

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For Quarterly Period Ended September 30, 1996
Commission File Number 1-7107

LOUISIANA-PACIFIC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE 93-0609074
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

111 S.W. Fifth Avenue, Portland, Oregon 97204-3699
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(503) 221-0800

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: 108,741,236 shares of Common Stock, \$1 par value, outstanding as of September 30, 1996.

FORWARD LOOKING STATEMENTS

Statements in this report, to the extent they are not based on historical events, constitute forward looking statements. Forward looking statements include, without limitation, statements regarding the outlook for future operations, forecasts of future costs and expenditures, evaluation of market conditions, the outcome of legal proceedings, the adequacy of reserves, or plans for product development. Investors are cautioned that forward looking statements are subject to an inherent risk that actual results may vary materially from those described herein. Factors that may result in such variance, in addition to those accompanying the forward looking statements, include changes in interest rates, commodity prices, and other economic conditions; actions by competitors; changing weather conditions and other natural phenomena; actions by government authorities; uncertainties associated with legal proceedings; technological developments; future decisions by management in response to changing conditions; and misjudgments in the course of preparing forward looking statements.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Consolidated Summary Statements of Income
Louisiana-Pacific Corporation and Subsidiaries
(Dollar amounts in millions except per share) (Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
Net sales	\$ 676.3	\$ 776.8	\$1,918.7	\$2,172.9
Costs and expenses:				
Cost of sales	565.3	590.8	1,617.0	1,709.6
Depreciation, amortization and depletion	52.4	57.9	147.4	150.8
Selling and administrative	36.7	29.1	102.4	85.4
Settlement charges and other unusual items, net	350.0	366.6	350.0	366.6
Interest expense	4.9	1.2	9.2	5.2
Interest income	(1.0)	(1.5)	(4.8)	(6.6)
Total costs and expenses	1,008.3	1,044.1	2,221.2	2,311.0
Income (loss) before taxes and minority interest	(332.0)	(267.3)	(302.5)	(138.1)
Provision (benefit) for income taxes	(128.2)	(108.6)	(117.1)	(61.6)
Minority interest in net income (loss) of consolidated subsidiaries	(.4)	.4	.6	2.0
Net income (loss)	\$(203.4)	\$(159.1)	\$ (186.0)	\$ (78.5)
Net income (loss) per share	\$ (1.89)	\$ (1.48)	\$ (1.73)	\$ (.73)
Cash dividends per share	\$.14	\$.14	\$.42	\$.405

Consolidated Summary Balance Sheets
Louisiana-Pacific Corporation and Subsidiaries
(Dollar amounts in millions) (Unaudited)

	Sept. 30, 1996	Dec. 31, 1995
	-----	-----
Cash and cash equivalents	\$ 53.7	\$ 75.4
Accounts receivable, net	143.8	128.7
Inventories	258.5	317.7
Prepaid expenses	11.2	14.3
Deferred income taxes	82.4	82.4
	-----	-----
Total current assets	549.6	618.5
	-----	-----
Timber and timberlands	657.4	689.6
Property, plant and equipment	2,499.9	2,592.5
Less reserves for depreciation	(1,192.7)	(1,140.2)
	-----	-----
Net property, plant and equipment	1,307.2	1,452.3
Other assets	72.4	45.0
	-----	-----
Total assets	\$2,586.6	\$2,805.4
	=====	=====
Current portion of long-term debt	\$ 40.3	\$ 38.6
Short-term notes payable	37.2	98.3
Accounts payable and accrued liabilities	240.7	161.6
Current portion of contingency reserves	115.0	150.0
Income taxes payable	29.3	---
	-----	-----
Total current liabilities	462.5	448.5
	-----	-----
Long-term debt, excluding current portion	343.3	201.3
Deferred income taxes	70.3	207.5
Contingency reserves, excluding current portion	216.4	250.5
Other long-term liabilities and minority interest	45.9	41.6
Stockholders' equity:		
Common Stock	117.0	117.0
Additional paid-in capital	473.0	472.4
Retained earnings	1,169.7	1,400.8
Treasury stock	(183.9)	(192.7)
Loans to Employee Stock Ownership Trusts	(67.6)	(85.5)
Other equity adjustments	(60.0)	(56.0)
	-----	-----
Total stockholders' equity	1,448.2	1,656.0
	-----	-----
Total liabilities and equity	\$2,586.6	\$2,805.4
	=====	=====

Consolidated Summary Statements of Cash Flows
Louisiana-Pacific Corporation and Subsidiaries
(Dollar amounts in millions) (Unaudited)

Nine Months Ended September 30,	1996	1995
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$(186.0)	\$ (78.5)
Depreciation, amortization and depletion	147.4	150.8
Payments of settlement liabilities	(169.1)	---
Other adjustments, including settlement charges and other unusual non-cash charges	356.9	387.1
Decrease (increase) in certain working capital components	102.9	36.5
Increase (decrease) in deferred income taxes	(137.2)	(168.0)
	-----	-----
Net cash provided by operating activities	114.9	327.9
	-----	-----
Cash flows from investing activities:		
Capital spending, including acquisitions	(220.0)	(288.1)
Other investing activities, net	47.2	2.5
	-----	-----
Net cash used in investing activities	(172.8)	(285.6)
	-----	-----
Cash flows from financing activities:		
New borrowing, including net increase in credit line	114.5	---
Repayment of long-term debt	(26.1)	(61.9)
Increase (decrease) in short-term notes payable	(11.1)	(.3)
Cash dividends	(45.1)	(43.4)
Purchase of treasury stock	---	(120.2)
Other financing activities, net	4.0	(7.7)
	-----	-----
Net cash provided by (used in) financing activities	36.2	(233.5)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(21.7)	(191.2)
Cash and cash equivalents at beginning of year	75.4	315.9
	-----	-----
Cash and cash equivalents at end of period	\$ 53.7	\$ 124.7
	=====	=====

Consolidated Statements of Stockholders' Equity
Louisiana-Pacific Corporation and Subsidiaries
(Dollar amounts in millions except per share) (Unaudited)

	Nine Months Ended September 30, 1996	
	Shares	Amount
Common Stock	116,937,022	\$ 117.0
	=====	=====
Additional Paid-in-Capital:		
Beginning balance		\$ 472.4
Net transactions		.6

Ending balance		\$ 473.0
		=====
Retained Earnings:		
Beginning balance		\$1,400.8
Net income (loss)		(186.0)
Cash dividends, \$.42 per share		(45.1)

Ending balance		\$1,169.7
		=====
Treasury stock:		
Beginning balance	8,588,427	\$(192.7)
Shares reissued under employee stock plans and for other purposes	(392,641)	8.8
	-----	-----
Ending balance	8,195,786	\$(183.9)
	=====	=====
Loans to ESOTs:		
Beginning balance		\$ (85.5)
Less accrued contribution		17.9

Ending balance		\$ (67.6)
		=====
Other Equity Adjustments:		
Beginning balance		\$ (56.0)
Currency translation adjustment and amortization of deferred compensation		(4.0)

Ending balance		\$ (60.0)
		=====

Notes To Financial Statements
Louisiana-Pacific Corporation and Subsidiaries

1. The interim period information included herein reflects all adjustments which are, in the opinion of the management of L-P, necessary for a fair statement of the results of the respective interim periods. Such adjustments, except as discussed elsewhere in this report, are of a normal recurring nature. Results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. It is suggested that these summary financial statements be read in conjunction with the financial statements and the notes thereto included in L-P's 1995 Annual Financial Report to Stockholders. Interim financial statements are by necessity somewhat tentative; judgments are used to estimate quarterly amounts for items that are normally determinable only on an annual basis.
2. Earnings per share is based on the weighted average number of shares of common stock outstanding during the periods (107,320,000 in 1996 and 107,040,000 in 1995). The effect of common stock equivalents is not material.
3. The effective income tax rate is based on estimates of annual amounts of taxable income, foreign sales corporation income and other factors. These estimates are updated quarterly.
4. Determination of interim LIFO inventories requires estimates of year-end inventory quantities and costs. These estimates are revised quarterly and the estimated annual change in the LIFO inventory reserve is expensed over the remainder of the year.
5. Reference is made to "Legal Proceedings" for a description of certain environmental litigation and other litigation and its potential impact on L-P and for a description of settlements of certain class action proceedings.
6. Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion and disclosures regarding the write-down of certain property plant and equipment and other unusual adjustments in the third quarter of 1996, included in the financial statement caption of "Settlement charges and other unusual items, net."

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

RESULTS OF OPERATIONS

General

The cause of the net loss for the third quarter and first nine months of 1996 was \$350.0 million of pre-tax charges (\$214.6 million after tax, or \$2.00 per share) to reflect the shutdown of L-P's Ketchikan Pulp Company subsidiary's pulp mill, the proposed settlement of all outstanding shareholder securities class action claims, a reserve for other litigation and a reserve for the planned fourth quarter shutdown and other costs related to certain other non-strategic facilities. Prior to the charges, L-P earned \$11.2 million (\$.11 per share) in the third quarter of 1996, and \$28.6 million (\$.27 per share) for the first nine months of 1996. This compares to third quarter 1995 earnings of \$62.7 million (\$.59 per share) and \$143.3 million (\$1.34 per share) for the first nine months of 1995. Both of the 1995 numbers are prior to a \$366.6 million charge (\$221.8 million after tax, or \$2.07 per share) taken in the third quarter of 1995 primarily reflecting settlements of class action proceedings related to L-P's siding product as well as severance costs and asset write-downs. Both the building products and pulp segments have showed declines in sales in 1996 from 1995. An industry-wide oversupply of structural panel products in North America in 1996 is one of the primary causes of the building products declines. Pulp markets have also been weak this year due to high world-wide inventories. The Ketchikan Pulp Company contract issue (further discussed below) has also negatively impacted the pulp segment results.

The registrant operates in two segments: building products and pulp. Building products is the most significant segment, accounting for more than 85 percent of sales in first nine months of 1996 and 1995. The results of operations are discussed separately for each segment below. Key segment information, production volumes and industry product price trends are presented in the following tables labeled "Sales and Profit by Major Product Group," "Operating Volumes" and "Industry Product Price Trends."

Building Products Segment

	Quarter Ended September 30,			Nine Months Ended September 30,		
	1996	1995	% Chg	1996	1995	% Chg
----- ----- (Dollar amounts in millions) -----						
Sales:						
Structural panels	\$277.6	\$311.7	-11%	\$ 791.8	\$ 837.8	-5%
Lumber	170.3	177.7	-4%	472.9	504.9	-6%
Industrial panel products	51.8	52.7	-2%	149.7	164.2	-9%
Other building products	139.3	144.2	-3%	375.6	384.3	-2%
	-----	-----		-----	-----	
Total building products	\$639.0	\$686.3	-7%	\$1,790.0	\$1,891.2	-5%
	=====	=====		=====	=====	
Building products profit	\$ 68.0	\$111.3	-39%	\$ 170.3	\$ 265.0	-36%
	=====	=====		=====	=====	

The decrease in the sales of structural panel products (plywood and oriented strand board (OSB)) was due to a 23% lower average selling price in the third quarter of 1996 compared to 1995 (18% lower for the nine month period) which resulted from an oversupply of structural panel products in North America. L-P and its competitors have opened numerous new OSB plants in 1995 and 1996 and additional plants are scheduled to open through late 1997, which has significantly increased the structural panel capacity in North America. L-P structural panel sales volumes increased in the third quarter and first nine months largely due to the start-up of new OSB production facilities in the U.S., Canada and Ireland. In October 1996, L-P announced that it will permanently close North American structural panel production facilities with an annual capacity of approximately 175 million square feet.

Lumber sales have decreased in 1996 from 1995 for both the second quarter and first nine-month periods because of significantly lower sales volumes (approximately 18% lower for the third quarter and 12% lower for the first nine months) primarily resulting from the permanent closure of approximately 15 unprofitable sawmills (not all of these mills were producing immediately prior to their closure). L-P announced at the end of the third quarter that it would shut additional sawmills (see further discussion below). The lower volumes have been offset by higher average selling prices in 1996

(17% higher for the third quarter and 7% higher for the first nine months). Lumber markets have generally been stronger in 1996 due to a strong economy, lower U.S. production volumes and lower volumes of lumber imported from Canada.

Industrial panel products (particleboard, medium-density fiberboard (MDF) and hardboard) sales decreased in the third quarter and first nine months of 1996 compared to 1995 due to lower average selling prices of approximately 8% for the quarter and 12% for the nine months. Higher volumes of 8% for the quarter and 4% for the nine months, primarily due to increased production, helped to offset the lower selling prices.

The decrease in sales in the other building products category was caused by a large decrease in the volume and average selling price of wood chips. L-P is producing less wood chips due to lower sawmill production. Wood chip prices weakened significantly, especially on the West Coast. Increases in sales of engineered wood products, logs and other products partially offset the decreased chip revenue.

The decrease in building products operating profit in the third quarter and first nine months of 1996 compared to 1995 is primarily due to the lower profit margins on structural panel products caused by the lower average selling prices discussed above. Raw material costs for structural panel products have generally been lower in 1996 than 1995, but not enough to offset the sales average decline. Higher profit margins for L-P's lumber products partially offset the structural panel decline.

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

Subsequent to the end of the third quarter, prices for structural panel products, especially OSB, have decreased further (see the following table labeled "Industry Product Price Trends"). L-P expects that prices for structural panel products will either remain depressed or experience significant volatility in the foreseeable future due to the excess production capacity discussed above.

Pulp Segment

	Quarter Ended September 30,			Nine Months Ended September 30,		
	1996	1995	% Chg	1996	1995	% Chg
	(Dollar amounts in millions)					
Pulp sales	\$ 37.3	\$ 90.5	-59%	\$128.7	\$281.7	-54%
Pulp profit (loss)	\$(26.5)	\$ 17.9	n.m.	\$(78.9)	\$ 59.9	n.m.

Pulp segment sales fell dramatically in both the third quarter and first nine months of 1996 compared to 1995. Average selling prices decreased 54% in the third quarter and 43% for the first nine months from the comparable periods a year ago. Sales volumes decreased approximately 9 percent during the third quarter and 19% during the first nine months of 1996 compared to 1995. Large world-wide pulp inventories at the end of 1995 carried into 1996, creating very weak pulp markets. Decreased volumes were the result of lower production due to the weakness in the market and unscheduled maintenance shut-downs.

Pulp segment operating profits were severely impacted by the decreased sales prices, resulting in operating losses in 1996 compared to operating profits in 1995. Inventory market write-downs have also contributed to the operating losses in 1996. Raw material costs in 1996 (purchased chips and/or raw logs for chipping) for the Samoa, California and Chetwynd, British Columbia mills have been lower than in 1995, particularly at Samoa. However, the mill operated by L-P's Ketchikan Pulp Company subsidiary has experienced very high raw material costs in 1996. The US Forest Service has not released adequate volume from KPC's long-term timber supply contract which has forced KPC to obtain logs from higher-priced outside sources. Approximately two-thirds of the third quarter pulp operating loss was attributable to KPC. The company has announced that it will shut down the KPC pulp mill by the end of March 1997. See "Ketchikan Pulp Company Update" below.

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

Since the end of the third quarter, market pulp prices have decreased. Indicators of future prices are mixed.

Unallocated Expense

Unallocated expense decreased in the third quarter of 1996 to \$19.6 million from \$30.2 million in 1995 and for the nine month periods to \$39.5 million from \$97.8 million. In 1995, this category included charges for siding-related claims and litigation costs prior to the reserve taken at the end of the third quarter. Also, in the second quarter of 1996, a \$10 million credit was taken against this expense related to the sale of a sawmill and timberlands. Additionally, stock compensation expenses and advertising expenditures have been lower in 1996.

Settlement Charges and Other Unusual Items, Net

In 1996, L-P recorded pre-tax charges of \$350.0 million (\$214.6 million after tax, or \$2.00 per share) to reflect the shutdown of L-P Ketchikan Pulp Company subsidiary's pulp mill, the proposed settlement of all outstanding shareholder securities class action claims, a reserve for other litigation and a reserve for the planned fourth quarter shutdown and other costs related to certain other non-strategic facilities. Each of the components of the charge is discussed separately below.

The charge for the shut-down of the Ketchikan Pulp mill includes the company's best estimates of all costs related to the closing of all operations including the write-down of property, plant and equipment to estimated salvage value, severance costs, inventory write-downs, environmental and general property clean-up and certain other costs.

L-P reached an agreement in principle in October to settle, on behalf of all defendants, all outstanding shareholder securities class action claims brought in 1995 against the company and four former and current officers. The settlement calls for a payment of approximately \$65 million, of which approximately \$20 million will be covered by insurance. L-P also reserved additional amounts related to other outstanding litigation, including plaintiffs who have opted-out of the siding class action settlements.

As part of L-P's ongoing evaluation of all its facilities, management has developed plans for the closure or sale of certain manufacturing facilities including some sawmills, structural panel products plants and other plants. The facilities have been written down to their estimated salvage or sales value. Where appropriate, reserves were also taken for severance costs and environmental and other closure costs.

Breaking the charge down by segment, of the total \$350 million, \$170.5 million related to the pulp segment, \$134.5 million related to the building products segment (including litigation costs related to building products) and \$45.0 million was not allocable to any segment. Broken down by type of expense, of the total charge, \$187.8 million related to property and equipment write-downs, \$19.2 million related to inventory write-downs, and \$143.0 million related to reserves taken for severance and other shut-down costs and litigation costs. The facilities covered by the shut-down charge incurred operating losses of approximately \$55 million through the first nine months of 1996, of which approximately \$40 million related to pulp segment assets and \$15 million related to building products related assets.

The charge taken in the third quarter of 1995 of \$366.6 million included \$345 million reserved for class action settlements related to the company's siding product, as well as asset write-downs for the closure or sale of certain facilities (primarily sawmills) and certain severance charges. A gain on the sale of a non-strategic asset was netted against this charge.

Interest Income (Expense)

L-P's interest expense (net of interest income and capitalized interest) has increased in 1996 primarily as a result of increased borrowings and lower levels of cash equivalents on which L-P earns interest income.

Legal and Environmental Matters

Refer to the "Legal Proceedings" section of this Form 10-Q for a discussion of certain environmental litigation and other litigation and its potential impact on L-P.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations decreased approximately 65 percent in the first nine months of 1996 compared to 1995 to \$114.9 million from \$327.9 million. This resulted primarily from cash payments of settlement liabilities and lower net income. These cash uses were partially offset by a reduction in inventories and an increase in accounts payable and accrued liabilities.

Cash used in investing activities decreased to \$172.8 million in 1996 from \$285.6 million in 1995, primarily due to decreased capital expenditures. Cash provided by the sale of a sawmill and related timberland also reduced 1996 net cash used for investing activities. The largest portion of the 1996 capital expenditures are for new production facilities and the acquisition of Associated Chemists, Inc. Significant amounts have also been spent on environmental projects (such as pollution control equipment) and upgrades of existing production facilities. L-P is budgeting capital expenditures, including timber and logging road additions, for all of 1996 of \$250 million to \$300 million.

Cash provided by financing activities for the first nine months of 1996 was \$36.2 million compared to cash used in financing activities in the same period in 1995 of \$233.5 million. In 1996, L-P had net new borrowings of \$77.3 million compared with net repayments of \$62.2 million in 1995

L-P continues to be in a strong financial condition with \$53.7 million of cash and cash equivalents and a relatively low ratio of long-term debt as a percent of total capitalization. Although cash and cash equivalents decreased in the first nine months of the year, existing cash and cash equivalents combined with borrowings available under L-P's \$300 million revolving credit facility and cash generated from operations are expected to be sufficient to meet projected cash needs including the payments related to siding and other litigation. The company also believes that because of its conservative financial structure and policies, it has substantial financial flexibility to

generate additional funds should the need arise.

KETCHIKAN PULP COMPANY UPDATE

Ketchikan Pulp Company (KPC) is a wholly-owned subsidiary of the registrant. KPC operates a dissolving pulp mill and two sawmills in Southeast Alaska and has a long-term timber cutting contract with the U.S. Forest Service (USFS) on the Tongass National Forest which is intended to supply approximately 75 percent of the wood fiber requirements of the manufacturing facilities. The contract is a 50-year contract expiring in 2004.

In November 1990, Congress passed the Tongass Timber Reform Act (TTRA) which required a number of unilateral modifications to the long-term contract and which required the USFS to incorporate those modifications in a revised contract document (the Unilateral Terms). TTRA and the Unilateral Terms have caused KPC to incur substantial additional costs and have disrupted the continuity of operations by, among other things, leading to a failure on the part of the USFS to provide the timber volumes specified in the contract. These issues are currently the subject of three claims filed against the USFS in the United States Court of Federal Claims which seek in excess of \$200 million. In addition, KPC has been prosecuting two additional claims against the USFS in the same court which deal with contract issues predating TTRA and the Unilateral Terms. One of these two claims was concluded earlier this year with KPC receiving a total payment of \$6.1 million. The other claim seeks in excess of \$30 million. None of the claims currently in litigation have been recorded for financial reporting purposes.

Despite a concerted effort by KPC, citizens of Southeast Alaska, the Governor, and legislators of Alaska, Congress and the Clinton Administration failed to agree on legislation which would have extended the contract term 15 years beyond the current expiration date and would have revised the contract language to provide relief from a number of the problems and hardships caused by TTRA and the Unilateral Terms. Therefore, in early October, L-P and KPC announced that the pulp mill would be permanently shut down by the end of March 1997 and recorded a charge against earnings, as discussed above, to cover the estimated costs of the shut down. L-P will likely increase its claims against the USFS as a result of this shut down. KPC has entered into negotiations with the Department of Agriculture to determine the feasibility of continuing to run its two sawmills for two more years, but cannot assess the probability of success in reaching an agreement.

Sales and Profit by Major Product Group
Louisiana-Pacific Corporation and Subsidiaries
(Dollar amounts in millions) (Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
Sales:				
Structural panel products	\$ 277.6	\$ 311.7	\$ 791.8	\$ 837.8
Lumber	170.3	177.7	472.9	504.9
Industrial panel products	51.8	52.7	149.7	164.2
Other building products	139.3	144.2	375.6	384.3
	-----	-----	-----	-----
Total building products	639.0	686.3	1,790.0	1,891.2
Pulp	37.3	90.5	128.7	281.7
	-----	-----	-----	-----
Total sales	\$ 676.3	\$ 776.8	\$1,918.7	\$2,172.9
	=====	=====	=====	=====
Export sales	\$ 59.0	\$ 118.6	\$ 196.8	\$ 375.0
	=====	=====	=====	=====
Profit:				
Building products	\$ 68.0	\$ 111.3	\$ 170.3	\$ 265.0
Pulp	(26.5)	17.9	(78.9)	59.9
Settlement charges and other unusual items, net*	(350.0)	(366.6)	(350.0)	
(366.6)				
Unallocated expense, net	(19.6)	(30.2)	(39.5)	
(97.8)				
Interest income (expense), net	(3.9)	.3	(4.4)	1.4
	-----	-----	-----	-----
Income (loss) before taxes and minority interest	\$(332.0)	\$(267.3)	\$ (302.5)	\$
(138.1)				
	=====	=====	=====	=====

* In 1996, of the total \$350.0 million charge, \$170.5 million relates to the pulp segment and \$134.5 million relates to the building products segment.

In 1995, the substantial majority of the \$366.6 million charge related to class action settlements concerning the company's siding product and therefore would be primarily allocated to building products.

Operating Volumes
Louisiana-Pacific Corporation and Subsidiaries
(Volume amounts stated in millions, unless otherwise noted,
and as a percent of normal capacity)

	Quarter Ended September 30				Nine Months Ended September 30			
	1996		1995		1996		1995	
Oriented strand board, sq ft 3/8" basis	1,131	93%	886	97%	2,993	87%	2,576	94%
Softwood plywood, sq ft 3/8" basis	420	109	418	103	1,252	109	1,076	88
Lumber, board feet	287	70	370	61	894	72	1,063	59
Medium density fiberboard, sq ft 3/4" basis	56	100	48	86	158	94	156	92
Particleboard, sq ft 3/4" basis	89	99	81	90	259	96	255	94
Hardboard, sq ft 1/8" basis	56	102	54	97	167	102	160	97
Hardwood veneer, sq ft surface measure	55	89	49	78	161	86	182	97
Pulp, thousand short tons	111	77	124	83	319	73	390	87
Chips, thousand BDU's	392		492		1,216		1,421	

Industry Product Price Trends
Louisiana-Pacific Corporation and Subsidiaries

	OSB ----- N. Central 7/16" basis 24/16 span rating -----	Plywood ----- Southern Pine 1/2" basis CDX 3 ply -----	Lumber ----- Framing lumber composite prices -----	Particleboard ----- Inland Industrial 3/4" basis -----
Annual Average				
1991	148	191	236	198
1992	217	248	287	200
1993	236	282	394	258
1994	265	302	405	295
1995	245	303	337	290
1995 Third Quarter Average				
	276	320	333	276
1996 Second Quarter Average				
	203	246	393	277
1996 Third Quarter Average				
	198	261	426	277
Weekly Average				
October 4	168	272	408	277
October 11	155	270	409	277
October 18	154	270	422	277

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

The following sets forth the current status of certain legal proceedings:

Environmental Proceedings

In March 1995, L-P's subsidiary Ketchikan Pulp Company (KPC) entered into agreements with the federal government to resolve the issues related to water and air compliance problems experienced at KPC's pulp mill during the late 1980s and early 1990s. Under the agreements, KPC entered into a civil consent decree and pled guilty to one felony and thirteen misdemeanor violations of the Clean Water Act. The settlement required KPC to pay civil and criminal penalties of \$6.0 million, of which \$1.75 million was suspended in consideration of KPC's expenditures and ongoing efforts to improve its operations. The penalties were substantially reserved for at December 31, 1994. KPC also agreed to undertake further expenditures, which are primarily capital in nature, including certain remedial and pollution control related measures, with an estimated cost of up to approximately \$20 million. With the impending closure of the pulp mill, KPC is currently seeking the EPA's and court's guidance regarding the necessity of these expenditures. KPC has also agreed to undertake a study of whether a clean-up of Ward Cove, the body of water adjacent to the pulp mill, is needed. If the study determines that such clean-up is needed, KPC may be required to spend up to \$6 million on the clean-up, including the cost of the study, as part of the overall \$20 million of expenditures. At this time, the company cannot estimate what portion, if any, of the clean-up expenditures will be required. KPC is also negotiating with the state and EPA to conduct investigative and clean-up activities at the pulp mill following shut-down. Anticipated costs for these activities are unknown at this time.

The USFS has named KPC as a potentially responsible party for clean-up costs related to a landfill near Thorne Bay, Alaska. The USFS has indicated clean-up costs may range up to \$5 million.

In March 1996, an information was filed in the United States District Court for the Eastern District of Washington charging L-P with two misdemeanor counts related to alleged record-keeping violations in connection with the disposal by an independent contractor of transformers from a mill owned by L-P in 1991. The parties have reached an agreement in principle to settle this matter with a civil fine of \$200,000.

Although L-P's policy is to comply with all applicable environmental laws and regulations, the company has in the past been required to pay fines for non-compliance and sometimes litigation has resulted from contested environmental actions. Also, L-P is involved in other environmental actions and proceedings which could result in fines or penalties. Management believes that any fines, penalties or other losses resulting from the matters discussed above in excess of the reserve for environmental loss contingencies will not have a material adverse effect on the business, financial position or results of operations of L-P. See "Colorado Criminal Proceedings" for further discussion of an environmental action against the company.

Colorado Criminal Proceedings

L-P began an internal investigation at L-P's Montrose (Olathe), Colorado, oriented strand board (OSB) plant of various matters, including certain environmental matters, in the summer of 1992 and reported its initial finding of irregularities to governmental authorities in September 1992. Shortly thereafter, a federal grand jury commenced an investigation of L-P concerning alleged environmental violations at that plant. In 1995, additional subpoenas were issued requiring the production of evidence and testimony relating to alleged fraud in connection with the submission of unrepresentative OSB product samples to the APA-The Engineered Wood Association (APA), an industry product certification agency, by L-P's Montrose plant and certain of its other OSB plants. L-P then commenced an independent investigation, which was concluded in 1995, under the direction of former federal judge Charles B. Renfrew concerning irregularities in sampling and quality assurance in its OSB operations. In June 1995, the grand jury returned an indictment in the U.S. District Court in Denver, Colorado, against L-P, a former manager of the Montrose mill, and a former superintendent at the mill. L-P is now facing 23 felony counts related to environmental matters at the Montrose mill, including alleged conspiracy, tampering with opacity

monitoring equipment, and making false statements under the Clean Air Act. The indictment also charges L-P with 25 felony counts of fraud relating to alleged use of the APA trademark on OSB structural panel products produced by the Montrose mill as a result of L-P's allegedly improper sampling practices in connection with the APA quality assurance program. No trial date has been set.

In December 1995, L-P received a notice of suspension from the United States Environmental Protection Agency ("EPA") stating that, because of criminal proceedings pending against L-P in Colorado, agencies of the federal government would be prohibited from purchasing from L-P's Northern Division. L-P is negotiating to have the EPA suspension lifted or modified based on positive environmental programs actively underway. While negotiations are continuing, the EPA has approved a preliminary agreement limiting the prohibition to L-P's Montrose, Colorado, facility for an interim period in recognition of L-P's environmental compliance efforts. Under recently revised regulations of the United States Department of Agriculture, the EPA suspension will also have the effect of prohibiting L-P's Montrose facility from purchasing timber directly, but not indirectly, from the United States Forest Service.

L-P maintains a reserve for its estimate of the minimum cost of the Montrose criminal proceedings, although as with any estimate, there is uncertainty concerning the actual costs to be incurred. At the present time, L-P cannot predict whether or to what extent the circumstances described above will result in further civil litigation or investigation by government authorities, or the potential financial impact of any such current or future proceedings. However, the resolution of the above matters could have a materially adverse impact on L-P.

OSB Siding Matters

L-P has been named as a defendant in at least 12 purported class actions filed in various jurisdictions, as well as numerous non-class action proceedings, brought on behalf of various persons or purported classes of persons (including nationwide classes in the United States and Canada) who own or have purchased or used OSB siding manufactured by L-P, because of alleged unfair business practices, breach of warranty, misrepresentation, conspiracy to defraud, and other theories related to alleged defects, deterioration, or failure of OSB siding products.

A settlement of one of the OSB siding class actions has been approved by the Circuit Court for Lake County, Florida. Under the settlement, L-P has established a claims procedure pursuant to which members of the settlement class may report problems with L-P's OSB siding and have their properties inspected by an independent adjuster, who will measure the amount of damage and also determine the extent to which improper design, construction, installation, finishing, painting, and maintenance may have contributed to any damage. The maximum payment for damaged siding will be \$3.40 per square foot for lap siding and \$2.82 per square foot for panel siding, subject to reduction of up to 75 percent for damage resulting from improper design, construction, installation, finishing, painting, or maintenance, and also subject to reduction for age of siding more than three years old. L-P has agreed with attorneys representing the class that the deduction from the payment to a member of the Florida class will be not greater than the deduction computed for a similar claimant under the national settlement agreement described below. Class members will be entitled to make claims for up to five years after October 4, 1995. As of October 31, 1996, approximately 20,000 claims forms had been requested and mailed; approximately 10,700 completed claims forms had been returned, and approximately 9,400 inspections had been completed; this resulted in approximately 7,500 allowed claims, approximately 6,800 of which had been paid at an aggregate cost of approximately \$23 million (including adjustments to deductions to conform to the national settlement).

In April 1996, the United States District Court for the District of Oregon approved an amended settlement agreement between L-P and attorneys representing a nationwide class composed of all persons who own, who have owned, or who subsequently acquire property on which L-P's OSB siding was installed prior to January 1, 1996, excluding persons who timely opt out of the settlement and persons who are members of the settlement class in the Florida litigation. 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 will be entitled to receive from the settlement fund established under the agreement a payment equal to the replacement cost (to be determined by a third-party construction cost estimator and currently estimated to be in the range \$2.20 to \$6.40 per square foot depending on the type of product and geographic location) of damaged siding, reduced by a specific adjustment (of up to 65 percent) based on the age of the siding. Class members who have previously submitted or

resolved claims under any other warranty or claims program of L-P may be entitled to receive the difference between the amount which would be payable under the settlement agreement and the amount previously paid. Independent adjusters will determine the extent of damage to OSB siding at each claimant's property in accordance with a specified protocol. There will be no adjustment to settlement payments for improper maintenance or installation.

A claimant who is dissatisfied with the amount to be paid under the settlement may elect to pursue claims against L-P in a binding arbitration seeking compensatory damages without regard to the amount of payment calculated under the settlement protocol. A claimant who elects to pursue an arbitration claim must prove his entitlement to damages under any available legal theory, and L-P may assert any available defense, including defenses that otherwise had been waived under the settlement agreement. If the arbitrator reduces the damage award otherwise payable to the claimant because of a finding of improper installation, the claimant will be entitled to pursue a claim against the contractor/builder to the extent the award was reduced.

L-P is required to pay \$275 million into the settlement fund in seven annual installments beginning in mid-1996: \$100 million (paid in June 1996), \$55 million, \$40 million, \$30 million, \$20 million, \$15 million, and \$15 million. If at any time after the fourth year of the settlement period the amount of approved claims (paid and pending) equals or exceeds \$275 million, then the settlement agreement will terminate as to all claims in excess of \$275 million unless L-P timely elects to provide additional funding within 12 months equal to the lesser of (i) the excess of unfunded claims over \$275 million or (ii) \$50 million and, if necessary to satisfy unfunded claims, a second payment within 24 months equal to the lesser of (i) the remaining unfunded amount or (ii) \$50 million. If the total payments to the settlement fund are insufficient to satisfy in full all approved claims filed prior to January 1, 2003, then L-P may elect to satisfy the unfunded claims by making additional payments into the settlement fund at the end of each of the next two 12-month periods or until all claims are paid in full, with each additional payment being in an amount equal to the greater of (i) 50 percent of the aggregate sum of all remaining unfunded approved claims or (ii) 100 percent of the aggregate amount of unfunded approved claims, up to a maximum of \$50 million. If L-P fails to make any such additional payment, all class members whose claims remain unsatisfied from the settlement fund may pursue any available legal remedies against L-P without regard to the release of claims provided in the settlement agreement.

If L-P makes all payments required under the settlement agreement, including all additional payments as specified above, class members will be deemed to have released L-P from all claims for damaged OSB siding, except for claims arising under their existing 25-year limited warranty after termination of the settlement agreement. The settlement agreement does not cover consequential damages resulting from damage to OSB siding or damage to utility grade OSB siding (sold without any express warranty), both of which are the subject of additional claims. In the event all claims filed prior to January 1, 2003, that are approved have been paid without exhausting the settlement fund, any amounts remaining in the settlement fund revert to L-P. In addition to payments to the settlement fund, L-P will be 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, any amounts of arbitration awards in excess of the amounts calculated under the settlement protocol, and certain other costs. As of October 31, 1996, approximately \$76 million of the first year's \$100 million installment remained, after accruing interest on undisbursed funds and deducting class notification costs, prior claims costs (including payments advanced to homeowners in urgent circumstances) and a small number of claims under the settlement. By that date, approximately 71,000 claims forms had been requested and mailed and approximately 28,000 claims had been submitted; inspections and claims payments were at a very early stage.

Potential members of the settlement class were entitled to opt out of the settlement class until May 27, 1996. Approximately 1,400 opt out notices were timely submitted, including about 1,200 individual property owners (most of whose claims have subsequently been resolved) and about 200 developers/owners of commercial properties; this has resulted in numerous additional claims being filed by those who opted out, predominantly by owners/developers of commercial properties. An appeal from the court's order approving the settlement has been resolved and the settlement is now final.

L-P maintains reserves for the estimated costs of these siding settlements, although, as with any estimate, there is uncertainty concerning the actual costs to be incurred. The discussion above notes some of the factors, in addition to the inherent uncertainty of predicting the outcome of claims and litigation, that could cause actual costs to vary materially from current estimates.

Other OSB Matters

Three separate purported class actions on behalf of owners and purchasers of properties in which L-P's OSB panels are used for flooring, sheathing, or underlayment have been consolidated in the United States District Court for the Northern District of California under the caption *Agius v. Louisiana-Pacific Corporation*. The actions seek damages and equitable relief for alleged fraud, misrepresentation, breach of warranty, negligence, and improper trade practices related to alleged improprieties in testing, APA certification, and marketing of OSB structural panels, and alleged premature deterioration of such panels. A separate state court action entitled *Carney v. Louisiana-Pacific Corporation* is pending in the Superior Court of the State of California for the City and County of San Francisco, seeking relief under California consumer protection statutes based on similar allegations.

At the present time, L-P cannot predict the potential financial impact of the above actions. However, the resolution of the above matters could have a materially adverse impact on L-P.

Stockholder Actions

In October 1996, L-P announced that it had reached an agreement in principle with plaintiffs' attorneys to settle on behalf of all defendants pending securities class actions in which L-P and certain of its present and former executive officers were named as defendants. The actions were brought on behalf of various purported classes of purchasers of L-P's common stock and were consolidated in the United States District Court for the District of Oregon under the caption *In Re Louisiana Pacific Corp. Securities Litigation*, Civil Action No. 95-707-JO. Plaintiffs were seeking to recover damages under the securities laws for alleged failures to disclose or improper disclosures generally relating to the various legal proceedings described above and the matters that are the subject of such proceedings. The proposed settlement, which was entered into without any admission of liability by any defendant, provides for payment by L-P of approximately \$65 million, of which approximately \$20 million will be covered by insurance. The settlement is subject, among other conditions, to execution of a definitive settlement agreement, confirmatory discovery, and approval by the court.

Five individual directors (Messrs. du Pont, Kayser, and Yeager, Ms. Hill and Mrs. Neff) and three former directors of the registrant have been named as defendants in ten stockholder derivative actions, which also name the registrant as a nominal defendant. Eight of these actions were brought in the Court of Chancery of the State of Delaware in and for New Castle County and have been consolidated under the caption *In re Louisiana-Pacific Corporation Derivative Litigation*, Civil Action No. 14322 (the "Delaware action"). One action, captioned *Silverman, et al. v. Merlo, et al.*, No. 9505-03630, was brought in the Circuit Court of the State of Oregon for the County of Multnomah (the "Oregon action"). The remaining action, captioned *Rand v. Merlo, et al.*, No. 95-Z-1511, was brought in the United States District Court for the District of Colorado (the "Colorado action"). The actions seek to recover damages from the directors on behalf of the corporation because of alleged mismanagement and breaches of fiduciary duty generally related to the various legal proceedings described above and the matters that are the subject of such legal proceedings. The individual directors, former directors, the registrant, and attorneys representing plaintiffs have entered into a memorandum of understanding concerning a proposed settlement of the derivative actions without payment by the directors or former directors or any admission of liability. The settlement recognizes the recent management changes effected by the registrant and certain other actions taken and to be taken by the registrant with respect to quality control. The proposed settlement is subject to confirmatory discovery by attorneys for plaintiffs, execution of a definitive settlement agreement, and approval by the courts.

Executive Employment Matter

In January 1996, an action entitled *International Paper Company v. Mark A. Suwyn and Louisiana-Pacific Corporation* was instituted in the United States District Court for the Southern District of New York claiming that Mr. Suwyn's employment as chief executive officer of L-P violated the terms of a previous employment agreement with the plaintiff. The complaint seeks an injunction prohibiting Mr. Suwyn from continuing his employment with L-P for 18 months and other relief. L-P believes there are meritorious defenses related to this case and does not believe that there is any material liability related to this case.

Other

L-P and its subsidiaries are parties to other legal proceedings.

Management believes that the outcome of such proceedings will not have a material adverse effect on the business, financial position or results of operations of L-P.

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

- (a) The exhibits filed as part of this report or incorporated by reference herein are listed in the accompanying exhibit index.
- (b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended September 30, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LOUISIANA-PACIFIC CORPORATION

By /s/ WILLIAM L. HEBERT
William L. Hebert
Vice President - Treasurer
and Controller
(Principal Financial Officer)

DATED: November 14, 1996

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
11	Calculation of Net Income Per Share for the Nine Months Ended September 30, 1996
27	Financial Data Schedule

Louisiana-Pacific Corporation and Subsidiaries
 Calculation of Net Income Per Share
 For the Nine Months Ended September 30, 1996

	Number of shares	
	Including Common Stock Equivalents -----	Excluding Common Stock Equivalents (1) -----
Weighted average number of shares of common stock outstanding	116,937,022	116,937,022
Weighted average number of shares sold to ESOTs subsequent to January 1, 1994, not allocated to participants' accounts(2)	(1,266,666)	(1,266,666)
Weighted average number of shares of treasury stock held during the period	(8,345,970)	(8,345,970)
Common stock equivalents: Application of the "treasury stock" method to stock option and purchase plans	61,303 -----	--- -----
Weighted average number of shares of common stock and common stock equivalents	107,385,688 =====	107,324,385 =====
Rounded to	107,390,000 =====	107,320,000 =====
Net income (loss)	\$(186,000,000) =====	\$(186,000,000) =====
Net income (loss) per share	\$ (1.73) =====	\$ (1.73) =====

- (1) Accounting Principles Board Opinion No. 15, "Earnings Per Share", allows companies to disregard dilution of less than three percent in the computation of earnings per share. Therefore, shares used in computing earnings per share for financial reporting purposes is 107,320,000 shares.
- (2) American Institute of Certified Public Accountants Statement of Position No. 93-6, "Employers' Accounting for Employee Stock Ownership Plans" requires that shares held by the registrant's ESOTs which were acquired by the ESOTs on or after January 1, 1994, which are not allocated to participants' accounts, are not considered outstanding for purposes of computing earnings per share. Shares held by the ESOTs which were acquired by the ESOTs prior to January 1, 1994, continue to be considered outstanding (whether or not allocated to participants' accounts) for purposes of computing earnings per share.

This schedule contains summary financial information extracted from Consolidated Summary Financial Statements and Notes included in this Form 10-Q and is qualified in its entirety by reference to such financial statements.

1,000
 DEC-31-1996
 SEP-30-1996
 9-MOS

	53,700
	0
	143,800
	0
	258,500
	549,600
	2,499,900
	(1,192,700)
	2,586,600
462,500	
	343,300
0	
	0
	117,000
	1,331,200
2,586,600	
	1,918,700
1,918,700	
	1,617,000
	2,216,800
	0
	0
	9,200
	(302,500)
	(117,100)
(186,000)	
	0
	0
	0
	(186,000)
	(1.73)
	0