspiracy, consumer fraud, negligent misrepresentation, or intentional misrepresentation;
- (4) any claim arising from or in any way related to the design, manufacture, production, promotion, sale, distribution, or installation of Louisiana-Pacific

Inner-Seal Siding, and/or any alleged defects in a Louisiana-Pacific Inner-Seal Siding, or any part thereof;

- (5) any claim for personal injury, emotional distress, or mental anguish associated with any of the above; and
- (6) any claim for penalties, punitive damages, exemplary damages, treble damages, or any other claim for damages based upon a multiplication of compensatory damages.

SETTLEMENT CLASS means a class composed of all Persons who own Property which has Louisiana-Pacific Inner-Seal Siding. Settlement Class does not include the following:

1. Owners who have previously signed full releases of claims against Louisiana-Pacific and received compensation for all owned footage;
2. Owners who have executed Arbitration Agreements with Louisiana-Pacific or have participated in arbitration with Louisiana-Pacific with respect to all owned footage;
3. Owners who are parties to lawsuits as of the date of filing, October 19, 1994, of the class action petition; however, such owners may choose to designate themselves affirmatively as members of the settlement class within 100 days after issuance of notice.
4. Previous owners of Louisiana-Pacific siding who have replaced their Louisiana-Pacific siding with siding other than L-P siding prior to their siding being inspected by the Independent Adjustment Company.

SETTLEMENT DATE means the date of entry of the Final Order and Judgment.

UNIT means a piece of real property on which one or more structures with Louisiana-Pacific Inner-Seal Siding is located.

2. SETTLEMENT PURPOSES ONLY

2.1 This Agreement is for settlement purposes only, and neither the fact of, nor any provision contained in, this Agreement nor any action taken hereunder shall constitute, be construed as, or be admissible in evidence as, any admission of the validity of any claim or any fact alleged by Plaintiffs in this Action or of any wrongdoing, fault, violation of law, or liability of any kind on the part of Louisiana-Pacific or any admission by Louisiana-Pacific of any claim or allegation made in this Action, nor as an admission by any of the Plaintiffs, members of the Settlement Class or Plaintiffs' Class Counsel of the validity of any fact or defense asserted against them in the Action.

3. SUBMISSION FOR PRELIMINARY APPROVAL

3.1 Promptly after Execution of this Agreement, the Parties shall jointly submit this Agreement, through their respective attorneys, to the Court for Preliminary Approval.

4. TERM OF AGREEMENT

Class members shall be eligible for the Recovery Program set forth in Section 7 of this Agreement for a period of five years. The five-year term will begin on the Settlement Date. A Class member's claim will be considered timely upon calling the established toll-free number and reporting their claim if such call is made within the five year period.

5. PAYMENTS BY LOUISIANA-PACIFIC

Louisiana-Pacific shall be responsible for the following obligations under this Agreement:

5.1 Louisiana-Pacific and Class Counsel shall share equally the cost of Notice in accordance with Section 9 of this Agreement, except that Class Counsel shall pay no more than \$100,000.00.

5.2 Louisiana-Pacific shall pay the costs associated with the implementation and maintenance of the toll-free number described in Section 6.

5.3 Louisiana-Pacific shall pay the costs associated with the Independent Adjusters and Independent Adjusting Company including costs of training, costs of administration, and costs of inspection by the Independent Adjusters.

5.4 Louisiana-Pacific shall pay attorneys' fees and court costs to Class Counsel as more fully set forth in Section 22.

5.5 Louisiana-Pacific shall pay twelve hundred dollars (\$1,200) to each of the specific Plaintiffs represented by class counsel for their expenses, time and effort involved in bringing this lawsuit on behalf of all Class Members throughout the state of Florida. The names of these specific Plaintiffs have previously been given to Louisiana-Pacific.

5.6 Louisiana-Pacific shall pay an additional five hundred dollars (\$500) to each of six Class Representatives who make up the steering committee for their additional expenses, time and effort involved in bringing and coordinating the representative plaintiffs on behalf of all Class Members throughout the state of Florida.

6. ESTABLISHMENT OF TOLL-FREE NUMBER

6.1 No later than the first dissemination of the Class Notice, and throughout the Term of this Agreement Louisiana-Pacific shall establish and adequately staff a statewide toll-free telephone facility. The telephone facility shall accommodate, personally or through voice activation, phone calls from Claimants on a 24 hour basis.

6.2 This facility shall be capable of (a) receiving requests for Notice and other materials described in Section 9; (b) providing generalized information concerning deadlines for

opt outs and the date, time and location of the Fairness hearing; (c) mailing materials to Settlement Class members as provided in Section 9; and (d) gathering the information to complete a Problem Report as described in Section 7.2.

6.3 Throughout the Term of this Agreement, the facility shall maintain records of all mailings and all Problem Reports both physically and on a suitable computer system. Louisiana-Pacific will provide to Class Counsel a computer terminal which will link to the computer system in order to access, at all times, the records relating to this Agreement.

6.4 Class Counsel shall have the right to physical inspection of these records upon reasonable notice to Louisiana-Pacific but shall have computer access to these records at all times.

6.5 The records so maintained shall be and remain confidential. Disclosure shall be limited to the parties' counsel and employees of Louisiana-Pacific.

#### 7. RECOVERY PROGRAM

7.1 Any Settlement Class member shall be an Eligible Claimant if he has incurred Damage to Louisiana-Pacific Inner-Seal Siding on his Property. An Eligible Claimant may be a subsequent purchaser of a property with Louisiana-Pacific Inner-Seal Siding.

7.2 Within the five (5) year term, members of the Settlement Class may call the Toll-Free Number to report problems with Louisiana-Pacific Inner-Seal Siding. Louisiana-Pacific will then forward to the Eligible Claimant a Problem Report (Exhibit "B").

a. Certain basic information will be gathered when the Settlement Class member makes a Problem Report, I.E., name, address, builder, subdivision, description of problem and whether the Report is the first or second under this Agreement.

b. A questionnaire will be sent to the Settlement Class member requesting proof of the age of the Louisiana-Pacific siding and ownership verification of the home. Proof of the age of the L-P siding may be established by, but is not limited to, a Certificate of Occupancy or a receipt showing the date the L-P siding was installed.

c. Copies of all Problem Reports and completed questionnaires shall be input into the computer system for processing and made available to the Independent Adjusting Company and Class Counsel.

7.3 Once a Problem Report has been received by the Independent Adjusting Company, an Independent Adjuster will be sent within 45 days to inspect the Property at no cost to the Settlement Class members.

7.4 The inspection by the Independent Adjuster shall include the following:

a. The Independent Adjuster will verify that the Class Member has Louisiana-Pacific Inner-Seal Siding on the Property.

b. The Independent Adjuster will verify, if possible, the age of installation.

c. The Independent Adjuster will measure the amount of Louisiana-Pacific Inner-Seal Siding which has suffered Damage.

d. The Independent Adjuster will determine without destructive testing, to the extent possible, the cause of the Damage which will include an assessment of design, construction, installation, finishing, painting, and maintenance factors affecting the damaged area.

7.5 After completion of the inspection, the Independent Adjuster will determine the amount an Eligible Claimant shall be paid based on the factors listed below.

a. The Maximum Amount that may be awarded for repairing the damage for a single property under the terms of this Agreement shall be Replacement Cost times the number of square feet of Louisiana-Pacific Inner-Seal Siding which has suffered Damage.

b. The following amounts will be added together and the total deducted from the Maximum Amount computed under paragraph 7.5(a).

(1) AGE OF SIDING INSTALLATION: For installations 37 months old and older, the adjuster shall deduct 5% per year from the Maximum Amount. The age reduction factor for a 37 month old installation shall be 5%, for a 49 month old installation, 10%, etc.

(2) IMPROPER DESIGN/CONSTRUCTION/INSTALLATION/FINISHING/PAINTING THAT CAUSES OR CONTRIBUTES TO THE DAMAGED SIDING: The adjuster may deduct up to 75% for deficiencies according to the guidelines established in the instructions and evaluation forms provided to the adjuster which are incorporated in and attached hereto as Exhibit "C."

(3) LACK OF MAINTENANCE: The adjuster may deduct up to 75% for inadequate painting/sealing/caulking maintenance and external abuse as instructed in Exhibit "C" attached hereto.

(4) Deductions from the Maximum Amount attributable to categories 7.5(2) and 7.5(3) combined will never exceed a total of 75%.

7.6 The Adjuster shall forward to Louisiana-Pacific and Class Counsel his Field Inspection and Evaluation Form (Exhibit "C") and Louisiana-Pacific shall, within 30 days after



receiving such notice, issue a check payable to the Eligible Claimant and deliver it to Class Counsel in the amount calculated on the Field Inspection and Evaluation Form. However, if such amount is for any reason less than any written offer presented by Louisiana-Pacific to the Claimant before the date of this Settlement Agreement, the check will be issued in the amount of such written offer.

7.7 Once Class Counsel has received the check, he will immediately notify the Eligible Claimant. Class Counsel will release the check to the Eligible Claimant upon the execution by the Eligible Claimant of a Release in the form attached as Exhibit "D."

7.8 In the event an Eligible Claimant suffers subsequent damage to different Louisiana-Pacific Inner-Seal Siding, he may again make a Problem Report within the Term of this Agreement and, if appropriate, again go through the Recovery Program. However, the Eligible Claimant may not use the Recovery Program more than once in each 24 month period and may do so only two times during the Term of the Agreement. Use of the Recovery Program two times shall still be limited by the maximum amount defined in 7.5(a) above. Provided that Settlement Class members who have been through the Recovery Program less than 24 months before the end of the term of this Agreement, shall not be required to wait 24 months before going through the Recovery Program. Settlement Class members who have previously signed releases and received compensation for only partial footage of the structure, or executed Arbitration Agreements with Louisiana-Pacific and arbitrated as to only partial footage of the structure are limited to one claim under this Recovery Program.

8. SELECTION AND TRAINING OF INDEPENDENT ADJUSTING COMPANY/INDEPENDENT ADJUSTERS

8.1 All fees and expenses incurred in relation to the Independent Adjusting Company and Independent Adjusters shall be borne by Louisiana-Pacific.

8.2 Each Independent Adjuster will be required to attend a training session presented by Louisiana-Pacific with the assistance of Class Counsel.

8.3 Louisiana-Pacific and Class Counsel, upon agreement, shall have the right to supplement the list of Independent Adjusting Companies and substitute or add others with the consent of opposing counsel which consent shall not be reasonably withheld.

8.4 Class Counsel and Louisiana-Pacific shall have the right during the Term of this Agreement to independently, on a sample basis, test the findings of the Independent Adjuster.

8.5 In the event either Louisiana-Pacific or Class Counsel believes that the Independent Adjusters are not properly applying the terms of Paragraph 6 or in the event there is a question about the application of the terms of this Agreement by the Independent Adjusters, then

a. The objecting Party's counsel shall notify counsel for the other Party to this Agreement in writing of his concern;

b. The counsel for the Parties will meet within 30 days of receipt of the written notification to try to resolve the concern;

c. In any event, counsel for the parties shall meet every six months to discuss the implementation and execution of this Agreement during the preceding six months and will attempt to resolve any concerns of the respective parties.

d. In the event the Parties cannot resolve the concern then the dispute shall be submitted to a three-member arbitration panel under the auspices of the American Arbitration Association ("AAA"). The AAA shall provide each counsel with a list of arbitrators who have special expertise in the area of construction. Each counsel shall

choose one arbitrator from the list and the two selected shall choose the third arbitrator from the same list. The fees and costs of arbitration shall be borne equally by Louisiana-Pacific and Class Counsel.

e. In no event shall arbitration be conducted more frequently than every six months.

9. CLASS NOTICE

Upon Preliminary Approval, as the Court may direct, Class Counsel or their designee, shall cause notice of the pendency of the Action, the settlement embodied herein, and the Fairness Hearing (the "Class Notice") to be provided to the members of the Settlement Class. This Class Notice will be accomplished by Mail Notice and Published Notice in substantially the form of Exhibit "F" attached hereto as defined below.

9.1 Mail Notice, in a form approved by the Court, shall be mailed, first class postage prepaid, together with a Request For Exclusion substantially in the form of Exhibit "E," to each member of the Settlement Class that can be identified with due diligence. In addition, such mailing shall be sent to each member of the Settlement Class whose identity becomes known as a result of the Published Notice, except no Request For Exclusion form need be mailed after expiration of the Opt Out Period.

9.2 Published Notice shall be published in newspapers in a manner reasonably calculated to reach members of the Settlement Class as more particularly described in the Public Notice Plan to be approved by the Court.

9.3 Upon final Approval of the Agreement by the Court, a second series of published notices and mail notices shall inform the readers and Class Members of a toll free number

through which they may arrange for the receipt of a Problem Report. Notice of the Final Approval of Settlement Agreement and rights of Class Members under the Settlement shall be given in the same manner as stipulated by the Court in its Order on the Proposed Class Settlement.

10. CLASS MEMBERS' RIGHT OF EXCLUSION/INCLUSION

10.1 Subject to Section 10.3 of this Agreement, a Settlement Class member may opt out of the Settlement Class at any time during the Opt Out Period. In order to exercise the opt out right set forth in this Section, the Settlement Class member must complete and return a Request For Exclusion substantially in the form of Exhibit "E," or a reasonable substitute therefor. Such request must be postmarked on or before the end of the Opt Out Period. Any Settlement Class member who has not so elected will be a Settlement Class member for all purposes under this Agreement. Any Settlement Class member who elects to opt out of the Settlement Class pursuant to this Section 10.1 shall not be entitled to relief under or be affected by this Agreement.

10.2 Any person who has elected to opt out pursuant to Section 10.1 of this Agreement may be allowed to withdraw that election with the agreement of Louisiana-Pacific and Class Counsel.

10.3 A Settlement Class member who owns one or more Units may exercise his election with respect to each Unit separately from all other Units.

11. RIGHT OF WITHDRAWAL

Within thirty (30) days after the deadline set by the Court for class members to exclude themselves from the Settlement Class, Louisiana-Pacific shall have the right, acting in good faith, to withdraw from this Settlement Agreement if, after reasonable inquiry, Louisiana-Pacific

has concluded that the number of claims of class members who have excluded themselves from this settlement is a substantial and excessive portion of all the class claims.

12. PERFORMANCE PENDING FINAL AGREEMENT

12.1 After the Court grants Preliminary Approval, but prior to the Court's Final Approval of this Agreement as provided in Section 17, Louisiana-Pacific may elect to provide relief under Section 7 of this Agreement. If Louisiana-Pacific so elects to provide such relief to Settlement Class members, such relief may be conditioned upon the execution of a release and indemnity agreement in a form acceptable to the Parties, which shall provide that Eligible Claimants will be entitled to additional relief afforded by the terms and conditions of this Agreement, if any, if and when the Final Order and Judgment contemplated by Section 16 has been issued.

13. EXCLUSIVE REMEDY; DISMISSAL OF ACTION; JURISDICTION OF COURT

13.1 This Agreement shall be the sole and exclusive remedy for any and all claims of Settlement Class members against Louisiana-Pacific. Upon entry of the Final Order and Judgment by the Court, each Settlement Class member who has not opted out of the Settlement Class shall be barred from initiating, asserting or prosecuting any claims against Louisiana-Pacific except as provided herein.

13.2 On the Settlement date, the Action shall be dismissed subject to the reactivation of claims as provided in Section 18 of this Agreement. Settlement Class members may not commence or actively prosecute actions on Settled Claims against Louisiana-Pacific once the Final Order and Judgment is entered. Class Counsel agree to provide reasonable cooperation to dismiss any other actions of any Settlement Class member for Settled Claims pending in state or federal courts against Louisiana-Pacific.

13.3 The Court shall retain exclusive and continuing jurisdiction of the Action, the Parties, and Settlement Class members, to interpret and enforce the terms, conditions, and obligations of this Agreement.

14. RELEASES

14.1 Upon entry of the Final Order and Judgment, each Settlement Class member, to the extent he has not opted out of the Settlement Class, on behalf of himself and any Person claiming by or through him as his heir, administrator, devisee, predecessor, successor, representative of any kind, or insurer (the "Releasing Party"), shall be deemed to and does hereby release and forever discharge Louisiana-Pacific, including any and all of its predecessors, successors, parents, subsidiaries, divisions, departments, affiliates and insurers, and any and all of its past, present and future officers, directors, stockholders, partners, agents, employees, servants, successors, subrogees, assigns and their respective insurers ("Releasees"), of and from any and all Claims and related subrogation claims of the Releasing Party's subrogees or insurance carriers not protected from waiver of subrogation by the provisions of the applicable insurance policies (or assigned or subrogated prior to final approval of this Agreement and not subject to compromise or settlement by the policyholder) except as provided herein.

14.2 Nothing in this Agreement shall prejudice or in any way interfere with the rights of the Plaintiffs, Settlement Class members and Louisiana-Pacific from pursuing all of their rights and remedies against any Third Parties.

14.3 Nothing in this Agreement shall be construed to affect in any way, or require the forfeiture by any Settlement Class member of, such member's homeowner's insurance or other available insurance coverage by reason of such person's participation in this Settlement.

15. ENTRY OF GOOD FAITH BAR ORDER ON CLAIMS; INDEMNIFICATION

15.1 The Parties shall request that the Court enter an order barring and prohibiting the commencement and prosecution of any claim or action by any Class Member against Louisiana-Pacific including, but not limited to, any negligence, breach of warranty, breach of contract, misrepresentation, contribution, indemnity, and/or subrogation claims (except subrogation claims explicitly preserved under Section 13), seeking reimbursement for payments made or to be made to any Settlement Class member for claims relating to Louisiana-Pacific Inner-Seal Siding or for expenses incurred in defending against any such claims or actions. Louisiana-Pacific shall be entitled to dismissal with prejudice of any such claim against it which violate or are inconsistent with this bar.

15.2 Any Settlement Class member making a claim against a Third Party (other than that Settlement Class member's insurance carrier) for what would be a Settled Claim if asserted against Louisiana-Pacific, shall indemnify and hold harmless Louisiana-Pacific from any claim of contribution or indemnity asserted by such Third Party against Louisiana-Pacific. Provided that, the Settlement Class member will not be liable for attorneys' fees incurred by Louisiana-Pacific in defense of a claim by a third party.

16. ASSIGNMENT OF CLAIMS/RIGHTS

When any Settlement Class member transfers his right or title to any Property containing Louisiana-Pacific Inner-Seal Siding to any other person (the Transferee), the Transferee shall automatically receive an assignment of all rights and obligations under this Agreement limited to the terms and conditions of the Agreement.

17. COURT'S SETTLEMENT APPROVAL ORDER

17.1 This Agreement is subject to and conditioned upon the issuance by the Court, following the Fairness Hearing, of a Final Order and Judgment granting final approval of the Agreement.

18. EFFECT OF DEFAULT BY LOUISIANA-PACIFIC

18.1 In the event Louisiana-Pacific fails to make a payment due and owing under the terms of this Agreement, or in default of this Agreement in any other respect, the Plaintiffs' Class Counsel shall so notify the Court. Louisiana-Pacific shall then be given up to 20 calendar days to cure the default.

18.2 In the event of a default by Louisiana-Pacific under this Agreement, the Court may exercise all equitable powers over Louisiana-Pacific to enforce this Agreement and the Final Order and Judgment irrespective of the availability or adequacy of any remedy at law. Such powers include, among others, the power of specific enforcement.

19. REPRESENTATIONS AND WARRANTIES

19.1 Louisiana-Pacific represents and warrants that it (i) has all requisite corporate power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby; (ii) the execution, delivery and performance by Louisiana-Pacific of this Agreement and the consummation by it of the actions contemplated herein have been duly authorized by all necessary corporate action on the part of Louisiana-Pacific; and (iii) this Agreement has been duly and validly executed and delivered by Louisiana-Pacific and constitutes its legal, valid and binding obligation.



20. TERMINATION OF THE AGREEMENT

20.1 The performance of this Agreement is expressly contingent upon the Court's issuance of the Final Order and Judgment. If the Court fails to issue such Order within sixty (60) days following conclusion of the Fairness Hearing, Louisiana-Pacific may elect to terminate this Agreement within twenty (20) business days of such failure, rendering it as having no force or effect whatsoever, null and void AB INITIO, and not admissible as evidence for any purpose in any pending or future litigation (in any jurisdiction) involving any of the Parties. If the Court approves this Agreement as provided for in Section 17, but this Agreement has not become final pending the resolution of an appeal of the Final Order and Judgment, Louisiana-Pacific may elect to provide the relief to Settlement Class members under the terms and conditions of this Agreement. If Louisiana-Pacific so elects to provide such relief to Settlement Class members pending the resolution of any such appeal, such relief will be conditioned upon the Eligible Claimant executing a release and indemnity agreement consistent with Section 14 of this Agreement. If Louisiana-Pacific elects not to provide such relief to Settlement Class members pending the resolution of any such appeal, the Plaintiffs, acting on behalf of and for the benefit of Settlement Class members, may elect within twenty (20) business days thereof to terminate this Agreement, rendering it having no force and effect whatsoever, null and void AB INITIO, and not admissible as evidence for any purpose in this or any other pending or future litigation (in any jurisdiction) involving Louisiana-Pacific or Settlement Class members, and Louisiana-Pacific shall retain the right to oppose class certification in accordance with Section 20.2. If Louisiana-Pacific elects to provide such relief to Settlement Class members pending the resolution of any such appeal, and the Settlement Date is never reached, Louisiana-Pacific retains the right to terminate this Agreement as provided for above in this paragraph.

20.2 Notwithstanding any other provision of this Agreement, if this Agreement is terminated for any reason, Louisiana-Pacific agrees that the Plaintiffs may pursue claims associated with any Louisiana-Pacific Inner-Seal Siding by moving for class certification, and the appropriateness of the Plaintiffs to act as representative plaintiffs shall be based on their status as of the date of Preliminary Approval, even if one or more of the Plaintiffs' individual claims will thereafter have been paid under this Agreement. In that event, Louisiana-Pacific will not object to the addition or substitution of class representative Plaintiffs, but may oppose class certification on other grounds NUNC PRO TUNC without any prejudice whatsoever from either the existence of this Agreement or the fact that Louisiana-Pacific entered into this Agreement.

21. MISCELLANEOUS PROVISIONS

21.1 This Agreement, including all Exhibits attached hereto, shall constitute the entire Agreement among the Parties with regard to the subject of this Agreement and shall supersede any previous agreements and understandings between the parties with respect to the subject matter of this Agreement. This Agreement may not be changed, modified, or amended except in writing signed by all Parties, subject to Court approval.

21.2 This Agreement shall be construed under and governed by the laws of the State of Florida.

21.3 This Agreement may be executed by the Parties in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

21.4 This Agreement shall be binding upon and inure to the benefit of the Settlement Class, the Parties, and their representatives, heirs, successors, and assigns.

21.5 The headings of the Sections of this Agreement are included for convenience only and shall not be deemed to constitute part of this Agreement or to affect its construction. The decimal numbering of provisions herein is intended to designate sub-sections where applicable.

21.6 Any notice, request, instruction, application for Court approval or application for Court orders sought in connection with this Agreement or other document to be given by any Party to any other Party shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, if to Louisiana-Pacific to the attention of its counsel and Class Counsel on behalf of Settlement Class members, or to other recipients as the Court may specify.

As of the date of this Agreement, the respective representatives are as follows:

George R. Miller, Esquire  
Post Office Box 687  
DeFuniak Springs, FL 32422-0687  
Phone No. (904) 892-5153  
Fax No. (904) 892-0432

Robert M. Schick, Esquire  
Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, TX 77002-6760  
Phone No. (713) 758-4582  
Fax No. (713) 615-5528

Walter S. McLin, III, Esquire  
and Phillip S. Smith, Esquire  
McLin, Burnsed, Morrison,  
Johnson & Robuck, P.A.  
Post Office Box 491357  
Leesburg, FL 34749-1357  
Phone No. (904) 787-1241  
Fax No. (904) 326-2608  
or Fax No. (904) 787-4265

The above designated representatives may be changed from time to time by any Party upon giving notice to all other Parties in conformance with this Section 22.6.

21.7 References to or use of a masculine pronoun in this Agreement shall include the feminine. References to or use of a singular noun or pronoun in this Agreement shall include the plural, unless the context implies otherwise.

22. ATTORNEYS' FEES

22.1 Louisiana-Pacific shall pay the attorneys' fees and court costs of the Class Counsel. Louisiana-Pacific shall also pay its own attorneys' fees and court costs.

22.2 Louisiana-Pacific shall pay to Class Counsel, attorneys' fees and costs as follows:

a. Upon entry of an Order on Proposed Class Settlement and initial approval by the court, an amount of \$200,000 to be paid for fees and costs.

b. Upon entry of a Final Order accepting this Settlement Agreement after the fairness hearing and after the time for appeal has run with no appeal, an amount of \$900,000 for fees and costs.

c. On November 3, 1995, an amount of \$425,000 for fees and costs, if no appeal.

d. On November 3, 1996, an amount of \$125,000 for fees and costs, if no appeal.

e. On November 3, 1997, an amount of \$125,000 for fees and costs, if no appeal.

f. On November 3, 1998, an amount of \$125,000 for fees and costs, if no appeal.

In the event of an appeal, if the Settlement Agreement is ultimately approved, the remaining \$1,700,000 will be due and payable on demand as scheduled by Class Counsel.

22.3 Each payment to Class Counsel by Louisiana-Pacific for fees and costs when paid to Class Counsel is unconditional and non-refundable.

IN WITNESS WHEREOF, the parties have set their hands and seals effective of the date first above written on the date set forth below.

LOUISIANA-PACIFIC CORPORATION,  
a Delaware Corporation

By: Ronald L. Paul /s/ Date: MAY 31, 1995  
-----

RONALD L. PAUL VICE PRESIDENT OF OPERATIONS  
-----  
(Printed name and title)

STATE OF TEXAS  
COUNTY OF MONTGOMERY

The foregoing instrument was acknowledged before me this 31 day of May, 1995, by Ronald L. Paul the Vice President-Operation of LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, on behalf of the corporation.

Linda L. Buckner /s/ [SEAL]  
-----  
(Signature of Notary Public)

Linda L. Buckner  
-----  
(Print Name of Notary Public)

###-##-###/3/001  
-----  
(Serial/Commission Number)

X Personally Known or \_\_\_\_\_ Produced \_\_\_\_\_ as identification.

Walter S. McLin, III /s/  
-----  
WALTER S. McLIN, III  
Florida Bar No. 053465  
PHILLIP S. SMITH  
Florida Bar No. 0999040  
McLin, Burnsed, Morrison,  
Johnson & Robuck, P.A.  
Post office Box 491357  
Leesburg, Florida 34749-1357  
(904) 787-1241  
CLASS COUNSEL

George R. Miller /s/  
-----  
GEORGE R. MILLER  
Florida Bar No. 105201  
Post Office Box 687  
DeFuniak Springs, Florida 32422-0687  
(904) 892-5153  
Attorney for Louisiana-Pacific  
Corporation

Robert M. Schick /s/  
-----  
ROBERT M. SCHICK, of  
Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, Texas 77002-6760  
(713) 758-4582  
Attorneys for Louisiana-Pacific  
Corporation

IN THE CIRCUIT COURT OF THE FIFTH JUDICIAL CIRCUIT  
IN AND FOR LAKE COUNTY, FLORIDA

JEFFREY ANDERSON and ARMANDINA  
ANDERSON, his wife, et al.

Plaintiffs,

CASE NO. 94-2458-CA-01

vs.

DIVISION NO: 4

LOUISIANA-PACIFIC CORPORATION,  
a Delaware Corporation, et al.

CLASS REPRESENTATION

Defendants.  
\_\_\_\_\_ /

ORDER ON PROPOSED CLASS SETTLEMENT

Plaintiffs and Defendant, Louisiana-Pacific Corporation having conditionally entered into a Settlement Agreement and having moved the Court for an order conditionally certifying the class and approving their agreement settling all issues in this action and it appearing that such settlement is in the interest of the parties and all members of the Class represented by Plaintiffs, it is

ORDERED and ADJUDGED as follows:

1. CONDITIONAL CLASS CERTIFICATION. Civil Action No. 94-2458-CA-01, styled JEFFREY ANDERSON and ARMANDINA ANDERSON, his wife, et al. v. LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, et al., shall be maintained as a class action on behalf of the following class of plaintiffs:

All persons and entities throughout the state of Florida who own real property which has Louisiana-Pacific Inner-Seal Siding as their exterior siding material on that real proeprty.  
The Class does not include the following:

1. Property owners who have previously signed full releases of claims against Louisiana-Pacific and received compensation for all owned square footage of siding material;
2. Property owners who have executed arbitration agreements with Louisiana-Pacific or have participated in arbitration with Louisiana-Pacific with respect to all owned square footage of exterior siding material;

EXHIBIT A

3. Property owners who are parties to lawsuits as of the date of filing, October 19, 1994, of the Class Action Petition; however, such property owners may choose to designate themselves affirmatively as members of the Class within 100 days after issuance of this notice.
4. Property owners who have removed or replaced their L-P exterior siding with a product other than L-P exterior siding before the independent adjuster has had the opportunity to make the inspection on the property as contemplated by the Settlement Agreement.

with respect to the following causes of action:

Any claims for damages, injunctive relief, or any other claim, legal or equitable in nature under federal or state law premised upon an alleged defect or breach of warranty in connection with the design, manufacture, marketing, sale of, or representations regarding L-P Inner-Seal Siding, soffit, trim or fascia.

Such certification is conditional upon the final approval by this Court after a hearing for fairness and acceptance of the Settlement Agreement.

2. TEMPORARY INJUNCTION. Pending the final fairness hearing before this court regarding the proposed settlement agreement, putative class members are enjoined from filing other class action lawsuits relating to the causes of action identified above. Further, any pending class action lawsuits in the state of Florida shall be abated pending the final fairness hearing.

3. CLASS REPRESENTATIVES; CLASS COUNSEL. JEFFREY ANDERSON and ARMANDINA ANDERSON, his wife; JOSEPH BALOGA and KATHLEEN M. BALOGA, his wife; STEVEN C. BELL and NANCY P. BELL, his wife; TIMOTHY N. BLACKSTONE and JULIE BLACKSTONE, his wife; DOUGLAS P. BOLOGNESE and JULIA P. BOLOGNESE, his wife; STEVEN M. BOWMAN and TERESA K. BOWMAN, his wife; WALTER BROWN and TERRY BROWN, his wife; ROBERT K. CARTER and LINDA L. WILLIAMS-CARTER, his wife; CHARLES B. COE and MARY COE, his wife; MARY E. COLLIER; JOE CRAWFORD and SUE A. CRAWFORD, his wife; JERRY KENDALL CURTIS and ALISON H. CURTIS, his WIFE; STEPHEN E. GODDARD and DONNA GODDARD, his wife; PHILIP G. GUILBEAULT and ROSEMARY GUILBEAULT, his wife; MARK HANSEN and LINDA HANSEN, his wife; MILTON O. HARRELL and PATSY A. HARRELL, his wife; LARRY HAYS and TINA HAYS, his wife; SUSAN JETER; DAVID R. JONES and LYNN L. JONES, his wife; JUNE N. JONES; PATRICK M. KANE and BRENDA E. KANE, his wife; ERNEST P. LaROCHE and BETTY LaROCHE, his wife; DENNIS G. LEACH and SEGUNDA P. LEACH, his wife; PATRICIA LEUNG, STEVEN M. LEWIS and MICHELLE B. LEWIS, his wife; DONALD McEVER and SHARON McEVER, his wife; ARNOLD S. MILLER and PAMELA J. MILLER, his wife; JEFFREY B. MOORE and IRENE E. MOORE, his wife; DOUGLAS A. MORAN, JR. and ANNA A. MORAN, his wife; STEPHEN W. MOSAKOWSKI and LINDA K. MOSAKOWSKI, his wife; DONALD L. NICHOLSON and CAROLYN N. NICHOLSON, his wife; ROBERT A. PARKER and ROBIN L. PARKER, his wife; KEITH H.

PARTLOW and PAULA L. PARTLOW, his wife; LAWRENCE O'HARA PARTRIDGE and LORI ANNE PARTRIDGE, his wife; TIMOTHY ROOD and MERI BETH ROOD, his wife; ALAN G. SHIRLEY and DENISE SHIRLEY, his wife; DENNIS R. SMITH and LINDA L. SMITH, his wife; MIRIAM SMITH; RENEE M. SMITH; JACK W. STANLEY and GLENDA STANLEY, his wife; SUSAN M. STRIBY; STEVEN M. SUMERFELT and DARLENE L. SUMERFELT, his wife; BRAD TUBBS and MARY TUBBS, his wife; SCOTT T. WALKER and LISA JO WALKER, his wife; FRANK WASHBOURNE and LINDA WASHBOURNE, his wife; CURTIS D. WILLIAMS and RHONDA F. WILLIAMS, his wife; LEE J. WITHINGTON; and DANIEL ZIMMER and CRYSTAL ZIMMER, his wife are designated as class representatives and Walter S. McLin, III, Esquire and Phillip S. Smith, Esquire, of McLin, Burnsed, Morrison, Johnson, & Robuck are designated as counsel for the Class.

4. EXCLUSION. Class members may exclude themselves from the class by filing with Class Counsel by \_\_\_\_\_, 1995, the form appended in the Notice (Attachment "A") or some other appropriate written indication that they request exclusion from the class. Class counsel shall receive and tabulate requests for exclusion and provide copies to counsel for L-P.

5. PROPOSED SETTLEMENT. The proposed Settlement between the Plaintiff Class and the Defendant, Louisiana-Pacific appears, upon preliminary review, to be within the range of reasonableness and accordingly shall be submitted to the Class Members for their consideration and for a hearing pursuant to Fla. R. Civ. P. 1.220(e).

6. HEARING. A hearing shall be held in Court Room \_\_\_\_\_, in the Circuit Court of the Fifth Judicial District in and for Lake County, Florida at \_\_\_\_:\_\_\_\_\_.M. on \_\_\_\_\_, 1995, to consider whether the settlement should be given final approval.

(a) Objections by Class Members to the proposed settlement will be considered if filed in writing with the Clerk on or before \_\_\_\_\_, 1995.

(b) At the hearing, Class Members may be heard orally in support of or in opposition to the Settlement Agreement if by \_\_\_\_\_, 1995, a written notification of the desire to appear personally is filed with the Clerk, indicating (if in opposition to the settlement) briefly the nature of the objection.

(c) Counsel for the Class and for the Defendants should be prepared at the hearing to respond to objections filed by Class Members and to provide other information, as appropriate, bearing on whether or not the settlement should be approved.

7. NOTICE. The parties to the proposed settlement shall by \_\_\_\_\_, 1995 mail in the name of the Clerk by first class mail, postage prepaid, a notice in substantially the same form as attachment "A" to members of the class who can reasonably be identified by the parties through due diligence. Notice of the proposed settlement and rights of Class Members to object to the settlement shall also be given by publication by running a copy of the notice in the newspapers identified in attachment "B" on each of three (3) separate occasions at least one (1) week apart beginning within ten (10) days of the date of this Order.



DONE AND ORDERED in Tavares, Lake County, Florida this \_\_\_\_ day of \_\_\_\_\_, 1995.

---

JERRY T. LOCKETT  
CIRCUIT JUDGE

Attachment: "A" Notice  
Attachment: "B" List of newspapers for  
Notice by Publication

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U.S. Mail to WALTER S. McLIN, III, ESQUIRE and PHILLIP S. SMITH, ESQUIRE, of McLin, Burnsed, Morrison, Johnson & Robuck, P.A., Post Office Box 491357, Leesburg, Florida 34749-1357; LOUISIANA-PACIFIC CORPORATION c/o GEORGE R. MILLER, ESQUIRE, Post Office Box 687, DeFuniak Springs, Florida 32422-0687 and ROBERT M. SCHICK, ESQUIRE, Vinson & Elkins, L.L.P., 2300 First City Tower, 1001 Fannin Street, Houston, Texas 77002-6760; and PALM VISTA HOMES c/o THEODORE D. ESTES, ESQUIRE, Warlick, Fassett, Divine & Anthony, P.A., 14 E. Washington Street, Suite 500, Post Office Box 3387, Orlando, Florida 32802-3387, this \_\_\_\_ day of June, 1995.

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JUDICIAL ASSISTANT

IN THE CIRCUIT COURT OF THE FIFTH JUDICIAL CIRCUIT  
IN AND FOR LAKE COUNTY, FLORIDA

JEFFREY ANDERSON and ARMANDINA  
ANDERSON, his wife, et al.

Plaintiffs,

CASE NO. 94-2458-CA-01

vs.

DIVISION NO.: 4

LOUISIANA-PACIFIC CORPORATION,  
A Delaware Corporation, et. al.

CLASS REPRESENTATION

Defendants.

REQUEST FOR EXCLUSION

Read the Enclosed Legal Notice  
Carefully Before Filling Out This Form

The undersigned does NOT wish to remain a member of the Plaintiff class certified in the case of JEFFREY ANDERSON and ARMANDINA ANDERSON, his wife, et al. V. LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, et al., in the Circuit Court of the Fifth Judicial Circuit in and for Lake County, Florida. I/We understand that by making this request, I/We will not be eligible to participate in the settlement reached in this case.

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(Print Name and Address)

(Signature)

(Print Name of Additional owner if any)

(Signature of Additional owner if any)

If you want to exclude yourself from the class, you must fill in and return this form by mailing on or before \_\_\_\_\_, 1995, to:

Class Counsel  
McLin, Bursed, Morrison, Johnson & Robuck  
P. O. Box 491357  
Leesburg, FL 34749-1357

A separate request for exclusion should be completed and timely mailed for each entity electing to be excluded from the class.

LIST OF NEWSPAPERS FOR NOTICE OF PUBLICATION

1. Tallahassee Democrat
2. Jacksonville Times Union
3. Orlando Sentinel
4. Tampa Tribune
5. Palm Beach Post
6. Miami Herald
7. Ft. Myers Press
8. Gainesville Sun
9. Ft. Walton Beach NW Florida News
10. Pensacola News Journal
11. Panama City News-Herald
12. St. Petersburg Times

EXHIBIT B

GUIDELINES AND INSTRUCTIONS FOR FIELD INSPECTORS

The purpose of these instructions and guidelines are to inform the field inspectors of the procedures to follow while carrying out the terms of the Louisiana-Pacific Settlement Agreement. The field inspectors are instructed to apply the formula of the settlement agreement on a consistent basis throughout the state of Florida. To promote uniformity, the field inspectors will observe the following instructions:

1. The Field Inspector must first diagram the property on the appropriate page of the form. this diagram need not be made to scale but is simply to indicate which side of the structure had damage. The Field Inspector should also indicate which side represents North, South, East and West.
2. The Field Inspector must determine the amount of damaged siding on the property. This measurement will be recorded on the form and the location of the damaged siding will be noted on the Diagram. No reduction for footage will be made for windows or doors in the damaged area. Additionally, if a side of the structure has any damage, then such side will be deemed to have a minimum of thirty-two (32) square feet of damage to that side. With regards to 4' X 8' panels, if a panel is damaged, the entire panel will be included as damaged square footage to be replaced. If undamaged siding must be removed in order to replace damaged siding and such undamaged siding cannot be reused by the installer, then this siding will also be deemed damaged siding.
3. The Field Inspector will then inspect the structure for contributing causes of damage to the siding. The first category of contributing causes will be the seven design/ construction/ installation causes as listed on page 2 of the Field inspection and Evaluation Form. The Inspector will calculate the percentage deduction, if any, attributable to defects in design/ construction/ and installation as listed on page 2 of the Form. The percentage deduction shall be calculated to apply only to the damaged area which specifically resulted from that design defect caused by the design/ construction/ installation defect. The maximum deduction for this category of deductions cannot exceed 75% (i.e. if the siding is less than 6 inches to grade or landscaping but this defect only resulted in damage to 200 of the 400 square feet of damaged siding on that side of the house, then the maximum deduction for the 6 inches to grade defect would be 75% of the 200 square feet of damaged siding because the other 200 square feet were damaged by another cause.)
4. The same criteria applies to deductions resulting from the second category of deductions which are Owner Maintenance problems. The Field Inspector is to review the four causes on page 3 and determine what percentage, if any, should be deducted as a result of faulty Owner Maintenance. The deductions will be taken and calculated as described in paragraph 3 above.

EXHIBIT C

5. However, the total deduction for a given area cannot exceed 75 percent for the combined causes of design/ construction/ installation and owner maintenance.
6. The Inspector then calculates the percentage deduction for the age of the home. The age calculations are as follows: 0-3 years = 0% deduction, then 5% per year beginning in the 37th month. This calculation will also be made per side because some of the siding may have been installed at a different time than other siding.
7. After all deductions have been calculated, page four (4) should be completed by the Inspector to arrive at the net settlement in dollars \$ to be paid to the claimant. The Form will then be promptly forwarded to the Settlement facility by the inspector where the information can be input into the computer system.

FIELD INSPECTION AND EVALUATION FORM

Customer Name: \_\_\_\_\_  
 Inspection Date: \_\_\_\_\_  
 Inspection Time: \_\_\_\_\_  
 Present for Inspection: \_\_\_\_\_  
 L-P Product Confirmed: YES \_\_\_\_\_ NO \_\_\_\_\_  
 L-P Product Grade: \_\_\_\_\_

Inspector: \_\_\_\_\_  
 Date Installed: \_\_\_\_\_  
 Stories: \_\_\_\_\_

CALCULATIONS OF DAMAGED SIDING

Location	Front (S1)	Right (S2)	Rear (S3)	Left (S4)	Other (O1)	Other (O2)
Product Type	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap
Size (8", 10", 12")						
Total Square Footage						
Thickness >.560						
Moisture Cont. >28%						
Other Damage (Specify)						
Total Damaged Footage*						

\*Adjuster should include square footage for normal size windows, doors or other cutouts that are in the damaged area.

COMMENTS:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

FIELD INSPECTION AND EVALUATION FROM

DESIGN/CONSTRUCTION/INSTALLATION

DEDUCTION %

Location	Front (S1)	Right (S2)	Rear (S3)	Left (S4)	Other (O1)	Other (O2)
Product Type	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap

1. Less than 6" clearance to grade or landscaping

2. Less than 3/16" gap where required

3. Less than 2" clearance between siding and roof or chimney

4. Siding in contact with masonry and/or concrete

5. Less than 2 mils paint on face and/or bottom edges

6. Improper/ lack of flashing, on windows, doors, ledges, bands or eave

7. Improper caulking or nailing (must be blind nailed after 2/91)

TOTAL %  
BUILDER  
DEDUCTION

COMMENTS:



FIELD INSPECTION AND EVALUATION FROM

OWNER MAINTENANCE

DEDUCTION %

Location	Front (S1)	Right (S2)	Rear (S3)	Left (S4)	Other (O1)	Other (O2)
Product Type	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap

1. Painting  
or Caulking  
failure

2. Clogged  
or leaking gutters

3. Sprinkler  
overspray

4. Plants in  
direct contact  
with siding  
TOTAL % HOMEOWNER  
DEDUCTION

TOTAL %  
BUILDER  
DEDUCTION  
From Page 2 .

TOTAL % DED.  
HOMEOWNER AND  
BUILDER (Cannot  
Exceed 75%)

\* DEDUCTION %  
FOR AGE

TOTAL % ALL  
DEDUCTION BY  
AREA OR SIDE

\* Age Calculations: 0-3 yrs = 0% then 5% per year beginning in the 37th month.

COMMENTS:

FIELD INSPECTION AND EVALUATION FROM

SETTLEMENT CALCULATIONS

Location	Front (S1)	Right (S2)	Rear (S3)	Left (S4)	Other (O1)	Other (O2)
Product Type	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap	Panel/Lap

Damaged Sq/Ft.  
From Page 1.

Times Means  
Replacement  
Cost

Total Gross  
Settlement (\$)

Total % Deduct  
From Page 3.

Total \$  
Deductions

Net Settlement  
(\$ per side

TOTAL NET SETTLEMENT \$

COMMENTS:



IN THE CIRCUIT COURT OF THE FIFTH JUDICIAL CIRCUIT  
IN AND FOR LAKE COUNTY, FLORIDA

JEFFREY ANDERSON and ARMANDINA  
ANDERSON, his wife, et al.

Plaintiffs,

CASE NO. 94-2458-CA-01

vs.

DIVISION NO: 4

LOUISIANA-PACIFIC CORPORATION,  
a Delaware Corporation, et al.

CLASS REPRESENTATION

Defendants.

RELEASE

In consideration of the payment of \$ \_\_\_\_\_ made by  
Louisiana-Pacific Corporation ("L-P") to \_\_\_\_\_ and  
\_\_\_\_\_ ("Releasors"), pursuant to the Settlement Agreement  
reached in the above-styled action, Releasors release and forever discharge L-P  
including any and all of its predecessors, successors, parents, subsidiaries,  
divisions, departments, affiliates and insurers and any and all of its past,  
present and future officers, directors, stockholders, partners, agents,  
employees, servants, subrogees, assigns and their respective insurers  
("Releasees") from any existing and future actions, claims, and demands for  
liability or expenses arising out of L-P's acts or omissions relating to the  
design, manufacture, marketing or sale of L-P Inner-Seal Siding, soffit, trim,  
or facia on a structure located at \_\_\_\_\_ in the city of  
\_\_\_\_\_. This Release only applies to the amount of siding found to be  
damaged by the independent

EXHIBIT D

adjuster as noted on the Field Inspection and Evaluation Form and compensated for by L-P. All other siding not compensated for will continue to be eligible for compensation pursuant to the terms of the Settlement Agreement.

Releasors agree to indemnify and hold harmless, L-P against any loss or expense, exclusive of court costs and attorneys' fees incurred by Louisiana-Pacific in defense of a claim by any third party resulting from any further claim, demand or action that may be brought by any other party arising out of L-P's acts or omissions relating to the design, manufacture, marketing, and sale of L-P's Inner-Seal siding, soffit, trim, or fascia on such premises specifically including but not limited to third party claims and claims brought by class members' contractors and subcontractors.

Releasors certify they own legal and beneficial title to the premises and the above products; that the Releasors are authorized to enter into this Release Agreement; that they have carefully read this document and understand its terms, conditions and effects. Releasors further certify that they have not previously been paid compensation by L-P on this specific siding material.

\_\_\_\_\_  
(Releasor's name - printed)

\_\_\_\_\_  
(Releasor's name - printed)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Date)

IN THE CIRCUIT COURT OF THE FIFTH JUDICIAL CIRCUIT  
IN AND FOR LAKE COUNTY, FLORIDA

JEFFREY ANDERSON and ARMANDINA  
ANDERSON, his wife, et al.

Plaintiffs,

CASE NO. 94-2458-CA-01

vs.

DIVISION NO: 4

LOUISIANA-PACIFIC CORPORATION,  
a Delaware Corporation, et. al.

CLASS REPRESENTATION

Defendants.

REQUEST FOR EXCLUSION

Read the Enclosed Legal Notice  
Carefully Before Filling Out This Form

The undersigned does NOT wish to remain a member of the Plaintiff class certified in the case of JEFFREY ANDERSON and ARMANDINA ANDERSON, his wife, et al. vs. LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, et al., in the Circuit Court of the Fifth Judicial Circuit in and for Lake County, Florida. I/We understand that by making this request, I/We will not be eligible to participate in the settlement reached in this case.

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(Print Name and Address)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name of Additional Owner if any)

\_\_\_\_\_  
(Signature of Additional Owner if any)

EXHIBIT E

If you want to exclude yourself from the class, you must fill in and return this form by mailing on or before \_\_\_\_\_, 1995, to:

Class Counsel  
McLin, Bursed, Morrison, Johnson & Robuck  
P. O. Box 491357  
Leesburg, FL 34749-1357

A separate request for exclusion should be completed and timely mailed for each entity electing to be excluded from the class.

IN THE CIRCUIT COURT OF THE FIFTH JUDICIAL CIRCUIT  
IN AND FOR LAKE COUNTY, FLORIDA

JEFFREY ANDERSON and ARMANDINA  
ANDERSON, his wife, et al.

Plaintiffs,

CASE NO. 94-2458-CA-01

vs.

DIVISION NO: 4

LOUISIANA-PACIFIC CORPORATION,  
a Delaware Corporation, et al.

CLASS REPRESENTATION

Defendants.

NOTICE OF PENDENCY OF CLASS ACTION, PROPOSED  
SETTLEMENT OF CLASS ACTION AND SETTLEMENT HEARING

TO: ALL INDIVIDUALS OR ENTITIES THROUGHOUT THE STATE OF FLORIDA  
WHO OWN REAL PROPERTY WHICH HAS LOUISIANA-PACIFIC INNER-SEAL  
SIDING AS ITS EXTERIOR SIDING MATERIAL ON THAT REAL PROPERTY.  
("THE CLASS") DO NOT BE ALARMED. YOU HAVE NOT BEEN SUED.

THIS NOTICE MAY AFFECT YOUR RIGHTS.  
PLEASE READ CAREFULLY.

Si usted desea obtener una copia de este documento legal en Espanol,  
favor de actuar inmediatamente y escribir a "Class Counsel, McLin,  
Burnsed, Morrison, Johnson & Robuck, P.A., Post Office Box 491357,  
Leesburg, Florida 34749-1357."

PURPOSE OF THIS NOTICE

This Notice is given pursuant to an Order of the Circuit Court of the  
State of Florida, Lake County, in accordance with Fla. R. Civ. P. 1.220(e). This  
notice is to tell you about (i) the pendency of the above styled class action  
lawsuit; (ii) the conditional certification for settlement purposes only of the  
above-referenced Class, of which you are or may be a member; (iii) a proposed  
settlement of the class action relating to the Defendant, LOUISIANA-PACIFIC; and  
(iv) a hearing by the Court on \_\_\_\_\_, 1995, to consider the  
fairness, reasonableness and adequacy of the proposed settlement as a result of  
which you may be eligible



EXHIBIT F

to receive a sum of money. This lawsuit was brought on behalf of certain property owners who have an exterior siding material manufactured by LOUISIANA-PACIFIC known as INNER-SEAL siding or Oriented Strand Board (OSB). You may be such a property owner.

The Plaintiff property owners (the people bringing the lawsuit) charge that LOUISIANA-PACIFIC manufactured and sold a defective product known as INNER-SEAL Siding or Oriented Strand Board. The Plaintiffs assert that the product has prematurely deteriorated on their homes or apartments and has not performed as warranted. As a result, the Plaintiffs claim that they are legally entitled to be compensated for the damages that they have incurred. The Defendant, LOUISIANA-PACIFIC, denies these claims and charges.

The Court has not ruled on the merits of the Plaintiffs' charges or on the denials and other defenses made by L-P. The purpose of this notice is to advise you (who have been identified as possibly such a property owner) of these proceedings, including a proposed settlement of the case, the potential effect on your rights, and notice of the upcoming hearing relating to the fairness and reasonableness of the Settlement Agreement.

CLASS ACTION RULING

The Court has conditionally ruled that this lawsuit may be maintained as a claim for damages not only by the individuals named in the complaint, but also on behalf of a Class consisting of certain other property owners of L-P exterior siding. The Court has named JEFFREY ANDERSON and ARMANDINA ANDERSON, his wife; JOSEPH BALOGA and KATHLEEN M. BALOGA, his wife; STEVEN C. BELL and NANCY P. BELL, his wife; TIMOTHY N. BLACKSTONE and JULIE BLACKSTONE, his wife; DOUGLAS P. BOLOGNESE and JULIA P. BOLOGNESE, his wife; STEVEN M. BOWMAN and TERESA K. BOWMAN, his wife; WALTER BROWN and TERRY BROWN, his wife; ROBERT K. CARTER and LINDA L. WILLIAMS-CARTER, his wife; CHARLES B. COE and MARY COE, his wife; MARY E. COLLIER; JOE CRAWFORD and SUE A. CRAWFORD, his wife; JERRY KENDALL CURTIS and ALISON H. CURTIN, his wife; STEPHEN E. GODDARD and DONNA GODDARD, his wife; PHILIP G. GUILBEAULT and ROSEMARY GUILBEAULT, his wife; MARK HANSEN and LINDA HANSEN, his wife; MILTON O. HARRELL and PATSY A. HARRELL, his wife; LARRY HAYS and TINA HAYS, his wife; SUSAN JETER; DAVID R. JONES and LYNN L. JONES, his wife; JUNE N. JONES; PATRICK M. KANE and BRENDA E. KANE, his wife; ERNEST P. LaROCHE and BETTY LaROCHE, his wife; DENNIS G. LEACH and SEGUNDA P. LEACH, his wife; PATRICIA LEUNG; STEVEN M. LEWIS and MICHELLE B. LEWIS, his wife; DONALD McEVER and SHARON McEVER, his wife; ARNOLD S. MILLER and PAMELA J. MILLER, his wife; JEFFREY B. MOORE and IRENE E. MOORE, his wife; WILLIAM G. MOORE and LYDIA I. MOORE, his wife; DOUGLAS A. MORAN, JR. and ANNA A. MORAN, his wife; STEPHEN W. MOSAKOWSKI and LINDA K. MOSAKOWSKI, his wife; DONALD L. NICHOLSON and CAROLYN N. NICHOLSON, his wife; ROBERT A. PARKER and ROBIN L. PARKER, his wife; KEITH H. PARTLOW and PAULA L. PARTLOW, his wife; LAWRENCE O'HARA PARTRIDGE

and LORI ANNE PARTRIDGE, his wife; TIMOTHY ROOD and MERI BETH ROOD, his wife; ALAN G. SHIRLEY and DENISE SHIRLEY, his wife; DENNIS R. SMITH and LINDA L. SMITH, his wife; MIRIAM SMITH; RENEE M. SMITH; JACK W. STANLEY and GLENDA STANLEY, his wife; SUSAN M. STRIBY; STEVEN M. SUMERFELT and DARLENE L. SUMERFELT, his wife; BRAD TUBBS and MARY TUBBS, his wife; SCOTT T. WALKER and LISA JO WALKER, his wife; FRANK WASHBOURNE and LINDA WASHBOURNE, his wife; CURTIS D. WILLIAMS and RHONDA F. WILLIAMS, his wife; LEE J. WITHINGTON; and DANIEL ZIMMER and CRYSTAL ZIMMER, his wife as class representatives and their attorneys, Walter S. McLin, III, Esquire and Phillip S. Smith, Esquire, of McLin, Burnsed, Morrison, Johnson & Robuck as counsel for the Class. The Class consists of those persons and entities throughout the state of Florida who own real property which has LOUISIANA-PACIFIC INNER-SEAL siding as its exterior siding material on that real property. The Class does not include the following:

1. Property owners who have previously signed full releases of claims against LOUISIANA-PACIFIC and received compensation for all owned square footage of siding material;
2. Property owners who have executed arbitration agreements with LOUISIANA-PACIFIC or have participated in arbitration with LOUISIANA-PACIFIC with respect to all owned square footage of exterior siding material;
3. Property owners who are parties to lawsuits as of the date of filing, October 19, 1994, of the Class Action Petition; however, such property owners may choose to designate themselves affirmatively as members of the Class within 100 days after issuance of this notice.
4. Property owners who have removed or replaced their L-P exterior siding with a product other than L-P exterior siding before the independent adjuster has had the opportunity to make the inspection on the property as contemplated by the Settlement Agreement.

The conditional ruling is contingent on the Court ultimately approving the proposed Settlement Agreement after the hearing on the fairness and reasonableness of such settlement.

#### TERMS OF PROPOSED SETTLEMENT

Subject to Court approval, the named Plaintiffs and the Defendant, LOUISIANA-PACIFIC, have agreed on a settlement of this case under which LOUISIANA-PACIFIC will pay to the Class Members (who do not timely elect to exclude themselves from the Class) compensation based on an independent inspection and examination of each property by an independent adjuster. Under the proposed Settlement Agreement, a class member wishing to make a claim will be able to call a 1-800 number in order to begin the settlement process.

The independent adjuster will calculate the square footage of damaged siding and multiply the square footage times the cost per square foot necessary to completely replace all of the damaged siding as calculated from the Means Data Construction figures for the state of Florida. From that calculation, the independent adjuster will make deductions for improper design/installation by the builder and improper maintenance by the property owner. Additionally, a deduction will be made on the basis of 5% per year for any property over 3 years old. The adjuster will then calculate the amount owed to the Class Member by LOUISIANA-PACIFIC and will forward to LOUISIANA-PACIFIC the inspection report together with all calculations.

LOUISIANA-PACIFIC will then forward to Class Counsel within thirty (30) days, the settlement check in the calculated amount. Class Counsel will obtain a written release from the class member and promptly deliver LOUISIANA-PACIFIC's settlement check to the Class Member. Under the proposed Settlement Agreement, the Defendant, LOUISIANA-PACIFIC, will extend the period in which a class member can make a claim for up to 5 years from the date of the Court's Final Order accepting the Settlement Agreement. LOUISIANA-PACIFIC will pay the attorney's fees and expenses of Class Counsel independent of payments to the class in the amount of \$ \_\_\_\_\_ subject to approval by the Court. In addition, LOUISIANA-PACIFIC will pay an amount to the named plaintiffs as compensation for the expenses and efforts relating to the participation in this lawsuit.

LOUISIANA-PACIFIC does not admit any wrong doing or liability on its part; the proposed Settlement Agreement with LOUISIANA-PACIFIC is a compromise of disputed claims and does not mean that it is liable for the charges made by the Plaintiffs. If approved, the Settlement will discharge LOUISIANA-PACIFIC from any further liability to the Class Members for the conduct alleged by the Plaintiffs except as provided for in the Settlement Agreement.

#### ELECTION BY CLASS MEMBERS

If you fit the above-description of a Class Member, you have a choice whether to remain a member of the Class on whose behalf this suit is being maintained. Either choice will have its consequences, which you should understand before making your decision. If you want to be excluded from the Class, you must complete the enclosed form ("Request for Exclusion") and return it to "Class Counsel, McBin, Burnsed, Morrison, Johnson & Robuck, P.A., Post Office Box 491357, Leesburg, Florida 34749-1357," by mail, postmarked no later than \_\_\_\_\_, 199\_\_\_. By making this election to be excluded, (1) you will not share in any recovery that might be paid to property owners as a result of trial or settlement of this lawsuit; (2) you will not be bound by any decision in this lawsuit favorable to the Defendant, LOUISIANA-PACIFIC; and (3) you may present any claims you have against Defendant, LOUISIANA-PACIFIC, by filing your own lawsuit; or (4) you may seek to intervene in this lawsuit.

If you want to remain a member of the Class, you should not file the "Request for Exclusion" and are not required to do anything at this time. By remaining a Class Member, any claims against the Defendant, LOUISIANA-PACIFIC, for damages arising from the Defendant, LOUISIANA-

PACIFIC's defective products as alleged by the Class representatives will be determined in this case and cannot be presented in any other lawsuit.

#### RIGHTS AND OBLIGATIONS OF CLASS MEMBERS

If you remain a member of the Class:

1. The named Plaintiffs and their attorneys will act as your representatives and counsel for the presentation of the charges against the Defendant. If you desire, you may appear by your own attorney. You may also seek to intervene individually and may advise the Court if at any time you consider that you are not being fairly and adequately represented by the named Plaintiffs or their attorneys.
2. Your participation in the recovery which may be obtained from the Defendant LOUISIANA-PACIFIC through settlement will depend upon the Court's final approval of the Settlement Agreement and your ultimately signing a release in favor of LOUISIANA-PACIFIC.
3. You may be required as a condition to participating in the settlement to present evidence respecting the damage to your property. You should therefore preserve invoices, pictures, records or other evidence of the damages to your property.\
4. You will be requested to notify Class Counsel of any corrections or changes in your name or address so that additional information will be forwarded to you.

#### SETTLEMENT HEARING

The Court will hold a hearing in court room \_\_\_\_\_, in the Circuit Court of the Fifth Judicial Circuit in and for Lake County, Florida, Lake County Judicial Center in Tavares, Florida, at \_\_\_\_\_ .M. on \_\_\_\_\_, the \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_, to determine whether, as recommended by both Class Counsel and the Class Representatives, it should approve the proposed Settlement Agreement.

Objections to the proposed Settlement Agreement by Class Members (who do not timely elect to exclude themselves from the Class) will be considered by the Court, but only if such objections are filed in writing with the Clerk by mail postmarked before \_\_\_\_\_, 199\_\_. Attendance at the hearing is not necessary; however, Class Members wishing to be heard orally in opposition to the proposed Settlement Agreement should indicate, in their written objection, their intention to appear at the hearing.

Class Members who support the proposed Settlement Agreement do not need to appear at the hearing or take any other action to indicate their approval.

#### FURTHER PROCEEDINGS

If the Settlement is approved by the Court, procedures will be established to effectuate the terms of the Settlement Agreement. Class Counsel believes that, unless delayed by appeals or unforeseen events, the settlement process may begin by \_\_\_\_\_, 1995. You should preserve records, pictures, invoices of siding purchases and obtain a Certificate of Occupancy to establish the installation date of your LOUISIANA-PACIFIC siding.

If the Settlement is not approved, the case will continue to be prepared for trial or other judicial resolution of the claims and defenses and the conditional certification will cease. The case is not expected to be ready for trial before \_\_\_\_\_, 199\_\_, as substantial discovery remains to be conducted. Depending upon the results of the trial, further proceedings may be necessary before the case is finally resolved.

#### ADDITIONAL INFORMATION

Any questions you have about the matters contained in this Notice, and any corrections or changes of name or address should NOT be made to the Court but should be directed in writing to Class Counsel, McLin, Burnsed, Morrison, Johnson & Robuck, P.A., Post Office Box 491357, Leesburg, Florida 34749-1357. If you decide to remain a member of the Class and wish to communicate with Class Counsel as your attorney in this litigation, you may do so by writing to Class Counsel, Walter S. McLin, III, Esquire and/or Phillip S. Smith, Esquire, of McLin, Burnsed, Morrison, Johnson & Robuck, P.A., Post Office Box 491357, Leesburg, Florida 34749-1357.

You may of course seek the advice and guidance of your own attorney if you desire. The pleadings and other records in this litigation, including a complete copy of the proposed Settlement Agreement, may be examined and copied at any time during regular office hours at the office of the Lake County Clerk of Court, Lake County Judicial Center, 550 West Main Street, Tavares, Florida.

#### REMINDERS

IF YOU WISH TO BE EXCLUDED FROM THE CLASS ON WHOSE BEHALF THIS ACTION IS BEING MAINTAINED, RETURN THE COMPLETED "REQUEST FOR EXCLUSION" TO CLASS COUNSEL BY MAIL POSTMARKED BEFORE \_\_\_\_\_, 1995.

IF YOU WISH TO REMAIN A MEMBER OF THE CLASS BUT WANT TO OBJECT TO THE PROPOSED SETTLEMENT, FILE YOUR WRITTEN OBJECTION WITH THE CLERK OF THE COURT BY MAIL POSTMARKED BEFORE \_\_\_\_\_, 1995. INCLUDE ANY REQUEST TO BE HEARD ORALLY AT THE HEARING.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 1995.

\_\_\_\_\_  
Clerk of the Court



AMENDMENT TO SETTLEMENT AGREEMENT - NUMBER 1

Paragraph 8.2 on page 14 of the Settlement Agreement will be amended and replaced by paragraph 8.2 as stated below:

8.2 Each independent adjuster will be required to attend a training session presented jointly by Class Counsel and Louisiana-Pacific.

IN WITNESS WHEREOF, the parties have set their hands and seals effective of the date set forth below.

LOUISIANA-PACIFIC CORPORATION,  
A DELAWARE CORPORATION

by: /s/ D. R. Kayser Date: AUGUST 9, 1995  
-----

D. R. KAYSER, CHIEF EXECUTIVE OFFICER  
-----  
(Printed name and title)

STATE OF OREGON  
COUNTY OF MULTNOMAH

The foregoing instrument was acknowledged before me this 9th day of August, 1995, by D. R. Kayser the Chief Executive officer of LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, on behalf of the corporation.

/s/ Sara Welliver [SEAL]  
-----  
(Signature of Notary Public)

Sara Welliver  
-----  
(Print Name of Notary Public)

A026228  
-----  
(Serial/Commission Number)

X Personally Known or Produced \_\_\_\_\_ as identification.  
-----

/s/ Walter S. McLin, III

-----  
WALTER S. McLIN, III  
Florida Bar No. 053465  
PHILLIP S. SMITH  
Florida Bar No. 0999040  
McLin, Burnsed, Morrison  
Johnson & Robuck, P.A.  
Post Office Box 491357  
Leesburg, Florida 34749-1357  
(904) 787-1241  
CLASS COUNSEL

/s/ George R. Miller

-----  
GEORGE R. MILLER  
Florida Bar No. 105201  
Post Office Box 687  
DeFuniak Springs, Florida 32422-0687  
(904) 892-5153  
Attorney for Louisiana-Pacific  
Corporation

/s/ Robert M. Schick

-----  
ROBERT M. SCHICK, of  
Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, Texas 77002-6760  
(713) 758-4582  
Attorneys for Louisiana-Pacific  
Corporation



IN WITNESS WHEREOF, the parties have set their hands and seals effective of the date set forth below.

LOUISIANA-PACIFIC CORPORATION,  
A DELAWARE CORPORATION

by: /s/ D. R. Kayser

Date: August 9, 1995

-----  
D. R. Kayser, Chief Executive Officer

-----  
(Printed name and title)

STATE OF OREGON  
COUNTY OF MULTNOMAH

The foregoing instrument was acknowledged before me this 9th day of August, 1995, by D. R. Kayser the Chief Executive officer of LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, on behalf of the corporation.

/s/ Sara Welliver

[SEAL]

-----  
(Signature of Notary Public)

Sara Welliver

-----  
(Print Name of Notary Public)

A026228

-----  
(Serial/Commission Number)

X Personally Known or Produced \_\_\_\_\_ as identification.

/s/ Walter S. McLin, III

/s/ George R. Miller

-----  
WALTER S. McLIN, III  
Florida Bar No. 053465  
PHILLIP S. SMITH  
Florida Bar No. 0999040  
McLin, Burnsed, Morrison  
Johnson & Robuck, P.A.  
Post Office Box 491357  
Leesburg, Florida 34749-1357  
(904) 787-1241  
CLASS COUNSEL

-----  
GEORGE R. MILLER  
Florida Bar No. 105201  
Post Office Box 687  
DeFuniak Springs, Florida 32422-0687  
(904) 892-5153  
Attorney for Louisiana-Pacific  
Corporation

/s/ Robert M. Schick

-----  
ROBERT M. SCHICK, of  
Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, Texas 77002-6760

AMENDMENT TO SETTLEMENT AGREEMENT - NUMBER 3

Paragraphs 15.1 and 15.2 on page 20 shall be deleted and the new paragraphs 15.1 and 15.2 below shall be inserted in its place.

- 15.1 The Parties shall request that the Court enter an order barring and prohibiting the commencement and prosecution of any claim or action by any Class Member against Louisiana-Pacific, including but not limited to, any negligence, breach of warranty, breach of contract, misrepresentation, contribution, indemnity, and/or subrogation claims (except subrogation claims explicitly preserved under Section 13), seeking reimbursement for payments made or to be made to any Settlement Class member for claims relating to Louisiana-Pacific Inner-Seal Siding. Louisiana-Pacific shall be entitled to dismissal with prejudice of any such claim against it which violate or are inconsistent with this bar.
- 15.2 Any Settlement Class member making a claim against a Third Party (other than that Settlement Class member's insurance carrier) for what would be a Settled Claim if asserted against Louisiana-Pacific, shall indemnify and hold harmless Louisiana-Pacific from any claim of contribution or indemnity asserted by such Third party against Louisiana-Pacific. Provided that, the Settlement Class member will not be liable for attorney's fees or costs incurred by Louisiana-Pacific in defense of a claim by a third party.

IN WITNESS WHEREOF, the parties have set their hands and seals effective of the date set forth below.

LOUISIANA-PACIFIC CORPORATION,  
A DELAWARE CORPORATION

by: /s/ D. R. Kayser

Date: August 9, 1995

-----  
D. R. Kayser, Chief Executive Officer

-----  
(Printed name and title)

STATE OF OREGON  
COUNTY OF MULTNOMAH

The foregoing instrument was acknowledged before me this 9th day of August, 1995, by D. R. Kayser the Chief Executive officer of LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, on behalf of the corporation.

/s/ Sara Welliver

[SEAL]

-----  
(Signature of Notary Public)

Sara Welliver

-----  
(Print Name of Notary Public)

A026228

-----  
(Serial/Commission Number)

X Personally Known or Produced \_\_\_\_\_ as identification.  
-----

/s/ Walter S. McLin, III

/s/ George R. Miller

-----  
WALTER S. McLIN, III  
Florida Bar No. 053465  
PHILLIP S. SMITH  
Florida Bar No. 0999040  
McLin, Burnsed, Morrison  
Johnson & Robuck, P.A.  
Post Office Box 491357  
Leesburg, Florida 34749-1357  
(904) 787-1241  
CLASS COUNSEL

-----  
GEORGE R. MILLER  
Florida Bar No. 105201  
Post Office Box 687  
DeFuniak Springs, Florida 32422-0687  
(904) 892-5153  
Attorney for Louisiana-Pacific  
Corporation

/s/ Robert M. Schick

-----  
ROBERT M. SCHICK, of  
Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, Texas 77002-6760  
(713) 758-4582  
Attorneys for Louisiana-Pacific  
Corporation

AMENDMENT TO SETTLEMENT AGREEMENT - NUMBER 4

FIELD INSPECTION AND EVALUATION FORM AMENDMENT - EXHIBIT "C"

Delete Item 4 under Owner Maintenance on page 3. The parties agree that no deduction shall be taken under the category of Owner Maintenance for plants in direct contact with the siding.

IN WITNESS WHEREOF, the parties have set their hands and seals effective of the date set forth below.

LOUISIANA-PACIFIC CORPORATION,  
A DELAWARE CORPORATION

by: /s/ D. R. Kayser Date: August 9, 1995  
-----

D. R. Kayser, Chief Executive Officer  
-----  
(Printed name and title)

STATE OF OREGON  
COUNTY OF MULTNOMAH

The foregoing instrument was acknowledged before me this 9th day of August, 1995, by D. R. Kayser the Chief Executive officer of LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, on behalf of the corporation.

/s/ Sara Welliver [SEAL]  
-----  
(Signature of Notary Public)

Sara Welliver  
-----  
(Print Name of Notary Public)

A026228  
-----  
(Serial/Commission Number)

Personally Known or Produced \_\_\_\_\_ as identification.  
-----

/s/ Walter S. McLin, III

-----  
WALTER S. McLIN, III  
Florida Bar No. 053465  
PHILLIP S. SMITH  
Florida Bar No. 0999040  
McLin, Burnsed, Morrison  
Johnson & Robuck, P.A.  
Post Office Box 491357  
Leesburg, Florida 34749-1357  
(904) 787-1241  
CLASS COUNSEL

/s/ George R. Miller

-----  
GEORGE R. MILLER  
Florida Bar No. 105201  
Post Office Box 687  
DeFuniak Springs, Florida 32422-0687  
(904) 892-5153  
Attorney for Louisiana-Pacific  
Corporation

/s/ Robert M. Schick

-----  
ROBERT M. SCHICK, of  
Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, Texas 77002-6760  
(713) 758-4582  
Attorneys for Louisiana-Pacific  
Corporation

AMENDMENT TO SETTLEMENT AGREEMENT - NUMBER 5

FIELD INSPECTION AND EVALUATION FORM AMENDMENT - EXHIBIT "C"

Delete Item 3 under Owner Maintenance on page 3. The parties agree that no deduction shall be taken under the category of Owner Maintenance for sprinkler overspray.

IN WITNESS WHEREOF, the parties have set their hands and seals effective of the date set forth below.

LOUISIANA-PACIFIC CORPORATION,  
A DELAWARE CORPORATION

by: /s/ D. R. KAYSER Date: August 9, 1995  
-----

D. R. Kayser, Chief Executive Officer  
-----  
(Printed name and title)

STATE OF OREGON  
COUNTY OF MULTNOMAH

The foregoing instrument was acknowledged before me this 9th day of August, 1995, by D. R. Kayser the Chief Executive officer of LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, on behalf of the corporation.

/s/ Sara Welliver [SEAL]  
-----  
(Signature of Notary Public)

Sara Welliver  
-----  
(Print Name of Notary Public)

A026228  
-----  
(Serial/Commission Number)

X Personally Known or Produced as identification.  
-----

/s/ Walter S. McLin, III

-----  
WALTER S. McLIN, III  
Florida Bar No. 053465  
PHILLIP S. SMITH  
Florida Bar No. 0999040  
McLin, Burnsed, Morrison  
Johnson & Robuck, P.A.  
Post Office Box 491357  
Leesburg, Florida 34749-1357  
(904) 787-1241  
CLASS COUNSEL

/s/ George R. Miller

-----  
GEORGE R. MILLER  
Florida Bar No. 105201  
Post Office Box 687  
DeFuniak Springs, Florida 32422-0687  
(904) 892-5153  
Attorney for Louisiana-Pacific  
Corporation

/s/ Robert M. Schick

-----  
ROBERT M. SCHICK, of  
Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, Texas 77002-6760  
(713) 758-4582  
Attorneys for Louisiana-Pacific  
Corporation

AMENDMENT TO SETTLEMENT AGREEMENT - NUMBER 6

The following language should be added to the Definition of "Replacement Cost" found on page 6.

The replacement cost per foot will be \$13.07 for the replacement of Louisiana- Pacific fascia, \$14.71 for trim and \$3.40 for soffit.

IN WITNESS WHEREOF, the parties have set their hands and seals effective of the date set forth below.

LOUISIANA-PACIFIC CORPORATION,  
A DELAWARE CORPORATION

by: /s/ D. R. Kayser Date: 8/31/95  
-----  
D. R. Kayser, Chief Executive Officer  
-----  
(Printed name and title)

STATE OF OREGON  
COUNTY OF MULTNOMAH

The foregoing instrument was acknowledged before me this 31st day of August, 1995, by D. R. Kayser the Chief Executive officer of LOUISIANA-PACIFIC CORPORATION, a Delaware Corporation, on behalf of the corporation.

/s/ Holly Taft [SEAL]  
-----  
(Signature of Notary Public)

Holly Taft  
-----  
(Print Name of Notary Public)

041888 - Oregon  
-----  
(Serial/Commission Number)

X Personally Known or Produced as identification.  
-----



/s/ Walter S. McLin, III

-----  
WALTER S. McLIN, III  
Florida Bar No. 053465  
PHILLIP S. SMITH  
Florida Bar No. 0999040  
McLin, Burnsed, Morrison  
Johnson & Robuck, P.A.  
Post Office Box 491357  
Leesburg, Florida 34749-1357  
(904) 787-1241  
CLASS COUNSEL

/s/ George R. Miller

-----  
GEORGE R. MILLER  
Florida Bar No. 105201  
Post Office Box 687  
DeFuniak Springs, Florida 32422-0687  
(904) 892-5153  
Attorney for Louisiana-Pacific  
Corporation

/s/ Robert M. Schick

-----  
ROBERT M. SCHICK, of  
Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, Texas 77002-6760  
(713) 758-4582  
Attorneys for Louisiana-Pacific  
Corporation

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K/A into the registrant's previously filed Registration Statement File Nos. 2-97014, 33-42276, 33-62944, 333-10987, 333-53695, 333-53715, 333-73157, 333-87771, 333-87775, 333-87803, and 333-91693.

/s/ Arthur Andersen LLP

Portland, Oregon  
February 2, 2000

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 2-97014, 33-42276, 33-62944, 333-10987, 333-53695, 333-53715, 333-73157, 333-87771, 333-87775, 333-87803, and 333-91693 of Louisiana-Pacific Corporation of our report dated January 29, 1999 (February 25, 1999 as to the first paragraph of Note 11), appearing in Amendment No. 1 to the Annual Report on Form 10-K/A of Louisiana-Pacific Corporation for the year ended December 31, 1998.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Portland, Oregon  
February 2, 2000