

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For Quarterly Period Ended March 31, 2002
Commission File Number 1-7107

LOUISIANA-PACIFIC CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

93-0609074

(IRS Employer Identification No.)

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

(Address of principal executive offices) (Zip Code)

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock: 104,566,500 shares of Common Stock, \$1 par value, outstanding as of April 24, 2002.

Except as otherwise specified and unless the context otherwise requires, references to "LP", the "Company", "we", "us", and "our" refer to Louisiana-Pacific Corporation and its subsidiaries.

ABOUT FORWARD-LOOKING STATEMENTS

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

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

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

- changes in general economic conditions;
- changes in the cost and availability of capital;
- changes in the level of home construction activity;
- changes in competitive conditions and prices for our products;
- changes in the relationship between supply of and demand for building products, including the effects of industry-wide increases in manufacturing capacity;
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changes in the relationship between supply of and demand for the raw materials, including wood fiber and resins, used in manufacturing our products;

- changes in other significant operating expenses;
- changes in exchange rates between the U.S. dollar and other currencies particularly the Canadian dollar;
- changes in general and industry-specific environmental laws and regulations;
- unforeseen environmental liabilities or expenditures;
- the resolution of product-related litigation and other legal proceedings; and
- acts of God or public authorities, war, civil unrest, fire, floods, earthquakes and other matters beyond our control.

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

ABOUT THIRD PARTY INFORMATION

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

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(AMOUNTS IN MILLIONS EXCEPT PER SHARE) (UNAUDITED)

	Quarter Ended March 31,	
	2002	2001
Net sales	\$ 596.7	\$ 558.5
Operating costs and expenses:		
Cost of sales	505.6	549.2
Depreciation, amortization and depletion	43.4	49.1
Selling and administrative	37.3	43.6
Other operating charges and credits, net	0.8	12.2
Loss related to assets and liabilities transferred under contractual arrangement	—	4.5
Total operating costs and expenses	587.1	658.6
Income (loss) from operations	9.6	(100.1)
Non-operating income (expense):		
Interest expense	(23.8)	(23.2)
Interest income	7.9	8.2
Foreign exchange gains (losses)	(0.3)	2.0
Total non-operating income (expense)	(16.2)	(13.0)
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliate	(6.6)	(113.1)
Provision (benefit) for income taxes	(2.0)	(22.4)
Minority interest in net income (loss) of consolidated subsidiaries	(0.5)	(1.3)
Equity in (income) loss of unconsolidated affiliate	(0.9)	—

Net income (loss)	\$ (3.2)	\$ (89.4)
Net income (loss) per share—basic and diluted	\$ (0.03)	\$ (0.86)
Average shares outstanding Basic and diluted	104.6	104.4

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

	March 31, 2002	December 31, 2001
ASSETS		
Cash and cash equivalents	\$ 46.9	\$ 61.6
Accounts receivables, net	169.7	118.3
Inventories	252.6	213.2
Prepaid expenses	11.5	21.1
Income tax refunds receivable	39.5	37.5
Deferred income taxes	41.4	41.4
Total current assets	561.6	493.1
Timber and timberlands, at cost less cost of timber harvested	553.8	563.1
Property, plant and equipment	2,348.1	2,355.3
Accumulated depreciation	(1,251.9)	(1,221.9)
Net property, plant and equipment	1,096.2	1,133.4
Goodwill, net of amortization	298.3	298.3
Notes receivable from asset sales	403.8	403.8
Assets transferred under contractual arrangement	29.1	29.1
Other assets	87.7	96.0
Total assets	\$ 3,030.5	\$ 3,016.8
LIABILITIES AND EQUITY		
Current portion of long-term debt	\$ 38.9	\$ 37.7
Accounts payable and accrued liabilities	244.8	251.8
Current portion of contingency reserves	20.0	20.0
Total current liabilities	303.7	309.5
Long-term debt, excluding current portion:		
Limited recourse notes payable	396.5	396.5
Other long-term debt	799.7	755.5
Total long-term debt, excluding current portion	1,196.2	1,152.0
Contingency reserves, excluding current portion	129.6	135.1
Liabilities transferred under contractual arrangement	13.3	14.0
Deferred income taxes and other	309.8	325.3
Commitments and contingencies		
Stockholders' equity:		
Common stock	117.0	117.0
Additional paid-in capital	441.7	440.8
Retained earnings	804.4	807.6
Treasury stock	(230.5)	(230.6)
Accumulated comprehensive income (loss)	(54.7)	(53.9)

Total stockholders' equity		1,077.9		1,080.9
Total liabilities and equity	\$	3,030.5	\$	3,016.8

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

LOUISIANA-PACIFIC CORPORATION AND SUBSIDIARIES

(DOLLAR AMOUNTS IN MILLIONS) (UNAUDITED)

	Quarter Ended March 31,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (3.2)	\$ (89.4)
Depreciation, amortization and depletion	43.4	49.1
Other operating charges and credits, net	4.8	12.2
Cash settlements of contingencies	(6.3)	(1.9)
Loss on assets and liabilities transferred under contractual arrangement	—	4.5
Other adjustments	(7.5)	(1.3)
Decrease (increase) in certain working capital components and deferred taxes	(87.8)	12.1
Net cash used by operating activities	(56.6)	(14.7)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital spending	(3.8)	(22.1)
Cash loaned under credit facility related to assets and liabilities transferred under contractual arrangement	(0.7)	—
Proceeds from transfer of assets and liabilities under contractual arrangement	—	22.4
Proceeds from assets sales	0.9	5.6
Other investing activities, net	7.4	0.6
Net cash provided by investing activities	3.8	6.5
CASH FLOWS FROM FINANCING ACTIVITIES:		
New borrowings, including net increase (decrease) in revolving borrowings	45.0	15.1
Repayment of long-term debt	(0.6)	(3.2)
Cash dividends	—	(14.7)
Other financing activities	(6.3)	0.3
Net cash provided (used) by financing activities	38.1	(2.5)
Net decrease in cash and cash equivalents	(14.7)	(10.7)
Cash and cash equivalents at beginning of period	61.6	38.1
Cash and cash equivalents at end of period	\$ 46.9	\$ 27.4

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

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Notes to Unaudited Consolidated Summary Financial Statements

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

These consolidated summary financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of the management of LP, necessary to present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of LP and its subsidiaries. Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

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

3. Basic and diluted earnings per share are based on the weighted average number of shares of common stock outstanding plus the effects of in-the-money outstanding stock options, computed under the treasury stock method. This method requires that the effect of potentially dilutive common stock equivalents (employee stock options and purchase plans) be excluded from the calculation of diluted earnings per share for the years in which losses are reported because the effect is anti-dilutive.

4. The preparation of interim financial statements requires the estimation of LP's effective income tax rate based on estimated annual amounts of taxable income and expenses. These estimates are updated quarterly. Accounting standards require that the estimated effective income tax rate for the year be applied to year-to-date income or loss at the end of each quarter. Any resulting adjustment related to prior periods must be applied against the current quarter. For the three-month period ended March 31, 2002, LP's effective tax benefit rate was 39% as compared to 20% in the first three months of 2001.

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

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

(Dollars in millions)	March 31, 2002	December 31, 2001
Logs	\$ 94.6	\$ 68.5
Other raw material	32.9	33.5
Finished products	142.9	127.2
Supplies	17.0	18.8
LIFO reserve	(34.8)	(34.8)
Total	\$ 252.6	\$ 213.2

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

(Dollars in millions)	Quarter Ended March 31,	
	2002	2001
Net income (loss)	\$ (3.2)	\$ (89.4)
Currency translation adjustment	(0.7)	1.4
Other	(0.1)	—
Total comprehensive income (loss)	\$ (4.1)	\$ (88.0)

8. The selected segment data and discussion of other operating credits and charges set forth in Item 2 "Management's Discussion and Analysis and Results of Operations" of this report is incorporated herein by reference.

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

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

11. In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for goodwill and other intangible assets. Under this standard, goodwill and other intangible assets that are deemed to have an indefinite life will no longer be amortized. However, these indefinite life assets will be tested for impairment on an annual basis by applying a fair value based test. SFAS No. 142 was effective for LP beginning January 1, 2002. LP has until June 30, 2002 to determine if any indefinite life intangible assets are impaired as of January 1, 2002 and until December 31, 2002 to determine the amount of any such impairment. If an impairment is deemed to exist, the charge will be recorded as of January 1, 2002. Management is currently evaluating the impact of this statement. Included in first quarter of 2001 results, is \$6.8 million of amortization of indefinite life intangibles. Excluding this amount from the first quarter 2001 results would result in an adjusted net loss of \$82.6 million or \$0.79 per diluted share.

12. In June of 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This statement addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. SFAS No. 143 will be effective for LP

beginning January 1, 2003. Management is currently evaluating the impact of these statements.

13. In August of 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement supersedes SFAS No. 121 and addresses financial accounting and reporting obligations associated with. SFAS No. 144 was effective for LP beginning January 1, 2002. The adoption of this standard did not have a material impact on the financial statements of LP.

Item 2. Management's Discussion and Analysis

CRITICAL ACCOUNTING POLICIES

Presented in Note 1 of Notes to financial statements in Item 8 in our annual report on Form 10-k for the year ended December 31, 2001 is a discussion of our significant accounting policies. The discussion of each of the policies outlines the specific accounting treatment related to each of these accounting areas. While all of these are important to understand when reading our financial statements, there are several policies that we have adopted and implemented from among acceptable alternatives that could lead to different financial results had another policy been chosen:

Inventory valuation. We use LIFO (last-in, first-out) method for most log and lumber inventories with the remaining inventories valued at FIFO (first-in, first-out) or average cost. Our inventories would have been approximately \$34.8 million higher if the LIFO inventories were valued at average cost.

Timber and timberlands. We use an overall policy on fee timber that amortizes timber costs over the total fiber available during the estimated growth cycle as volume is harvested. Timber carrying costs, such as reforestation and forest management, are expensed as incurred. Additionally, included in the balance of timber and timberlands are values allocated to Canadian forest licenses in the purchase price allocation for Le Groupe Forex (Forex) and the assets of Evans Forest Products (Evans). This allocation was based upon the present value of the difference between the cost of the timber under licenses and the timber purchased on the open market.

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

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Throughout the preparation of the financial statements, we employ significant judgments in the selection and application of accounting principles and methods. These judgments are primarily related to the assumptions used to arrive at various estimates. For 2002, these significant accounting estimates and judgments include:

Legal contingencies. Our estimates of our loss contingencies for legal proceedings are based on various judgments and assumptions regarding the potential resolution or disposition of the underlying claims and associated costs. With respect to OSB siding claims subject to our nationwide class action settlement, these judgments and assumptions relate to, among other things: the timing and magnitude (in terms of both the number of claims and the square footage of damaged siding) of additional claims; the extent to which claims may be resolved through means other than those provided for in the settlement; and the costs associated with the administration of the settlement and the resolution of disputes and other legal matters. In making these judgments and assumptions, we consider, among other things, discernible trends in the rate of claims assertion and related damage estimates, information obtained through consultation with statisticians, including statistical analyses of potential outcomes based on experience to date, the experience of third parties who have been subject to product-related claims judged to be comparable and our potential ability to resolve claims for less than their calculated value under the settlement. With respect to other product claims, we have much less historical experience as to both the validity of the claims and the potential means and costs of resolving or disposing of them. Due to the numerous variables associated with these judgments and assumptions, both the precision and reliability of the resulting estimates of the related loss contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to these contingencies and, as additional information becomes known, may change our estimates significantly.

Environmental contingencies. Our estimates of our loss contingencies for environmental matters are also based on various judgments and assumptions, the specific nature of which varies in light of the

particular facts and circumstances surrounding each such contingency. These estimates typically reflect judgments and assumptions relating to the probable nature, magnitude and timing of required investigation, remediation and/or monitoring activities and the probable cost of these activities, and in some cases reflect judgments and assumptions relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of the cost of these activities. In making these judgments and assumptions we consider, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and our historical experience at other sites that are judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. We regularly monitor our estimated exposure to environmental loss contingencies and, as additional information becomes known, may change our estimates significantly.

Impairment of Long-Lived Assets. We review the long-lived assets held and used by us (primarily property, plant and equipment and timber and timberlands) and goodwill for impairment when events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Identifying these events and changes in circumstances, and assessing their impact on the appropriate valuation of the affected assets under U.S. generally accepted accounting principles, requires us to make judgments, assumptions and estimates. In general, losses are recognized when the book values exceed our estimate of the undiscounted future net cash flows associated with the affected assets. The key assumptions in estimating these cash flows are future production volumes and pricing of commodity products and future estimates of expenses to be incurred. Our assumptions regarding pricing are based upon the average pricing over the commodity cycle (generally five years) due to the inherent volatility of commodity product pricing. These prices are estimated from information gathered from industry research

firms, research reports published by investment analysts and other published forecasts. Our estimate of expenses are based upon our expectation that we will continue to reduce product costs that will offset inflationary impacts. When impairment is indicated, the book values of the assets are written down to their estimated fair value. Assets to be disposed of are written down to their estimated fair value, less estimated sales costs. Consequently, a determination to dispose of particular assets can require us to estimate the net sales proceeds expected to be realized upon such disposition, which can be less than the estimated undiscounted future next cash flows associated with such assets prior to such determination, and thus require a write down of such assets. In situations where we have experience in selling assets of a similar nature, we may estimate net sales proceeds on the basis of that experience. In other situations, we may hire independent appraisers to estimate net sales proceeds for us. Due to the numerous variables associated with our judgments and assumptions relating to the valuation of our assets in these circumstances, and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates of the related impairment charges are subject to substantial uncertainties and, as additional information becomes known, we may change our estimates significantly.

Deferred Taxes. We record deferred tax assets, including net operating loss and other carryover amounts, and deferred tax liabilities. The amounts that we record for these assets (including any related valuation allowances) and liabilities are based upon various judgments, assumptions and estimates, including judgments regarding the tax rates that will be applicable to the deferred tax amounts, the likelihood that we will generate sufficient taxable income or gain to utilize deferred tax assets prior to their expiration, potential future tax liability relating to audits by taxing authorities and the indefinite reinvestment of foreign earnings. Due to the numerous variables associated with our judgments, assumptions and estimates relating to the valuation of our deferred tax assets and liabilities, and the effects of changes in circumstances affecting these valuations, both the precision and reliability of the resulting estimates are subject to substantial uncertainties and, as additional information becomes known, we may change our estimates significantly.

RESULTS OF OPERATIONS

Our net loss for the first quarter of 2002 was \$3.2 million, or \$0.03 per diluted share, on sales of \$596.7 million, compared to the first quarter 2001 net loss of \$89.4 million, or \$0.86 per diluted share, on sales of \$558.5 million. Excluding other operating credits and charges of \$0.8 million (\$0.5 million after tax, or \$0.00 per diluted share), our loss for the first quarter of 2002 was \$2.7 million, or \$0.03 per diluted share, compared to the first quarter 2001 loss excluding other operating credits and charges of \$12.2 million (\$7 million after tax or \$0.07 per diluted share), the non-cash charge associated with the write down on the investment in assets and liabilities transferred under contractual arrangement of \$4.5 million (\$3 million after tax or \$0.03 per diluted share) and amortization of goodwill (\$6.8 million after tax or \$0.07 per diluted share), was \$72 million, or \$0.69 per diluted share.

We operate in five segments: Structural Products; Exterior Products; Industrial Panel Products; Other Products; and Pulp. Structural Products is the most significant segment, accounting for more than 60% of sales during the first three-months of both 2002 and 2001. We are continuing our plan to exit the pulp business. In 2001, we sold a controlling interest in one of our mills and announced the indefinite closure of the other. Our results of operations are discussed below for each of these segments separately. Production volumes and industry product price trends are presented below in the tables captioned "Summary of Production Volumes" and "Industry Product Price Trends."

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

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

Selected Segment Data

	Quarter Ended March 31,		
	2002	2001	% change
Net sales:			
Structural products	\$ 394.4	\$ 344.3	15
Exterior products	101.8	69.6	46
Industrial panel products	40.8	53.2	(23)
Other products	59.6	58.5	2
Pulp	.1	32.9	(100)
	<u>\$ 596.7</u>	<u>\$ 558.5</u>	<u>7</u>
Operating profit (loss):			
Structural products	\$ 23.3	\$ (30.9)	175
Exterior products	8.8	(4.3)	305
Industrial panel products	(2.5)	(6.9)	64
Other products	2.8	(2.1)	233
Pulp	(1.4)	(12.8)	89
Other operating charges and credits, net	(0.8)	(12.2)	—
Loss related to assets and liabilities transferred under contractual arrangement	—	(4.5)	—

General corporate and other expenses, net	(20.9)	(24.4)	14
Interest expense, net	(15.9)	(15.0)	(5)
	<u> </u>	<u> </u>	
Income (loss) before taxes, minority interest and equity in earnings of unconsolidated affiliates	\$ (6.6)	\$ (113.1)	94
	<u> </u>	<u> </u>	

Structural Products

Our structural products segment manufactures and distributes structural panel products, including OSB; plywood; lumber; and EWP, including I-joists and LVL. Our structural products segment also includes our timberlands.

The increase in sales for first quarter 2002 as compared to first quarter of 2001 was primarily due to higher OSB, plywood and lumber prices. Percent changes in average sales prices and unit shipments were as follows:

	<u>Average Net Selling Price</u>	<u>Unit Shipments</u>
OSB	18%	1%
Plywood	5%	(15%)
Lumber	16%	21%
LVL	(7%)	—
I-Joist	(4%)	20%

OSB prices increased in the first quarter due to increased demand as retailers and distributors built inventory in anticipation of a continued strong housing market. In addition, the unusually temperate weather across most of North America allowed for housing construction to continue unhampered. Increases in OSB pricing accounted for an improvement of nearly \$27 million in operating results for this segment. Sales volumes remained relatively flat with the prior year. Significant cost savings were realized in OSB due to reduced wood and energy costs and increased manufacturing efficiencies.

Plywood prices also improved in the first quarter of 2002 compared to the comparable period in the prior year. However, our plywood business continues to lose money. Consequently, we are continuing

to review operating results at each of our plywood mills to balance cash flow concerns while meeting customer commitments. During the quarter, several mills operated on curtailed schedules.

Lumber prices increased in the first quarter as compared to the comparable period in 2001. Increases in lumber prices provided almost \$10 million in improved profitability. Additionally, significant improvements in manufacturing efficiencies lead to increased volume and increased production per man-hour that lowered per unit costs. Additionally, during the first quarter of 2001, we operated several mills on curtailed schedules.

Engineered wood products showed an increase in profits due to increased sales volume of I-Joists and reduced operating costs. These increases offset the impact of the reduced pricing on both LVL and I-Joists due to increased industry capacity. I-Joist sales volume increased due to the addition of several new distributors.

Overall, compared to the first quarter of 2001, the primary factor in the increased profitability in this segment was improvement in sales prices and improved operating efficiencies as discussed above. Overall, log cost and other raw materials associated with these products declined by approximately 3% for the quarter.

Exterior Products

Our exterior products segment produces and markets wood and vinyl siding and related accessories, composite decking and specialty OSB. Percent changes in average sales prices and unit shipments were as follows:

	<u>Average Net Selling Price</u>	<u>Unit Shipments</u>
OSB-based exterior products	3%	40%
Hardboard siding	2%	26%
Vinyl siding	(6%)	26%
Composite decking	(3%)	(4%)
Commodity OSB	20%	(39%)

For the first quarter of 2002, as compared to the comparable quarter in 2001, the increase in volume of both our hardboard siding and our OSB-based exterior products was primarily due to capturing additional sales as a result of mill closures by a key competitor in March of 2001. Additionally, we have seen significant increases in our penetration of manufactured homes sector. In our vinyl operations, several new products that we launched during the latter half of 2001 produced significant sales growth. Additionally, across all of our exterior products businesses, the milder than usual winter allowed increased homebuilding activity which resulted in increased sales.

We continue to develop our composite decking business. During the quarter, we did see a decline in sales price due to increased competition. Additionally, production and sales volumes declined as we transitioned to a new product formulation.

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

Overall, operating results for this segment improved for the quarter compared to the prior year due to the increased volumes in our siding products and increased pricing in both our OSB-based exterior products and commodity OSB. Additionally, significant reductions in resin costs in our vinyl operations contributed to the improved operating results. These improvements were partially offset by increased losses associated with our composite decking products.

Industrial Panel Products

The industrial panels segment manufactures and distributes particleboard, medium density fiberboard (MDF) and interior hardboard panels. For particleboard, sales prices declined about 10% compared to first quarter of 2001 due to weak market conditions and sales volumes declined by 8%. For MDF, sales volumes declined by 28% with sales prices increasing by 11% due to a higher mix of specialty products. For interior hardboard panels, sales prices increased by 4% with sales volume increasing by 29% due to increased demand. The primary factors of improved operating results in this segment were the reduction in energy costs and improvement in manufacturing efficiencies. These improvements partially offset the impact of the lower sales prices.

Other Products

Our other products segment includes plastic molding products, as well as our distribution and wholesale business, wood chips and our OSB plants located in Chile and Ireland. Sales for the first quarter of 2002 compared to the first quarter of 2001 were relatively flat, while operating results improved. The improvement in operating results was primarily attributable to our distribution business. Operating results for our other operations in this segment remained relatively flat. Due to low commodity prices in fourth quarter of 2001, our distribution business was able to secure low priced inventory moving into the first quarter 2002. As commodity prices began to increase, this business was able to sell at higher gross margins. We have announced that we are selling our stake in our Ireland OSB facility for \$10 million. This transaction is expected to close in late April 2002.

Pulp

Our pulp segment loss declined significantly from the first quarter of 2001. In February 2001, we transferred a controlling interest in our pulp facility in Samoa, California (see discussion in Potential Impairments below). Also during 2001, we indefinitely closed our remaining pulp mill. In the current quarter, the loss in this segment includes our on-going maintenance costs for security, property tax and other such expenditures at the closed mill as well as logs transportation costs to move logs currently located at this mill to other facilities.

Other Operating Charges and Credits, Net

Information regarding other operating charges and credits recorded in the quarter ended March 31 is set forth in the following table.

(Dollars in millions)	Quarter Ended March 31,	
	2002	2001
Additions to contingency reserves	\$ —	\$ (2.0)
Long-lived asset impairment charges	(7.6)	(10.2)
Mark to market adjustment on energy contracts	2.7	—
Gain on insurance recovery	4.1	—
Total unusual credits and charges, net	\$ (0.8)	\$ (12.2)

In the first quarter of 2002, we recognized \$4.1 million (\$2.5 million after taxes or \$0.02 per diluted share) in insurance settlements. These amounts are comprised of \$2.2 related to a 2000 incident at our Saratoga, Wyoming lumber facility and \$1.9 related to a 1999 incident at our Montrose, Colorado OSB facility. Due to the bankruptcy filing of Enron, we were required to record a mark-to-market adjustment on several energy contracts in the fourth quarter of 2001 as future physical delivery of the energy was no longer deemed probable. For first quarter 2002, we recorded a gain of \$2.7 million (\$1.6 million after taxes, or \$0.02 per share) to reflect the changes in the estimated fair value of the

contracts since December 31, 2001. Additionally, we recorded \$7.6 million (\$4.6 million after tax or \$0.04 per diluted share) in long-lived asset impairment charges associated with a particleboard mill and a sawmill to reduce the carrying value of the fixed assets to their estimated sales price. The remaining book value and operating results associated with this equipment are not material to our financial statements.

For the quarter ended March 31, 2001, we recorded a net charge of \$10.2 million (\$6.2 million after taxes, or \$0.06 per diluted share) associated with impairment charges related to equipment at three former manufacturing sites. The additional impairment charges resulted from changes in the planned method of disposal of the equipment. The remaining book value and operating results associated with this equipment are not material to our financial statements. We also recorded a net loss of \$2 million (\$1.2 million after taxes, or \$0.01 per diluted share) for additional reserves for non-product litigation.

General Corporate and Other Expense

For the first quarter of 2002, general corporate and other expenses declined 14% from the same period in 2001. This decline is primarily due to cost savings resulting from a corporate restructuring that occurred in 2001.

Interest Income (Expense)

Interest expense increased slightly in the first quarter of 2002 compared to the same period in the prior year due to a higher average debt outstanding to fund operations as well as increased interest rates due to the addition of our senior subordinated notes in August of 2001 offset by lower rates on our variable debt.

LEGAL AND ENVIRONMENTAL MATTERS

For a discussion of legal and environmental matters involving us and the potential impact thereof on our financial position, results of operations and cash flows, see Item 7 in our annual report on Form 10-K for the year ended December 31, 2001 and Item 1, Legal Proceedings, in Part II of this report.

OSB Siding Litigation Update

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

During the first quarter of 2002, claimants continued to file claims under the National Settlement. The claim filing period associated with the Florida Settlement ended October 4, 2000 and, as a result, no new claims under the Florida settlement were accepted after that date. See "OSB Siding Matters" in Item 1, Legal Proceedings, in Part II of this report.

As of March 31, 2002, (i) approximately 317,000 requests had been received for claim forms for the National Settlement and the Florida Settlement, compared to 314,000 at December 31, 2001, and (ii) approximately 203,000 completed claim forms for the National Settlement and the Florida Settlement had been received, compared to 201,000 at December 31, 2001. The average payment amount for settled claims as of March 31, 2002 and December 31, 2001 was approximately \$3,800. Excluding claims satisfied on a discounted basis pursuant to the Second Settlement Fund, the average payment amount for settled claims as of March 31, 2002 was \$5,100. The total number of completed claim forms pending (not settled) as of March 31, 2002 was approximately 28,000 (approximately 27,000 at December 31, 2001) while approximately 139,000 claims had been settled (approximately 139,000 at

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December 31, 2001) and approximately 36,000 claims had been dismissed (approximately 35,000 at December 31, 2001). Dismissal of claims is typically the result of claims for product not produced by LP or claims that lack sufficient information or documentation after repeated efforts to correct those deficiencies.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash used by operations was \$56.6 million in the first three months of 2002 compared to \$14.7 million in the same period of 2001. The increase in cash used by operations resulted primarily from increased inventories and accounts receivables, which was partially offset by improved operating results compared to the prior year.

Net cash provided by investing activities was \$3.8 million in the first three months of 2002 compared to \$6.5 million in the comparable period of 2001. Capital expenditures for property, plant, equipment and timber declined significantly in the first quarter of 2002 compared to the same period in 2001, primarily due to management's focus on cash preservation. Capital expenditures during the first quarter of 2002 were primarily for necessary capital projects. We estimate that for the full year ending December 31, 2002, we will spend \$60 million to \$70 million for necessary and high-return capital projects. In addition, LP received cash of \$6.4 million from the liquidation of investments held in a grantor trust to offset the cash impact of distributions related to the discontinuation of deferred compensation plans.

Net cash provided by financing activities was \$38.1 million for the first three months of 2002 compared to \$2.5 million of net cash used by financing activities in the comparable period of 2001. Our net new borrowings were \$45 million in the first quarter of 2002 and \$15.1 million in the comparable period in 2001. We paid \$14.7 million in cash dividends in the first quarter of 2001. In addition, LP made \$6.2 million of distributions related to the discontinuation of deferred compensation plans.

We expect to meet future cash requirements of the existing operations through cash generated from operations, existing cash balances, and existing credit facilities and other capital resources. Cash and cash equivalents totaled \$46.9 million at March 31, 2002 compared to \$61.6 million at December 31, 2001.

We have a secured revolving credit facility of approximately \$190 million under which \$45 million of borrowings and \$45 million in letters of credit were outstanding at March 31, 2002 (available credit at March 31, 2002 was approximately \$100). This facility is available until January 2004. This facility contains five specific financial covenants (at March 31, 2002), as follows:

- Minimum required Shareholder's Equity, as defined, of approximately \$1 billion;
- Maximum debt to capitalization ratio, as defined, of 52.5%;
- Minimum earnings before interest, taxes, depreciation, depletion and amortization (EBITDA), as defined, for the prior four consecutive quarters of \$60 million;
- Minimum collateral coverage ratio, as defined, of two times the committed amount; and
- The borrowing base under the receivables securitization facility described below must be at least \$50 million and the aggregate financing commitment thereunder must be at least \$100 million.

The maximum debt to capitalization ratio will decrease and the minimum EBITDA will increase in future reporting periods. We are also prohibited from certain transactions, including paying cash dividends on or purchasing shares of our common stock.

We also have a \$25 million (Canadian) secured revolving credit facility under which no borrowings and \$3.4 million of outstanding letters of credit were outstanding at March 31, 2002. This facility is available until December 2002, subject to the extension at the option of the lender. In addition, the Canadian credit facility contains certain restrictive covenants, including a requirement that Louisiana-

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Pacific Canada Ltd. and subsidiaries maintain a consolidated minimum current ratio, as defined, of 1.15 to 1.0. Additionally, we, as guarantor, must comply with financial covenants substantially similar to those contained in the credit facility discussed above.

Additionally, we have an accounts receivable securitization facility of up to \$125 million of under which \$70 million was outstanding as of March 31, 2002. The maximum available to be borrowed under this facility changes based upon the amount of eligible receivables, as defined, concentration of eligible receivables and other factors. Additionally, the facility contains a provision under which specified downgrades of our unsecured debt rating could cause an amortization event under this facility and trigger cross-defaults in other long-term debt agreements.

As of March 31, 2002, we were in compliance with all of our debt covenants. For a discussion of various risks associated with our indebtedness, see the information included in Outlook: Issues and Uncertainties, under the captions "Our substantial debt could have important consequences" and "The instruments governing our debt contain restrictive covenants, events of default and consequences of downgrades in our credit ratings".

Significant changes in our balance sheet from December 31, 2001 to March 31, 2002, include an increase of \$54.5 million in accounts receivable due to increases in sales volume and prices, an increase of \$39.4 million in inventories due to seasonable log build up and a decrease of \$9.4 million in prepaids.

Contingency reserves, which represent an estimate of future cash needs for various contingencies (primarily payments for siding litigation settlements), totaled \$149.6 million at March 31, 2002, of which \$20 million is estimated to be payable within one year. As with all accounting estimates, there is inherent uncertainty concerning the reliability and precision of these estimates. The amounts ultimately paid in resolving these contingencies could exceed the current reserves by a material amount. Contingency related payments totaled \$6 million for the first three months of 2002.

POTENTIAL IMPAIRMENTS

We have a continuing financial interest in Samoa Pacific Cellulose LLC (SPC) (see discussion at Note 10 of the Notes to the financial statements included in Item 8 in our annual report on Form 10-K for the year ended December 31, 2001) in the form of various classes of preferred equity interests and secured and unsecured receivables. Due to weak pulp markets, SPC has incurred substantial losses from operations and one of its major customers is in the process of liquidation. During 2001, we wrote off our remaining investment in SPC except for the secured amounts. While we currently believe that the receivable from SPC is recoverable, we continue to closely monitor SPC's operating results and financial condition and it is possible that we may be required to record further impairment charges related to SPC in the future. At March 31, 2002, the \$15.8 million balance of the receivable exceeds the book value of the underlying collateral. The collectibility of the receivable is dependent on a recovery in the market for commodity pulp products from the current historical low levels. Although we believe that recovery in pulp pricing will occur, there can be no assurance that the timing or extent of a recovery would be sufficient to assure collection of these amounts. In addition, there are several contingent liabilities (primarily environmental in nature) associated with these operations that, under certain circumstances, could become our liabilities. We have not recorded an accrual for these liabilities, as we do not believe it is probable that we will incur these liabilities. However it is possible that we may be required to record such an accrual in the future.

We continue to review several mills for potential impairments. We currently believe we have adequate support for the carrying value of each of these mills based upon the anticipated cash flows based upon future demand and pricing assumptions and production costs assuming certain levels of planned capital expenditures. However, should the markets for our products deteriorate from March 31, 2002 levels or

should we decide to invest capital in alternative projects, it is possible that we will be required to record further impairment charges.

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

OUTLOOK: ISSUES AND UNCERTAINTIES

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

Cyclical industry conditions and commodity pricing have and may continue to adversely affect our financial condition and results of operations. Our operating results reflect the general cyclical pattern of the building products industry. Most of our products, including structural panels and lumber, are globally traded commodity products. In addition, our products are subject to competition from manufacturers worldwide. Historical prices for our products have been volatile, and we, like other participants in the building products industry, have limited influence over the timing and extent of price changes for our products. Product pricing is significantly affected by the relationship between supply and demand in the building products industry. Product supply is influenced primarily by fluctuations in available manufacturing capacity. Demand is affected by the state of the economy in general and a variety of other factors. The demand for our building products is primarily affected by the level of new residential construction activity and home repair and remodeling activity. Demand is also subject to fluctuations due to changes in economic conditions, interest rates, population growth, weather conditions and other factors. We are not able to predict with certainty market conditions and selling prices for our products. We cannot assure you that prices for our products will not decline from current levels. A prolonged and severe weakness in the markets for one or more of our principal products could seriously harm our financial condition and results of operations and our ability to satisfy our cash requirements, including the payment of interest and our principle on our debt.

We have a high degree of product concentration. OSB accounted for over 30% of our revenues during the first quarter of 2002, and we expect OSB sales to continue to account for a substantial portion of our revenues in the future. Concentration of our business in the OSB market further increases our sensitivity to commodity pricing and price volatility. We cannot assure you that pricing for OSB or our other products will not decline from current levels.

Increased industry production capacity for OSB could constrain our operating margins for the foreseeable future. According to the APA- The Engineered Wood Association (the "APA"), an industry trade association, total North American OSB annual production capacity increased by about 1 billion square feet in 2001 on a ³/₈-inch equivalent basis and is projected to increase by approximately 4.2 billion square feet in the 2002 to 2007 period. The APA has projected that total North

American demand for OSB will increase by about 5.1 billion square feet during the 2002 to 2007 period. If increases in OSB production capacity exceed increases in OSB demand, OSB could have constrained operating margins for the foreseeable future.

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

Our results of operations may be harmed by increases in raw material costs. The most significant raw material used in our operations is wood fiber. We currently obtain more than 50% of our wood fiber requirements in the open market. Wood fiber is subject to commodity pricing, which fluctuates on the basis of market factors over which we have no control. In addition, the cost of various types of wood fiber that we purchase in the market has at times fluctuated greatly because of economic or industry conditions. In addition to wood fiber, we also use a significant quantity of various resins in the manufacturing processes for our structural and industrial panel products, as well as certain of our vinyl products. Resin product costs are influenced by changes in the prices of raw materials used to produce resins, primarily petroleum products, as well as demand for resin products. Selling prices of our products have not always increased in response to raw material cost increases. We are unable to determine to what extent, if any, we will be able to pass any future raw material cost increases through to our customers through product price increases. Our inability to pass increased costs through to our customers could have a material adverse effect on our financial condition, results of operations and cash flow.

Our operations require substantial capital and our capital resources may not be adequate to provide for all of our cash requirements. Our operations require substantial capital. Although we have invested significantly in the past, and believe that capital expenditures related to our facilities will be less in the foreseeable future, capital expenditures for expansion or replacement of existing facilities or equipment or to comply with future changes in environmental laws and regulations may require substantial expenditures. Although we maintain our production equipment with regular periodic and scheduled maintenance, we cannot assure you that key pieces of equipment in our various production processes will not need to be repaired or replaced or that we will not incur significant additional costs associated with environmental compliance. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could have a material adverse effect on our financial condition, results of operations and cash flow. Based on our current operations, we believe our cash flow from operations and other capital resources will be adequate to meet our operating needs, capital expenditures and other cash requirements for the foreseeable future. However, we cannot assure you that our capital resources will be adequate for these purposes. If our capital resources are inadequate to provide for our operating needs, capital expenditures and other cash requirements on economic terms, we could experience a material adverse effect on our business, financial condition, results of operations and cash flow.

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

orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial actions.

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

We are involved in various environmental matters and legal proceedings. The outcome of these matters and proceedings and the magnitude of related costs and liabilities are subject to uncertainties. We currently are and from time to time in the future will be involved in a number of environmental matters and legal proceedings. These matters and proceedings, including class action settlements relating to certain of our products, have in the past caused and in the future may cause us to incur substantial costs. We have established contingency reserves in our consolidated financial statements with respect to the estimated costs of existing environmental matters and legal proceedings to the extent that our management has determined that such costs are both probable and reasonably estimable as to amount. However, such reserves are based upon various estimates and assumptions relating to future events and circumstances, all of which are subject of inherent uncertainties. We regularly monitor our estimated exposure to environmental and litigation loss contingencies and, as additional information becomes known, may change our estimates significantly. However, no estimate of the range of any such change can be made at this time. At March 31, 2002, the estimated approved but unpaid claims under the settlement agreement relating to the class action settlement of our national OSB siding litigation, exceeded the sum of the then-current balance of the related settlement fund and our remaining mandatory contributions to the related settlement fund by approximately \$124 million. Consequently, the actual costs we ultimately incur may vary significantly from the estimated costs reflected in our contingency reserves depending on our ability to settle these liabilities at discounted amounts. Moreover, we may incur costs in respect of existing and future environmental matters and legal proceedings as to which no contingency reserves have been established. We cannot assure you that we will have sufficient resources available to satisfy the related costs and expenses associated with these matters and proceedings.

We do not maintain insurance for our losses to our standing timber from natural resources or other causes. The volume and value of timber that can be harvested from our lands or that we may purchase from other sources may be limited by natural disasters such as fire, insect infestation, disease, ice storms, flooding and other weather conditions and other causes. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations. As is typical in the industry, we do not maintain insurance for any loss to our standing timber from natural disasters or other causes.

Our substantial debt could have important consequences. As of March 31, 2002, we had consolidated debt of approximately \$1.2 billion. This level of indebtedness, which could increase in the future, could (1) require us to dedicate a substantial portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures and other cash requirements; (2) limit our flexibility in planning for, or reacting to, changes and opportunities in, the building products industry, which may place us at a competitive disadvantage compared to our competitors; (3) limit our ability to incur additional debt on commercially reasonable terms, if at all; and (5) increase our vulnerability to adverse economic and industry conditions.

The instruments governing our debt contain restrictive covenants, events of default and consequences of downgrades in our credit ratings. Among other things, the covenants require us to comply with or

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maintain certain financial tests and ratios and restrict our ability to: (1) incur debt; (2) incur liens (3) redeem and/or prepay debt; (4) make acquisitions; (5) make investments, including loans and advances; (6) make capital expenditures; (7) engage in mergers, consolidations or sales of assets; (8) engage in transactions with affiliates; and (9) pay dividends or engage in stock redemptions. Our ability to comply with these covenants is subject to various risks and uncertainties, and events beyond our control which could affect our ability to comply with and maintain the financial tests and ratios. Any failure by us to comply with and maintain all applicable financial tests and ratios and to comply with all applicable covenants could result in an event of default with respect to, and the acceleration of the maturity of, a substantial portion of our debt. Even if we are able to comply with the applicable covenants, the restrictions on our ability to operate our business in our sole discretion could harm our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities. In addition, specified downgrades in our credit ratings could increase our costs of borrowing and, in the case of our accounts receivable securitization facility, a one-level downgrade by a particular rating agency could (after the passage of six months time or upon downgrade by another rating agency) result in an amortization event and trigger cross-defaults which could result in the acceleration of the maturity of a substantial portion of our debt.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of our debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Based upon our indebtedness at March 31, 2002, a 100 basis point interest rate change would impact the pre-tax net income and cash flow by \$1.2 million annually.

Our international operations create exposure to foreign currency rate risks, primarily due to fluctuations in the Canadian dollar. Although we have entered into foreign exchange contracts to manage a portion of the foreign currency rate risk associated with certain of our indebtedness, we historically have not entered into material currency rate hedges with respect to our exposure from operations (although we may do so in the future). At March 31, 2002, we had outstanding foreign exchange contracts with notional amounts of \$51 million (Canadian) to hedge firm and anticipated purchase commitments, debt payments and firm sales commitments denominated in foreign currencies.

Most of our products are sold as commodities and therefore sales prices fluctuate daily based on market factors over which we have little or no control. Significant commodity products we sell include OSB, plywood and lumber. For OSB, with an annual volume of 5.8 billion square feet (³/₈' basis) or 4.9 billion feet (⁷/₁₆' basis), a \$1 change in the annual average price on ⁷/₁₆' basis would change annual pre-tax profits by approximately \$4.9 million. For plywood, with an annual volume of 950 million square feet (³/₈' basis) or approximately 715 million square feet (¹/₂' basis), a \$1 change in the annual average price on a ¹/₂' basis would change annual pre-tax profits by approximately \$0.7 million. For lumber, with an annual volume of 1.4 billion board feet, a \$1 change in the annual average price would change annual pre-tax profits by \$1.4 million.

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

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

	Quarter Ended March 31,	
	2002	2001
Oriented strand board (North America), million square feet ³ / ₈ " basis	1,360	1,367
Softwood plywood, million square feet ³ / ₈ " basis	198	207
Lumber, million board feet	291	229
Wood-based siding, million square feet ³ / ₈ " basis	187	154
Industrial panel products (particleboard, medium density fiberboard and hardboard), million square feet ³ / ₄ " basis	108	106
Engineered I-Joist, million lineal feet	18	14

Laminated veneer lumber (LVL), thousand cubic feet	2,016	1,694
Pulp, thousand short tons	—	51

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

INDUSTRY PRODUCT TRENDS

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

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

Source: *Random Lengths*

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

Environmental Matters

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

OSB Siding Matters

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

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

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

The settlement requires us to contribute \$275 million to the settlement fund. Approximately \$273 million of that obligation had been satisfied at March 31, 2002 through cash payments on a discounted basis of approximately \$263 million. Our remaining mandatory contribution to the settlement fund is due in June 2002

(approximately \$2 million). In addition to our mandatory contribution, at March 31, 2002, we had paid, on a discounted basis, approximately \$97 million of the two \$50 million optional contributions, at a cost of approximately \$68 million, and we have committed

to the court that we will make the balance of these two optional contributions when it becomes due in August 2002. We were entitled to make our mandatory and optional contributions to the settlement fund on a discounted basis as a result of a court-approved early payment program (the "Early Payment Program").

During 2000, we offered eligible claimants the opportunity to receive a pro rata share of a court approved second settlement fund (the "Second Settlement Fund") in satisfaction of their claims. Pursuant to this offer, we paid approximately \$115 million from the Second Settlement Fund in satisfaction of approximately \$319 million in claims. All of the payments under the Second Settlement Fund have been completed. Claimants who accepted payment from the Second Settlement Fund may not file additional claims under the settlement. Claimants who elected not to participate in the Second Settlement Fund remain bound by the terms of the original settlement.

At March 31, 2002, the estimated amount of approved but unpaid claims under the settlement agreement exceeded the sum of the then-current balance of the settlement fund and our remaining mandatory and committed optional contributions to the settlement fund by approximately \$124 million. Approximately 1,700 new claims were filed during the first quarter of 2002.

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

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

Throughout the period the above described settlements have been in effect, we have recorded accruals which represent management's best estimates of amounts to be paid based on available information. The unusual nature of the settlements and the various alternatives available to us makes the process of estimating these accruals difficult. In connection with national settlement, the liability recorded at March 31, 2002 represents management's best estimate of the future liability related to the estimated siding claims based upon the most current information available. There can be no assurance that the ultimate liability will not significantly exceed the recorded liability.

NATURE GUARD CEMENT SHAKES MATTERS

We have been named in four putative class actions filed in California and one putative class action filed in the state of Washington: *Virginia L. Davis v. Louisiana-Pacific Corporation*, filed in the Superior Court of California, County of Stanislaus, on January 9, 2001; *Mahleon R. Oyster and George Sousa v. Louisiana-Pacific Corporation*, filed in the Superior Court of California, County of San Francisco, on

July 30, 2001; *Angel H. Jasso and Angela Jasso v. Louisiana-Pacific Corporation*, filed in the Superior Court of California, County of Stanislaus, on September 7, 2001; *Keith Oguro v. Louisiana-Pacific Corporation*, filed in the Superior Court of California, County of San Francisco, on March 12, 2002; and, *Nick P. Marassi, M.D. and Debra Marassi v. Louisiana-Pacific Corporation*, filed in the Superior Court for the State of Washington, Snohomish County, on June 13, 2001. The plaintiffs in the *Davis*, *Oyster/Sousa* and *Jasso* cases sought and were granted coordination in California State Court. The coordinated case was assigned to the Superior Court for Stanislaus County, California. On April 2, 2002, class counsel filed a Master Complaint captioned as *Nature Guard Cement Roofing Shingle Cases*. The plaintiffs in the *Davis*, *Oyster/Sousa*, *Jasso* and *Marassi* cases as well as a plaintiff from Oregon named Karl E. Von Tagen were named as putative class representatives in the Master Complaint. The plaintiffs in *Oguro* have moved for coordination with the *Nature Guard Cement Roofing Shingle Cases* which has not yet been granted.

All of the above actions were filed on behalf of a purported national class of persons nationwide owning structures on which our Nature Guard Fiber Cement Shakes were installed as roofing. Plaintiffs generally allege product liability, negligence, breach of express and implied warranties, unfair business practices, fraudulent concealment, and other theories related to alleged defects, and failure of such cement shakes as well as consequential damages to other components of the structures. Plaintiffs seek general, compensatory, special and punitive damages as well as disgorgement of profits and the establishment of a fund to provide restitution to the purported class members.

We no longer manufacture or sell fiber cement shakes, but have established and maintain a claims program for the Nature Guard shakes previously sold. We believe that we have substantial defenses to the foregoing actions and intend to defend them vigorously. At the present time, we cannot predict the potential financial impact of the above actions.

Other Proceedings

We are parties to other legal proceedings. Based on the information currently available, we believe that the resolution of such proceedings will not have a material adverse effect on our financial position, results of operations, cash flows or liquidity.

Contingency Reserves

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

LOUISIANA-PACIFIC CORPORATION
1997 INCENTIVE STOCK AWARD PLAN
Effective March 1, 1997
(As amended through February 25, 2002)

LOUISIANA-PACIFIC CORPORATION
1997 INCENTIVE STOCK AWARD PLAN

ARTICLE 1. ESTABLISHMENT AND PURPOSE

1.1 *Establishment.* LOUISIANA-PACIFIC CORPORATION ("Corporation"), hereby establishes the Louisiana-Pacific Corporation 1997 Incentive Stock Award Plan (the "Plan"), effective as of March 1, 1997, subject to stockholder approval as provided in Article 15.

1.2 *Purpose.* The purpose of the Plan is to promote the long-term interests of Corporation and its stockholders by enabling Corporation to attract, retain, and reward key employees of Corporation and its subsidiaries and to strengthen the mutuality of interests between such employees and Corporation's stockholders. The Plan is designed to serve this purpose by offering stock options and other equity-based incentive awards and encourage key employees to acquire an ownership in Corporation.

ARTICLE 2. DEFINITIONS

2.1 *Defined Terms.* The following definitions are applicable to the Plan:

"*Award*" means an award or grant made to a Participant pursuant to the Plan.

"*Award Agreement*" means an agreement as described in Section 6.2 of the Plan.

"*Board*" means the Board of Directors of Corporation.

"*Code*" means the Internal Revenue Code of 1986, as amended and in effect from time to time, or any successor thereto, together with rules, regulations, and interpretations promulgated thereunder. Where the context so requires, any reference to a particular Code section will be construed to refer to the successor provision to such Code section.

"*Committee*" means the Compensation Committee of the Board.

"*Common Stock*" means the common stock, \$1 par value, of Corporation or any security of Corporation issued in substitution, exchange, or lieu thereof.

"*Corporation*" means Louisiana-Pacific Corporation, a Delaware corporation, or any successor corporation thereto.

"*Exchange Act*" means the Securities Exchange Act of 1934.

"*Fair Market Value*" means on any given date, the closing price per share of Common Stock as reported for such day by the principal exchange or trading market on which Common Stock is traded (as determined by the Committee) or, if Common Stock was not traded on such date, on the next preceding day on which Common Stock was traded. If the Common Stock is not listed on a stock exchange or if trading activities for Common Stock are not reported, the Fair Market Value will be determined by the Committee.

"*Participant*" means an employee of Corporation or a Subsidiary who is granted an Award under the Plan.

"*Plan*" means this Louisiana-Pacific Corporation 1997 Incentive Stock Award Plan, as set forth herein and as it may be hereafter amended from time to time.

"*Share*" means a share of Common Stock.

"*Subsidiary*" means any corporation in which Corporation directly or indirectly controls 50 percent or more of the total combined voting power of all classes of stock having voting power.

"*Vest*" or "*Vested*" means:

- (a) In the case of an Award that requires exercise, to be or to become immediately and fully exercisable and free of all restrictions;
- (b) In the case of an Award that is subject to forfeiture, to be or to become nonforfeitable, freely transferable, and free of all restrictions;

(c) In the case of an Award that is required to be earned by attaining specified performance goals, to be or to become earned and nonforfeitable, freely transferable, and free of all restrictions; or

(d) In the case of any other Award as to which payment is not dependent solely upon the exercise of a right, election, exercise, or option, to be or to become immediately payable and free of all restrictions.

ARTICLE 3. ADMINISTRATION

3.1 *General.* The Plan will be administered by the Committee. The Committee will have full power and authority to administer the Plan in its sole discretion. A majority of the members of the Committee will constitute a quorum and action approved by a majority will be the act of the Committee.

3.2 *Authority of the Committee.* Subject to the terms of the Plan, the Committee:

(a) Will select the Participants, determine the types of Awards to be granted to Participants, determine the shares or share units subject to Awards, and determine the terms and conditions of individual Award Agreements;

(b) Has the authority to interpret the Plan, to establish, amend, and revoke any rules and regulations relating to the Plan, to make all other determinations necessary or advisable for the administration of the Plan; and

(c) May correct any deficit, supply any omission, or reconcile any inconsistency in the Plan or in any Award Agreement in the manner and to the extent the Committee deems desirable to carry out the purposes of the Plan.

Decisions of the Committee, or any delegate as permitted by the Plan, will be final, conclusive, and binding on all Participants.

3.3 *Liability of Committee Members.* No member of the Committee will be liable for any action or determination made in good faith with respect to the Plan, any Award, or any Participant.

ARTICLE 4. DURATION OF THE PLAN AND SHARES SUBJECT TO THE PLAN

4.1 *Duration of the Plan.* The Plan is effective March 1, 1997, subject to approval by Corporation's stockholders as provided in Article 15. The Plan will remain in effect until Awards have been granted covering all the available Shares and all outstanding Awards have been exercised, settled, or terminated in accordance with the terms of the applicable Award Agreement, or the Plan is otherwise terminated by the Board. Termination of the Plan will not affect outstanding Awards.

4.2 *Other Stock Plans.* The Plan is separate from the following existing plans (the "Prior Plans"):

Louisiana-Pacific Corporation 1991 Employee Stock Option Plan;
Louisiana-Pacific Corporation 1984 Employee Stock Option Plan; and
Louisiana-Pacific Corporation Key Employee Restricted Stock Plan.

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The Plan will neither affect the operation of the Prior Plans nor be affected by the Prior Plans, except that no further stock options or restricted stock awards will be granted under any of the Prior Plans after the date the Plan is approved by Corporation's stockholders as described in Article 15.

4.3 *General Limitation on Awards.* Subject to adjustment pursuant to Article 12 of the Plan, the maximum number of Shares for which Awards may be granted under the Plan may not exceed 10,000,000 Shares.

4.4 *Cancellation or Expiration of Awards.* If an Award under the Plan is canceled or expires for any reason prior to having been fully vested or exercised by a Participant or is settled in cash in lieu of Shares or is exchanged for other Awards, all Shares covered by such Awards will again become available for additional Awards under the Plan.

ARTICLE 5. ELIGIBILITY

Officers and other key employees of Corporation and its Subsidiaries (including employees who may also be directors of Corporation or a Subsidiary) who, in the Committee's judgment, are or will be contributors to the long-term success of Corporation will be eligible to receive Awards under the Plan.

ARTICLE 6. AWARDS

6.1 *Types of Awards.* Awards under the Plan may consist of: stock options (either incentive stock options, within the meaning of Section 422 of the Code, or nonstatutory stock options), stock appreciation rights, performance shares, restricted stock grants, and other stock-based awards (as described in Article 11 of the Plan). Awards of performance shares and restricted stock may provide the Participant with dividends or dividend equivalents and voting rights prior to vesting.

6.2 *Award Agreements.* Each Award will be evidenced by a written Award Agreement between Corporation and the Participant. Award Agreements may, subject to the provisions of the Plan, contain any provision approved by the Committee. Any Award Agreement may make provision for any matter that is within the discretion of the Committee or may retain the Committee's discretion to approve or authorize any action with respect to the Award during the term of the Award Agreement.

6.3 *Nonuniform Determinations.* The Committee's determinations under the Plan or under one or more Award Agreements, including without limitation, (a) the selection of Participants to receive Awards, (b) the type, form, amount, and timing of Awards, (c) the terms of specific Award Agreements, and (d) elections and determinations made by the Committee with respect to exercise or payments of Awards, need not be uniform and may be made by the Committee selectively among Participants and Awards, whether or not Participants are similarly situated.

6.4 *Provisions Governing All Awards.* All Awards will be subject to the following provisions:

(a) *Transferability.* Except as otherwise provided in this Section 6.4(a), each Award (but not Shares issued following Vesting or exercise of an Award) will not be transferable other than by will or the laws of descent and distribution and Awards requiring exercise will be exercisable during the lifetime of the Participant only by the Participant or, in the event the Participant becomes legally incompetent, by the Participant's guardian or legal representative. Notwithstanding the foregoing, the Committee, in its discretion, may include in any Award Agreement a provision that the Award is transferable, without payment of consideration, to immediate family members of the Participant or to a trust for the benefit of or a partnership composed solely of such family members.

(b) *Employment Rights.* Neither the adoption of the Plan nor the granting of any Award will confer on any person the right to continued employment with Corporation or any Subsidiary, nor will it interfere in any way with the right of Corporation or a Subsidiary to terminate such person's employment at any time for any reason, with or without cause.

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(c) *Effect of Change in Control.* The Committee may, in its discretion, include in any Award Agreement a provision that upon the effective date of a change in control of Corporation (as that term may be defined in the Award Agreement), all or a specified portion of the Award (i) will become fully Vested, (ii) will terminate, or (iii) may be converted into shares of an acquiror. In any such change in control provision, the Committee may provide whether or to what extent such acceleration in the Vesting of an Award will be conditioned to avoid resulting in an "excess parachute payment" within the meaning of Section 280G(b) of the Code.

ARTICLE 7. STOCK OPTIONS

The option price for each stock option may not be less than 100 percent of the Fair Market Value of the Common Stock on the date of grant. Stock options will be exercisable for such period as specified by the Committee in the applicable Award Agreement, but in no event may options be exercisable for a period of more than ten years after their date of grant. The option price of each Share as to which a stock option is exercised must be paid in full at the time of exercise. The Committee may, in its discretion, provide in any Award Agreement for a stock option that payment of the option price may be made in cash, by tender of Shares owned by the Participant valued at Fair Market Value as of the date of exercise, subject to such guidelines for the tender of Shares as the Committee may establish, in such other consideration as the Committee deems appropriate, or a combination of cash, shares of Common Stock, and such other consideration. The number of Shares subject to options and stock appreciation rights granted under the Plan to any individual Participant during any one calendar year may not exceed 600,000 Shares. Except for adjustments in price pursuant to Article 12 hereof, at no time shall the option price of a stock option granted hereunder be subsequently repriced during the period of its exercisability.

In the case of an Option designated as an incentive stock option, the terms of the option and the Award Agreement must conform with the statutory and regulatory requirements specified pursuant to Section 422 of the Code, as in effect on the date such incentive stock option is granted.

The Committee may, in its discretion, include in an Award Agreement for any option a provision that in the event previously acquired Shares are surrendered by a Participant in payment of all or a portion of either (a) the option exercise price or (b) the Participant's federal, state, or local tax withholding obligation with respect to such exercise, the Participant will automatically be granted a replacement or reload option (with an option price equal to the Fair Market Value of a Share on the date of such exercise) for a number of Shares equal to all or a portion of the number of Shares surrendered. Such replacement option will be subject to such terms and conditions as the Committee determines.

ARTICLE 8. STOCK APPRECIATION RIGHTS

Stock appreciation rights may be granted in tandem with a stock option, in addition to a stock option, or may be freestanding and unrelated to a stock option. Stock appreciation rights granted in tandem or in addition to a stock option may be granted either at the same time as the stock option or at a later time. No stock appreciation right may be exercisable earlier than six months after grant, except in the event of the Participant's death or disability. A stock appreciation right will entitle the Participant to receive from Corporation an amount equal to the increase in the Fair Market Value of a Share on the exercise of the stock appreciation right over the grant price. The Committee may determine in its discretion whether the stock appreciation right may be settled in cash, shares, or a combination of cash and shares.

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ARTICLE 9. PERFORMANCE SHARES

9.1 *General.* Performance shares may be granted in the form of actual Shares or Share units having a value equal to Shares. An Award of performance shares will be granted to a Participant subject to such terms and conditions set forth in the Award Agreement as the Committee deems appropriate, including, without limitation, the condition that the performance shares or a portion thereof will Vest only in the event specified performance goals are met within a specified performance period, as set forth in the Award Agreement. An Award Agreement for a performance share Award may also, in addition to specifying performance goals, condition Vesting of such Award on continued employment for a period specified in the Award Agreement. In the event that a stock certificate is issued in respect of performance shares, the certificate will be registered in the name of the Participant but will be held by Corporation until the time the performance shares become Vested. The performance conditions and the length of the performance period will be determined by the Committee. The Committee may, in its discretion, reduce or eliminate the Vesting of performance shares if, in the Committee's judgment, it determines that the Vesting of the performance share Award is not appropriate given actual performance over the applicable performance period. The maximum number of Shares issuable to any individual Participant with respect to performance share Awards during any one calendar year may not exceed 100,000 Shares. The Committee, in its sole discretion, may provide in an Award Agreement whether performance shares granted in the form of share units will be paid in cash, shares, or a combination of cash and shares.

9.2 *Performance Goals for Executive Officers.* The performance goals for performance share awards granted to executive officers of Corporation may relate to corporate performance, business unit performance, or a combination of both.

Corporate performance goals will be based on financial performance goals related to the performance of Corporation as a whole and may include one or more measures related to earnings, profitability, efficiency, or return to stockholders such as earnings per share, operating profit, stock price, costs of production, or other measures.

Business unit performance goals will be based on a combination of financial goals and strategic goals related to the performance of an identified business unit for which a Participant has responsibility. Strategic goals for a business unit may include one or a combination of objective factors relating to success in implementing strategic plans or initiatives, introductory products, constructing facilities, or other identifiable objectives. Financial goals for a business unit may include the degree to which the business unit achieves one or more objective measures related to its revenues, earnings, profitability, efficiency, operating profit, costs of production, or other measures.

Any corporate or business unit goals may be expressed as absolute amounts or as ratios or percentages. Success may be measured against various standards, including budget targets, improvement over prior periods, and performance relative to other companies, business units, or industry groups.

ARTICLE 10. RESTRICTED STOCK

Restricted stock may be granted in the form of actual Shares, Share units having a value equal to Shares, or other rights to receive Shares in the future. A restricted stock Award will be subject to such terms and conditions set forth in the Award Agreement as the Committee deems appropriate, including, without limitation, restrictions on the sale, assignment, transfer, or other disposition of such restricted stock and provisions that such restricted stock, stock units or other rights to receive Shares be forfeited upon termination of the Participant's employment for specified reasons within a specified period of time or upon other conditions, as set forth in the Award Agreement. The Award Agreement for a restricted stock Award may also, in addition to conditioning Vesting of the Award on continued employment, further condition Vesting on attainment of performance goals. In the event that a stock certificate is issued in respect of restricted stock, such certificate will be registered in the name of the

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Participant but will be held by the Corporation until the end of the restricted period. The employment conditions and the length of the period for vesting of restricted stock Awards will be established by the Committee at the time of grant and set forth in the Award Agreement. The Committee, in its sole discretion, may provide in an Award Agreement whether restricted stock granted in the form of Share units will be paid in cash, Shares, or a combination of cash and Shares. The aggregate number of shares or share units that may be subject to restricted stock Awards may not exceed 2,000,000 Shares.

ARTICLE 11. OTHER STOCK-BASED AND COMBINATION AWARDS

The Committee may grant other Awards under the Plan pursuant to which Shares are or may in the future be acquired, or Awards denominated in or measured by Share equivalent units, including Awards valued using measures other than the market value of Shares. For such other stock-based awards that are granted to executive officers of Corporation and that condition Vesting of such Awards, in whole or in part, on attaining performance goals, such Awards will be subject to the same limitations on types of performance goals and the same limitation on the maximum number of Shares issuable to any individual Participant as provided in Article 9 of the Plan. The Committee may also grant Awards under the Plan in tandem or combination with other Awards or in exchange for Awards, or in tandem or combination with, or as alternatives to, grants or rights under any other employee plan of Corporation.

ARTICLE 12. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event of any change in capitalization affecting the Common Stock of Corporation, such as a stock dividend, stock split, recapitalization, merger, consolidation, split-up, spinoff, combination or exchange of shares, or other form of reorganization, or corporate change, or any distribution with respect to Common Stock other than regular cash dividends, the Committee may make such substitution or adjustment, if any, that it deems to be equitable as to the number and kind of Shares or other securities issued or reserved for issuance pursuant to the Plan, to the limits on Awards to Participants, and to outstanding Awards.

ARTICLE 13. AMENDMENT AND TERMINATION

The Board may amend, suspend, or terminate the Plan or any portion of the Plan at any time, provided no amendment may be made without stockholder approval if such approval is required by applicable law or the requirements of an applicable stock exchange.

ARTICLE 14. MISCELLANEOUS

14.1 *Tax Withholding.* Corporation will have the right to deduct from any settlement of any Award under the Plan, including the delivery or vesting of Shares, any federal, state, or local taxes of any kind required by law to be withheld with respect to such payments or to take such other action as may be necessary in the opinion of Corporation to satisfy all obligations for the payment of such taxes. The recipient of any payment or distribution under the Plan must make arrangements satisfactory to Corporation for the satisfaction of any such withholding tax obligations. Corporation will not be required to make any such payment or distribution under the Plan until such obligations are satisfied. The Committee, in its discretion, may permit a Participant to satisfy the Participant's federal, state, or local tax, or tax withholding obligations with respect to an Award by having Corporation retain the number of Shares having a Fair Market Value equal to the amount of taxes or withholding taxes.

14.2 *Securities Law Restrictions.* No Shares will be issued under the Plan unless counsel for Corporation is satisfied that such issuance will be in compliance with applicable federal and state securities laws. Certificates for Shares delivered under the Plan may be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and

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other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed, and any applicable federal or state securities law. The Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

14.3 *Governing Law.* Except with respect to references to the Code or federal securities laws, the Plan and all actions taken thereunder will be governed by and construed in accordance with the laws of the state of Oregon.

ARTICLE 15. STOCKHOLDER APPROVAL

The adoption of the Plan and the grant of Awards under the Plan are expressly subject to the approval of the Plan by the affirmative vote of at least a majority of the stockholders of Corporation present, or represented by proxy, and entitled to vote at Corporation's 1997 annual meeting of stockholders.

QuickLinks

[LOUISIANA-PACIFIC CORPORATION 1997 INCENTIVE STOCK AWARD PLAN Effective March 1, 1997 \(As amended through February 25, 2002\)](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

**AWARD AGREEMENT
under the
Louisiana-Pacific Corporation
1997 Incentive Stock Award Plan**

NONQUALIFIED STOCK OPTION

Corporation: Louisiana-Pacific Corporation
805 SW Broadway
Suite 700
Portland, Oregon 97205-3303

Participant: _____

Grant Date: January 25, 2002

Option: A Nonqualified Stock Option

Option Shares: Shares

Exercise Price: \$ per Share

Subject to the terms and conditions of the Louisiana-Pacific Corporation 1997 Incentive Stock Award Plan, as amended, (the "Plan") and this Agreement, effective as of the Grant Date, Corporation grants to Participant the Option to purchase the Option Shares at the Exercise Price.

The provisions of Appendix A attached to this Agreement are incorporated by reference as part of this Agreement.

LOUISIANA-PACIFIC CORPORATION

By _____
Its _____

Participant

APPENDIX A

**To
Award Agreement for Nonqualified Stock Option**

This Award Agreement evidences the grant of a Non-qualified Stock Option (the "Option") to Participant under the Plan.

Capitalized terms are defined in Section 8.

1. Option Shares; Adjustment

In the event of a declaration of a stock dividend or a stock split (whether effected as a dividend or otherwise) by Corporation where the record date for such dividend or stock split is after the Grant Date, the number of Option Shares and the Exercise Price will automatically be adjusted proportionately to reflect the effect of such dividend or stock split.

2. Terms of the Option

The Option is subject to all applicable provisions of the Plan and to the following terms and conditions:

2.1 *Nonqualified Stock Option.* The Option is not intended to qualify as an incentive stock option meeting the requirements of IRC § 422.

2.2 *Term.* The term of the Option extends ten years from the Grant Date unless terminated earlier in accordance with this Agreement.

2.3 *Exercisability.* The Option initially will not be exercisable and, unless the Option is terminated or canceled earlier or the exercisability of the Option is accelerated in accordance with this Agreement, the Option may be exercised from time to time to purchase a whole number of Option Shares up to the following limits:

(a) Prior to the first anniversary of the Grant Date, the Option may not be exercised;

(b) During the one-year period beginning on the first anniversary of the Grant Date, the Option may be exercised to purchase up to one-third of the total Option Shares;

(c) During the one-year period beginning on the second anniversary of the Grant Date, the Option may be exercised to purchase up to two-thirds of the total Option Shares; and

(d) On and after the third anniversary of the Grant Date, the Option may be exercised to purchase all the Option Shares.

2.4 *Effect of Termination of Employment.* The Option may not be exercised (in whole or in part) unless Participant is continuously employed by an Employer from the Grant Date through at least the first anniversary of the Grant Date. If Participant ceases to be an Employee for any reason on or after the first anniversary of the Grant Date, the term of the Option will continue for the applicable Continuation Period. The Option will remain exercisable during the Continuation Period, if at all, only to the extent the Option had become exercisable pursuant to Sections 2.3 and 2.10 of this Agreement on or prior to the Termination Date. The Option, to the extent not previously exercised, will be canceled automatically at the end of the applicable Continuation Period.

2.5 *Method of Exercise.* The Option, or any portion thereof, may be exercised, to the extent it has become exercisable pursuant to this Agreement, by delivery of written notice to Corporation stating the number of Shares, form of payment, and proposed date of closing.

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2.6 *Other Documents.* Upon any exercise of the Option, Participant must furnish Corporation before the closing of such exercise such other documents or representations as Corporation may require to assure compliance with applicable laws and regulations.

2.7 *Payment.* The Exercise Price for the Shares purchased upon exercise of the Option must be paid in full in United States dollars at or before closing by one or a combination of the following:

2.7.1 Payment in cash or certified check or bank draft payable to the order of Corporation;

2.7.2 Delivery of previously acquired Shares having a Fair Market Value equal to the Exercise Price; or

2.7.3 By delivery (in a form approved by the Committee) of an irrevocable direction to a securities broker acceptable to the Committee:

(a) To sell Shares subject to the Option and to deliver all or a part of the sales proceeds to Corporation in payment of all or a part of the Exercise Price and withholding taxes due; or

(b) To pledge Shares subject to the Option to the broker as security for a loan and to deliver all or a part of the loan proceeds to Corporation in payment of all or a part of the Exercise Price and withholding taxes due.

2.8 *Previously Acquired Shares.* Delivery of previously acquired Shares in full or partial payment for the exercise of the Option is subject to the following conditions:

2.8.1 The Shares tendered must be in good delivery form;

2.8.2 Any Shares remaining after satisfying the payment for the Option will be reissued in the same manner as the Shares tendered;

2.8.3 No fractional Shares will be issued and whenever payment of the full Exercise Price with Shares would require delivery of a fractional Share, Participant must deliver the next lower whole number of Shares and make a cash payment to Corporation for the balance of the Exercise Price; and

2.8.4 Shares may be tendered in full or partial payment of the Exercise Price only in connection with the exercise of the Option with respect to at least 2,000 Shares.

2.9 *Transferability.*

2.9.1 *General.* Except as provided in Section 2.9.2, the Option is not transferable other than by will or the laws of descent and distribution and may be exercised during the lifetime of Participant only by Participant or, in the case Participant becomes legally incompetent, by Participant's guardian or legal representative. No assignment or transfer of the Option in violation of the foregoing restriction, whether voluntary, involuntary or by operation of law or otherwise, except by will or the laws of descent and distribution, will vest in the assignee or transferee any interest or right whatsoever, but immediately upon any attempt to assign or transfer the Option, the Option will terminate and be of no force or effect. Whenever the word "Participant" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the executor, administrator, or the person or persons to whom this Option may be transferred by will or by the laws of descent and distribution, it will be deemed to include such person or persons.

2.9.2 *Permitted Family Transfers.* The Option may be transferred by Participant, without payment of consideration, to Participant's immediate family members or lineal descendants ("Permitted Family Members"), to trusts for the benefit of Permitted Family Members, or to family partnerships or limited liability companies of which Participant and Permitted Family members are the only partners or members. For purposes of this Section, a transfer of the Option to a family

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partnership or limited liability company in exchange for a partnership or limited liability company interest will be deemed to be a transfer without payment of consideration.

2.10 *Effect of Change in Control.*

2.10.1 *Acceleration of Vesting.* Upon a Change in Control Date, the Option, to the extent it had not yet become exercisable, will become fully exercisable. This acceleration will not extend the date on which the Option terminates. If, or to the extent, the acceleration of the exercisability of the Option pursuant to this Section results in an "excess parachute payment" within the meaning of Section 280G of the Code, Corporation will reimburse Participant, on an after-tax basis, for (1) any excise tax imposed by Section 4999(a) of the Code that is directly attributable to the acceleration of the exercisability of the Option, and (2) any income taxes and excise taxes imposed on any reimbursement pursuant to this sentence. For purposes of computing any after-tax reimbursement, Participant will be deemed to pay federal, state, and local income taxes (for the state and locality of Participant's residence) at the highest effective combined marginal rates (giving effect to the deductibility of state and local taxes) for the tax year in which the reimbursement payment is made. No reimbursement will be due pursuant to this Section if, or to the extent, Participant is entitled to payment or reimbursement for the same amounts under any other agreement with Corporation.

2.10.2 *Dissolution.* The Option will terminate upon the effective date of a dissolution or liquidation of Corporation.

2.10.3 *Merger.* In the event of a merger or consolidation in which Corporation is not the resulting or surviving corporation (or in which Corporation is the resulting or surviving corporation but becomes a subsidiary of another corporation), the Option will automatically be converted into an option to purchase a number of shares of the stock of the resulting or surviving corporation (or, in the event Corporation becomes a subsidiary of another corporation, such other corporation) into which Corporation's Shares are converted in the transaction with such terms and conditions, both as to number of shares, option price, and otherwise, as will substantially preserve the economic rights and benefits of Participant under this Agreement.

3. Tax Reimbursement

It is a condition of Corporation's obligation to issue Shares in connection with an exercise of the Option that Participant pay to Corporation, or make provision satisfactory to Corporation for the payment of, an amount sufficient to provide for any withholding or similar tax liability imposed on Corporation in connection with or with respect to any exercise of the Option.

4. Conditions Precedent

The Option granted pursuant to this Agreement is expressly subject to the approval of the Plan, as amended, by Corporation's stockholders at Corporation's 2002 annual meeting of stockholders.

Corporation will use its best efforts to obtain approval of the Plan and this Option by any state or federal agency or authority that Corporation determines has jurisdiction. If Corporation determines that any required approval cannot be obtained, this Option will terminate on notice to Participant to that effect. Without limiting the foregoing, Corporation will not be required to issue any Shares upon exercise of all or any portion of the Option until Corporation has taken all action required to comply with all applicable federal and state securities laws.

5. Successorship

Subject to restrictions on transferability set forth in Section 2.9, this Agreement will be binding upon and benefit the parties, their successors and assigns.

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6. Notices

Any notices under this Option must be in writing and will be effective when actually delivered personally or, if mailed, when deposited as registered or certified mail directed to the address of Corporation's records or to such other address as a party may certify by notice to the other party.

7. Arbitration

Any dispute or claim that arises out of or that relates to this Agreement or to the interpretation, breach, or enforcement of this Agreement, must be resolved by mandatory arbitration in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc., and any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

8. Defined Terms

When used in this Agreement, the following terms have the meaning specified below:

- **Acquiring Person** means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act"), as such Section and Rule are in effect as of the Grant Date; provided, however, that the term Acquiring Person shall not include (a) Corporation or any of its Subsidiaries, (b) any employee benefit plan or related trust of Corporation or any of its Subsidiaries, (c) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (d) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.
- **Approved Retirement** means termination of employment with an Employer after Participant attains age 60, but only if such retirement is approved by Corporation's Chief Executive Officer, in his sole discretion.
- **Change in Control** of Corporation means:
 - (a) The acquisition by any Acquiring Person of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 20 percent or more of the combined voting power of the then outstanding Voting Securities; provided, however, that for purposes of this paragraph (a) the following acquisitions will not constitute a Change in Control: (i) any acquisition directly from Corporation, (ii) any acquisition by Corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Corporation or any corporation controlled by Corporation, or (iv) any

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

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

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(c) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of Corporation (a "Business Combination") in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners of the Voting Securities outstanding immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Corporation or all or substantially all of Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Voting Securities, (ii) no Person (excluding any employee benefit plan, or related trust, of Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

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

- **Change in Control Date** means the first date following the Grant Date on which a Change in Control has occurred.
- **Continuation Period** means a period during which the Option continues to be exercisable after termination of Employment, namely the period ending on the earlier of the expiration of the original term of the Option or:
 - (a) If the termination of Employment is by reason of Participant's death or Disability, the expiration of one year following the Termination Date;
 - (b) If the termination of Employment is by reason of Participant's Approved Retirement, the expiration of two years following the Termination Date;
 - (c) In the case of an involuntary termination of Participant's Employment by an Employer, the expiration of five business days following the Termination Date; or
 - (d) If the termination of Employment is for any other reason, the expiration of 30 days following the Termination Date.
- **Disability** means the condition of being permanently unable to perform Participant's duties for an Employer by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of at least 12 months.
- **Employee and Employment** both refer to service by Participant as a full-time or part-time employee of an Employer, and include periods of illness or other leaves of absence authorized by an Employer. A transfer of Participant's Employment from one Employer to another will not be treated as a termination of Employment.
- **Employer** means Corporation or a Subsidiary of Corporation.
- **Termination Date** means the date Participant ceases to be an Employee.

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- **Voting Securities** means Corporation's issued and outstanding securities ordinarily having the right to vote at elections of directors.
- Capitalized terms not otherwise defined in this Agreement have the meanings given them in the Plan.

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[AWARD AGREEMENT under the Louisiana-Pacific Corporation 1997 Incentive Stock Award Plan NONQUALIFIED STOCK OPTION APPENDIX A To Award Agreement for Nonqualified Stock Option](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

**AWARD AGREEMENT
under the
Louisiana-Pacific Corporation
1997 Incentive Stock Award Plan**

INCENTIVE SHARES

Corporation: Louisiana-Pacific Corporation
805 SW Broadway
Suite 700
Portland, Oregon 97205-3303

Participant: _____

Grant Date: January 25, 2002
Award: Incentive Shares

Incentive Shares: Shares of Corporation's Common Stock

Service Period: The five-year period ending on the fifth anniversary of the Grant Date.

Subject to the terms and conditions of the Louisiana-Pacific Corporation 1997 Incentive Stock Award Plan, as amended, (the "Plan") and this Agreement, effective as of the Grant Date, Corporation grants to Participant the right to receive the number of Incentive Shares specified above.

The provisions of Appendix A attached to this Agreement are incorporated by reference as part of this Agreement.

LOUISIANA-PACIFIC CORPORATION

By _____
Vice President

Participant

**APPENDIX A
To
Award Agreement for Incentive Shares**

This Award Agreement evidences the grant of an Award for Incentive Shares to Participant under the Plan.

Capitalized terms are defined in Section 9 of this Appendix A.

1. Incentive Shares; Adjustment

In the event of a declaration of a stock dividend or a stock split (whether effected as a dividend or otherwise) by Corporation where the record date for such dividend or stock split is after the Grant Date, the number of Incentive Shares automatically will be adjusted proportionately to reflect the effect of such dividend or stock split. The number of Incentive Shares will not be adjusted to reflect cash dividends paid with respect to Corporation's common stock during the Service Period.

2. Terms of Award

This Award is subject to all the provisions of the Plan and to the following terms and conditions:

2.1 *Incentive Shares.* If Participant remains an Employee through the end of the Service Period, Participant will become entitled to receive the Incentive Shares. In the event Participant terminates Employment before the end of the Service Period, Participant will be entitled to receive the number of Incentive Shares, if any, described in Section 2.3 Any portion of this Award that does not become Vested pursuant to this Agreement will be canceled and Participant will not receive any Shares or other payment with respect to such non-Vested portion of the Award.

2.2 *Settlement of Award.*

2.2.1 *General.* Except as provided in Section 2.2.2, this Award will be settled on a settlement date selected by the Committee as soon as practicable after the end of the Service Period by the delivery to Participant of an unrestricted certificate for the Incentive Shares.

2.2.2 *Early Settlement.* In the event Participant (or Participant's representative) becomes entitled to receive Incentive Shares pursuant to Section 2.3.2 (on account of death or Disability), Section 2.3.3 (on account of a Change in Control) or 2.3.4 (on account of Share Price Vesting), this Award will be settled on a settlement date selected by the Committee as soon as practical after the Termination Date, Change in Control Date, or Share Price Vesting date, respectively, by the delivery to Participant of an unrestricted certificate for the number of Incentive Shares determined pursuant to those Sections.

2.3 *Employment Requirement; Accelerated Vesting.*

2.3.1 *General.* Except as otherwise expressly provided in Sections 2.3.2, 2.3.3 and 2.3.4, if Participant ceases to be an Employee for any reason prior to the end of the Service Period, this Award will be canceled and Participant will not receive any Shares or other payment with respect to this Award.

2.3.2 *Death or Disability.* In the event Participant dies or terminates Employment by reason of Disability prior to the end of the Service Period, Participant or Participant's representative will be entitled to receive 100 percent of the number of Incentive Shares.

2.3.3 *Change in Control.* Upon the occurrence of a Change in Control Date prior to the end of the Service Period, Participant will be entitled to receive 100 percent of the Incentive Shares.

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2.3.4 *Share Price Vesting.* If Participant remains an Employee on any anniversary date of the Grant Date prior to the end of the Service Period and, during the 12-month period immediately preceding such anniversary date Corporation's common stock has traded on the New York Stock Exchange at or above a price of \$18.00 per share (as appropriately adjusted for any stock dividends or stock splits after the Grant Date), Participant will become Vested in and entitled to receive 50 percent of the number of Incentive Shares; provided, further, that if on any such anniversary date Corporation's common stock has so traded in the immediately preceding 12-month period at or above a price of \$22.00, Participant will become Vested in and entitled to 100 percent of the number of Incentive Shares not otherwise Vested.

2.4 *Reimbursement.* If or to the extent the accelerated delivery of Incentive Shares in connection with a Change in Control pursuant to Section 2.3.3 results in an "excess parachute payment" within the meaning of Section 280G of the Code, Corporation will reimburse Participant, on an after-tax basis, for (i) any excise tax imposed by Section 4999(a) of the Code that is directly attributable to such accelerated delivery, and (2) any income taxes and excise taxes imposed on any reimbursement pursuant to this Section 2.4. For purposes of computing any after-tax reimbursement, Participant will be deemed to pay federal, state, and local income taxes (for the state and locality of Participant's residence) at the highest effective combined marginal rates (giving effect to the deductibility of state and local taxes) for the tax year in which the reimbursement payment is made. No reimbursement will be due pursuant to this Section 2.4 if, or to the extent, Participant is entitled to payment or reimbursement for the same amounts under any other agreement with Corporation.

2.5 *Other Documents.* Participant will be required to furnish Corporation such other documents or representations as Corporation may require to assure compliance with applicable laws and regulations as a condition of Corporation's obligation to issue any Incentive Shares.

2.6 *Transferability.* This Award is not transferable other than by will or the laws of descent and distribution. No assignment or transfer of the Award in violation of the foregoing restriction, whether voluntary, involuntary or by operation of law or otherwise, except by will or the laws of descent and distribution, will vest in the assignee or transferee any interest or right whatsoever, but immediately upon any attempt to assign or transfer the Award, the Award will terminate and be of no force or effect. Whenever the word "Participant" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the executor, administrator, or the person or persons to whom this Award may be transferred by will or by the laws of descent and distribution, it will be deemed to include such person or persons.

3. **Rights as Stockholder**

Prior to the issuance of a certificate for Incentive Shares in settlement of this Award, Participant will have no rights as a stockholder of Corporation with respect to this Award or the Incentive Shares.

4. **Withholding Taxes**

Corporation will have the right to require Participant to remit to Corporation, or to withhold from other amounts payable to Participant, as compensation or otherwise, or from Incentive Shares to be delivered to Participant in settlement of this Award, an amount sufficient to satisfy all federal, state and local withholding tax requirements with respect to the Award or the Incentive Shares. Participant may, by written notice to Committee which complies with any applicable timing restrictions imposed pursuant to Rule 16b-3 under the Exchange Act, elect to have withholding taxes satisfied by withholding Shares. To the extent required by Rule 16b-3, such election will be subject to approval by the Committee.

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5. **Conditions Precedent**

The Award of Incentive Shares granted pursuant to this Agreement is expressly subject to the approval of the Plan, as amended, by Corporation's stockholders at Corporation's 2002 annual meeting of stockholders.

Corporation will use its best efforts to obtain approval of the Plan and this Award by any state or federal agency or authority that Corporation determines has jurisdiction. If Corporation determines that any required approval cannot be obtained, this Award will terminate on notice to Participant to that effect. Without limiting the foregoing, Corporation will not be required to issue any certificates for Incentive Shares, or any portion thereof, until Corporation has taken all action required to comply with all applicable federal and state securities laws.

6. Successorship

Subject to restrictions on transferability set forth in Section 2.6, this Agreement will be binding upon and benefit the parties, their successors and assigns.

7. Notices

Any notices under this Agreement must be in writing and will be effective when actually delivered personally or, if mailed, when deposited as registered or certified mail directed to the address of Corporation's records or to such other address as a party may certify by notice to the other party.

8. Arbitration

Any dispute or claim that arises out of or that relates to this Agreement or to the interpretation, breach, or enforcement of this Agreement, shall be resolved by mandatory arbitration in accordance with the then effective arbitration rules of Arbitration Service of Portland, Inc., and any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

9. Defined Terms

When used in this Agreement, the following terms have the meaning specified below:

Acquiring Person means any person or related person or related persons which constitute a "group" for purposes of Section 13(d) and Rule 13d-5 under the Securities Exchange Act of 1934 (the "Exchange Act"), as such Section and Rule are in effect as of the Grant Date; provided, however, that the term Acquiring Person shall not include (a) Corporation or any of its Subsidiaries, (b) any employee benefit plan or related trust of Corporation or any of its Subsidiaries, (c) any entity holding voting capital stock of Corporation for or pursuant to the terms of any such employee benefit plan, or (d) any person or group solely because such person or group has voting power with respect to capital stock of Corporation arising from a revocable proxy or consent given in response to a public proxy or consent solicitation made pursuant to the Exchange Act.

Change in Control of Corporation means:

(a) The acquisition by any Acquiring Person of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 20 percent or more of the combined voting power of the then outstanding Voting Securities; provided, however, that for purposes of this paragraph (a) the following acquisitions will not constitute a Change in Control: (i) any acquisition directly from Corporation, (ii) any acquisition by Corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Corporation or any corporation controlled by

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

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

(c) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of Corporation (a "Business Combination") in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners of the Voting Securities outstanding immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50 percent of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Corporation or all or substantially all of Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Voting Securities, (ii) no Person (excluding any employee benefit plan, or related trust, of Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

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

Change in Control Date means the first date following the Grant Date on which a Change in Control has occurred.

Disability means the condition of being permanently unable to perform Participant's duties for an Employer by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of at least 12 months.

Employee and Employment both refer to service by Participant as a full-time or part-time employee of an Employer, and include periods of illness or other leaves of absence authorized by an Employer. A transfer of Participant's Employment from one Employer to another will not be treated as a termination of Employment.

Employer means Corporation or a Subsidiary of Corporation.

Incentive Shares means the number of Shares issuable to Participant pursuant to this Award as specified on the cover sheet to this Award Agreement.

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Service Period means the period specified on the cover page to this Award Agreement during which Participant is required to continue to provide services as a condition to the issuance of the Incentive Shares.

Share Price Vesting Date means the anniversary date upon which a Participant becomes entitled to receive Incentive Shares under Section 2.3.4 of this Appendix A.

Termination Date means the date Participant ceases to be an Employee.

Vest or **Vesting** means, with respect to this Award, the time when Participant becomes entitled to have the Incentive Shares issued in Participant's name, which will be at the completion of the Service Period or upon the occurrence of one of the acceleration events described in Section 2.3 of this Appendix A.

Voting Securities means Corporation's issued and outstanding securities ordinarily having the right to vote at elections of directors.

Capitalized terms not otherwise defined in this Agreement have the meanings given them in the Plan.

QuickLinks

[AWARD AGREEMENT under the Louisiana-Pacific Corporation 1997 Incentive Stock Award Plan INCENTIVE SHARES](#)
[APPENDIX A To Award Agreement for Incentive Shares](#)

**LOUISIANA-PACIFIC CORPORATION
ANNUAL CASH INCENTIVE AWARD PLAN**

Amended and Restated as of January 1, 2001

THIS ANNUAL CASH INCENTIVE AWARD PLAN (the "Plan") was adopted by Louisiana-Pacific Corporation, a Delaware corporation ("Corporation"), effective March 1, 1997 and was amended as of July 31, 1999 and January 1, 2001. Capitalized terms that are not otherwise defined herein have the meanings set forth in Section 4.

SECTION 1. INCENTIVE AWARDS

1.1 *Target Award.* Each Award opportunity will specify a targeted incentive opportunity (the "Target Award") expressed either as a dollar amount or as a percentage of a Participant's regular annualized base salary.

1.2 *Incentive Awards.* The amount paid for each Award will be equal to the product of:

- a) The Total Success Percentage for the Participant for the Plan Year; multiplied by
- (b) The Participant's Target Award for the Plan Year.

However, in no event may a Participant's Award payment for a Plan Year exceed the lesser of (i) 150 percent of the Participant's Target Award, or (ii) \$1,250,000.

1.3 *Performance Goals.* The Goals that will be used to measure a Participant's Award will consist of one or more of the following:

a) Corporate Goals measuring financial performance related to the Corporation as a whole. Corporate Goals may include one or more measures related to earnings, profitability, efficiency, or return to stockholders and may include earnings, earnings per share, operating profit, stock price, costs of production, or other measures, whether expressed as absolute amounts, as ratios, or percentages of other amounts. Success may be measured against various standards, including budget targets, improvement over prior years, and performance relative to other companies or industry groups.

(b) Business Unit Goals measuring financial or strategic performance of an identified business unit for which a Participant has responsibility. Strategic Business Unit Goals may include one or a combination of objective factors related to success in implementing strategic plans or initiatives, introducing products, constructing facilities, or other identifiable objectives. Financial Business Unit Goals may include the degree to which the business unit achieves one or more measures related to its revenues, earnings, profitability, efficiency, operating profit, costs of production, or other measures, whether expressed as absolute amounts or as ratios or percentages, which may be measured against various standards, including budget targets, improvement over prior years, and performance relative to other companies or business units.

(c) Individual Goals measuring success in developing and implementing particular tasks assigned to an individual Participant. Individual Goals will naturally vary depending upon the responsibilities of individual Participants and may include, without limitation, goals related to success in developing and implementing particular management plans or systems, reorganizing departments, establishing business relationships, or resolving identified problems.

1.4 *Weighting of Goals.* Each Goal will be weighted with a Weighting Percentage so that the total Weighting Percentages for all Goals used to determine a Participant's Award is 100 percent.

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1.5 *Achievement Percentage.* Each Goal will also specify the Achievement Percentages (ranging from 0 to 150 percent) to be used in computing the payment of an Award based upon the extent to which the particular Goal is achieved. Achievement Percentages for a particular Goal may be based on:

- An "all or nothing" measure that provides for a specified Achievement Percentage if the Goal is met, and a zero Achievement Percentage if the Goal is not met;
- Several levels of performance or achievement (such as a Threshold Level, a Target Level, and a Maximum Level) that each correspond to a specified Achievement Percentage; or
- Continuous or numerical measures that define a sliding scale of Achievement Percentages.

1.6 *Computation of Awards.* As soon as possible after the completion of each Plan Year, a computation will be made for each Participant of:

- The extent to which Goals were achieved and the corresponding Achievement Percentages for each Goal;
- A Weighted Achievement Percentage for each Goal equal to the product of the Achievement Percentage and the Weighting Percentage for that Goal;
- The Total Success Percentage equal to the sum of all the Weighted Achievement Percentages for all the Participant's Goals; and
- An Award amount equal to the product of the Total Success Percentage and the Participant's Target Award.

1.7 *Right to Receive Award.* A Participant must continue Employment with Corporation until the end of a Plan Year in order to be entitled to receive an Award for that Plan Year. Awards may be subject to such additional requirements regarding length of employment as may be specifically approved by the

Committee. If a Participant terminates Employment with Corporation before the end of the Plan Year for a reason other than death, Disability, or Approved Retirement, the Participant will not be entitled to any Award for that Plan Year. If a Participant terminates Employment with Corporation before the end of the Plan Year due to death or Disability, the Participant or the Participant's beneficiary or estate will be entitled to an Award equal to 100 percent of the Participant's Target Award. If a Participant terminates Employment with Corporation by reason of Approved Retirement prior to the expiration of the Plan year, the Participant will be entitled to an Award computed as follows:

- The Total Success Percentage will be determined after the end of the Plan Year as if the Participant had remained an Employee for the entire Plan Year; and
- The Participant's Award computed pursuant to Section 1.6 will be prorated based on the number of days before and the number of days after the effective date of the Approved Retirement.

1.8 *Payment of Awards.* Each Participant's Award will be paid in cash in a lump sum within 30 days after the amount of the Award has been determined. Payment of any Award may be made subject to such additional restrictions or limitations, in addition to those related to the attainment of performance goals, as may be expressly provided for under the Louisiana-Pacific Corporation Management Incentive Plan and made applicable to such Award.

SECTION 2. ADMINISTRATION

For each Plan Year, the Committee will approve the Target Awards for all Participants and will approve Corporate Goals and Achievement Percentages for the Corporate Goals. After the end of each Plan Year, the Committee will certify the extent to which the Corporate Goals have been achieved. In addition, the Committee will have exclusive authority to establish Goals, Weighting Percentages, and

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Achievement Percentages, to certify achievement, and to take all other actions with respect to Awards for Corporation's Chief Executive Officer and any other Participants that the Committee determines may be subject to Section 162(m) of the Internal Revenue Code of 1986.

SECTION 3. MISCELLANEOUS

3.1 *Nonassignability of Benefits.* A Participant's benefits under the Plan cannot be sold, transferred, anticipated, assigned, pledged, hypothecated, seized by legal process, subjected to claims of creditors in any way, or otherwise disposed of.

3.2 *No Right of Continued Employment.* Nothing in the Plan will confer upon any Participant the right to continued Employment with Corporation or interfere in any way with the right of Corporation to terminate the person's Employment at any time.

3.3 *Amendments and Termination.* The Committee has the power to terminate this Plan at any time or to amend this Plan at any time and in any manner that it may deem advisable.

SECTION 4. DEFINITIONS

For purposes of this Plan, the following terms have the meanings set forth in this Section 4:

"**Achievement Percentage**" means a percentage (from 0 to 150 percent) corresponding to a specified level of achievement or performance of a particular Goal.

"**Approved Retirement**" means termination of employment with an Employer after Participant attains age 60, but only if such retirement is approved by Corporation's Chief Executive Officer, in his sole discretion.

"**Award**" means an incentive award under the Plan.

"**Corporation**" means Louisiana-Pacific Corporation, a Delaware corporation.

"**Committee**" means the Compensation Committee of the Board.

"**Disability**" means the condition of being permanently unable to perform Participant's duties for an Employer by reason of a medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of at least 12 months.

"**Employee and Employment**" both refer to service by Participant as a full-time or part-time employee of Corporation, and include periods of illness or other leaves of absence authorized by Corporation.

"**Goal**" means one of the elements of performance used to determine Awards under the Plan as described in Section 1.3.

"**Participant**" means an eligible employee selected to participate in the Plan for all or a portion of a Plan Year.

"**Plan Year**" means a calendar year.

"**Target Award**" means the targeted incentive award for a Participant for a Plan Year as provided in Section 1.1.

"**Total Success Percentage**" means the sum of the Weighted Achievement Percentages for each Goal for a Participant.

"**Weighted Achievement Percentage**" means the product of the Achievement Percentage and the Weighting Percentage for a Goal as provided in Section 1.6.

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QuickLinks

[LOUISIANA-PACIFIC CORPORATION ANNUAL CASH INCENTIVE AWARD PLAN Amended and Restated as of January 1, 2001](#)

LOUISIANA-PACIFIC CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Amended and Restated January 1, 2002

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**LOUISIANA-PACIFIC CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
ARTICLE I—PURPOSE; EFFECTIVE DATE**

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

ARTICLE II—DEFINITIONS

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

2.1 Acquiring Person

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

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

2.2 Actuarial Equivalent

"Actuarial Equivalent" means equivalence in value between two (2) or more forms and/or times of payment based on a determination by an actuary chosen by the Corporation, using sound actuarial assumptions at the time of such determination.

2.3 Beneficiary

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

2.4 Board

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

2.5 Change in Control

A "Change in Control" shall occur upon:

(a) The acquisition by any Acquiring Person of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of the combined voting power of the then outstanding securities which vote generally in the election of directors ("Voting

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Securities"); provided, however, that for purposes of this paragraph (a), the following acquisitions will not constitute a Change in Control:

- (i) Any acquisition directly from Corporation;
- (ii) Any acquisition by Corporation;
- (iii) Any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Corporation or any corporation controlled by Corporation; or
- (iv) Any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii), and (iii) of paragraph (c) of this definition of Change in Control; or

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

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

- (i) All or substantially all of the individuals and entities who were the beneficial owners of the Voting Securities outstanding immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Corporation or all or substantially all of Corporation's assets either directly or through one (1) or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Voting Securities;
- (ii) No Person (excluding any employee benefit plan, or related trust, of Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and
- (iii) At least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

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

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2.6 Committee

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

2.7 Compensation

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

2.8 Corporation

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

2.9 Deferred Retirement Date

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

2.10 Disability

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

2.11 Early Retirement Date

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

2.12 Employer

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

2.13 Final Average Compensation

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

2.14 Final Compensation

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

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

2.15 Involuntarily Terminated

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

2.16 Moody's Rate

"Moody's Rate" means a rate of return equal to the monthly equivalent of the annual yield of the Moody's Average Corporate Bond Yield Index for the calendar month as published by Moody's Investor Service, Inc. (or any successor thereto) or, if such index is no longer published, a substantially similar index selected by the Committee.

2.17 Normal Retirement Date

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

2.18 Participant

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

2.19 PBGC Rate

"PBGC Rate" means the Pension Benefit Guaranty Corporation Lump Sum Interest Rate for Private Sector payments, as published in Appendix C of 29 CFR 4022, or any successor or replacement rate.

2.20 Qualified and Other Plan Accounts

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

2.21 Retirement

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

2.22 Spouse

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

2.23 Supplemental Retirement Benefit

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

2.24 Target Retirement Percentage

"Target Retirement Percentage" means the percentage of Final Average Compensation which will be used as a target from which other forms of retirement benefits are subtracted, as provided in Article V, to arrive at the amount of the Supplemental Retirement Benefit actually payable to a

Participant. This percentage shall equal fifty percent (50%) multiplied by a fraction, the numerator of which is the Participant's Years of Credited Service, not to exceed fifteen (15), and the denominator of which is fifteen (15). The adjusted Target Retirement Percentage shall be rounded to four (4) decimal places.

2.25 Years of Credited Service

"Years of Credited Service" means the number of years of credited vesting service determined under the provisions of the Employer's Qualified Retirement Plan.

2.26 Years of Participation

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

ARTICLE III—PARTICIPATION AND VESTING

3.1 Eligibility and Participation

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

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

3.2 Vesting

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

3.3 Cessation of Eligibility

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

ARTICLE IV—PRERETIREMENT SURVIVOR BENEFIT

4.1 Pretermination Survivor Benefit

If a Participant dies while employed by the Employer, the Employer shall pay a supplemental survivor benefit to the Participant's Spouse. The amount of this benefit shall be equal to one-half ($\frac{1}{2}$) of the monthly accrued Supplemental Retirement Benefit payable monthly for the life of the Spouse, calculated as if the Participant was eligible for Early Retirement as of the date of death and with payments commencing to the Spouse within thirty (30) days following the Participant's date of death; provided, that if the Participant would have been entitled to a benefit described in Section 5.7(c) had the Participant terminated employment with the Employer immediately prior to the date of death and such benefit has a greater Actuarial Equivalent value than the benefit under this Section 4.1, then the benefit described in 5.7(c) shall be payable to the Participant's Spouse or Beneficiary as the case may be.

ARTICLE V—SUPPLEMENTAL RETIREMENT BENEFITS

5.1 Normal Retirement Benefit

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

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

(b) An amount equal to the Participant's Qualified and Other Plan Accounts balances converted to a monthly life annuity. Such conversion shall be at the PBGC Rate;

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

5.2 Deferred Retirement Benefit

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

5.3 Early Retirement Benefit

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

(a) Fifty percent (50%) of the Participant's primary Social Security benefit projected to be paid at age sixty-two (62) based on the then current law and assuming no future increases in Compensation, and

(b) An amount equal to the Participant's Qualified and Other Plan Accounts balances at termination converted to a life annuity using the PBGC Rate;

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

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

5.4 Early Termination Retirement Benefit

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

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

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

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(ii) An amount equal to the Qualified and Other Plan Accounts balances at age sixty-two (62) converted to life annuity using the PBGC Rate;

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

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

5.5 Change in Control Benefits

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

5.6 Disability Retirement Benefit

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

5.7 Payment of Benefits

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

(i) Life Annuity

(ii) 10-Year Certain and Life Annuity

(iii)

(iv) 100% Joint and Spouse Survivor Annuity

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

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

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(c) Death Prior to Commencement of Benefit Payments. If a Participant terminates employment and dies before the commencement of benefits as provided under Section 5.7(b), any survivor benefit under the form of benefit that was elected by the Participant under Section 5.7(ii), (iii) or (iv) shall be payable to the Participant's Spouse or Beneficiary, as the case may be, at the time benefits otherwise would have commenced to the Participant.

5.8 Accelerated Distribution

Notwithstanding any other provision of the Plan, at any time a Participant shall be entitled to receive, upon written request to the Committee, a lump-sum distribution of the Actuarial Equivalent of the Participant's unpaid vested accrued benefits under this Plan on the date on which the Committee receives the written request. The vested accrued benefit for active Participants shall be calculated assuming the Participant had terminated without permission on the date the distribution is requested. Each accelerated distribution shall be subject to a penalty equal to ten percent (10%) of the amount that would otherwise be distributed, and that amount shall be forfeited by the Participant. The amount payable under this section shall be paid in a lump sum within sixty-five (65) days following the receipt of the notice by the Committee from the Participant. In the event a Participant requests and obtains an accelerated distribution under this section the Participant shall cease to be a Participant under the Plan; provided, that if the Participant remains employed by the Employer, participation and future benefit accruals under the Plan may resume following a period of one (1) year from the date of distribution if the Participant remains an eligible Participant under Section 3.1 at that time.

5.9 Qualified and Other Retirement Plan Accounts Offset

In the event that all or a portion of a Participant's Qualified and Other Retirement Plan Accounts are paid out prior to the applicable benefit calculation date under any provision of Article V of the Plan, the value of such Accounts shall be the Actuarial Equivalent of the amount of such Accounts so paid out determined as of such benefit calculation date; provided that, notwithstanding Section 2.2, the interest rate used for purposes of this Section 5.9 for determining Actuarial Equivalent value shall be the Moody's Rate.

5.10 Excise Tax and Lost Benefit Makeup

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

5.11 Withholding; Payroll Taxes

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

5.12 Payment to Guardian

If a Plan benefit is payable to a minor or a person declared incompetent or to a person incapable of handling the disposition of his property, the Committee may direct payment of such Plan benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Committee may require proof of incompetency, minority, incapacity or guardianship as it

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may deem appropriate prior to distribution of the Plan benefit. Such distribution shall completely discharge the Committee and the Employer from all liability with respect to such benefit.

ARTICLE VI—BENEFICIARY DESIGNATION

6.1 Beneficiary Designation

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

6.2 Changing Beneficiary

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

6.3 No Beneficiary Designation

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

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

ARTICLE VII—ADMINISTRATION

7.1 Committee; Duties

The Plan shall be administered by the Committee, which shall consist of not less than three (3) persons appointed by the Chief Executive Officer and which may include the CEO as a member. The Committee shall have the authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in connection with the Plan. A majority vote of the Committee members shall control any decision. Members of the Committee may be Participants under the Plan.

7.2 Agents

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

7.3 Binding Effect of Decisions

The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and

regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

7.4 Indemnity of Committee

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

ARTICLE VIII—CLAIMS PROCEDURE

8.1 Claim

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

8.2 Denial of Claim

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

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

8.3 Review of Claim

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

8.4 Final Decision

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

ARTICLE IX—TERMINATION, SUSPENSION OR AMENDMENT

9.1 Termination, Suspension or Amendment of Plan

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

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ARTICLE X—MISCELLANEOUS

10.1 Unfunded Plan

The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Plan shall terminate and no further benefits shall accrue hereunder in the event it is determined by a court of competent jurisdiction or by an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA which is not so exempt. In the event of such termination, the amount of each Participant's vested benefits under the Plan shall be distributed to such Participant at such time and in such manner as the Committee, in its sole discretion, determines.

10.2 Unsecured General Creditor

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

10.3 Trust Fund

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

10.4 Nonassignability

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

10.5 Not a Contract of Employment

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

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10.6 Protective Provisions

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

10.7 Terms

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

10.8 Captions

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

10.9 Governing Law; Arbitration

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

10.10 Validity

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

10.11 Notice

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

10.12 Successors

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

otherwise acquire all or substantially all of the business and assets of the Employer, and successors of any such corporation or other business entity.

LOUISIANA-PACIFIC CORPORATION

By:

Vice President, Human Resources

By:

Secretary

Dated: January 1, 2002

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